

# WAYNE HUMMER<sup>®</sup>

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## INVESTMENTS

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### **WELLS FARGO ADVISORS WRAP FEE PROGRAMS BROCHURE**

This wrap fee brochure provides information about the qualifications and business practices of Wayne Hummer Investments L.L.C. ("WHI"). If you have any questions about the contents of this Brochure, please contact us at 800-621-4477. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

WHI is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about WHI also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

There were no material changes since our last ADV filing.

Additional information about Wayne Hummer Investments (the “Adviser”) is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with the Adviser who are registered, or are required to be registered, as investment adviser representatives of the Adviser.

### Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes.....	2
Item 3 – Table of Contents .....	3
Item 4 – Services, Fees, and Compensation .....	4
Item 5 – Account Requirements and Types of Clients.....	17
Item 6 – Portfolio Manager Selection and Evaluation.....	19
Item 7 – Client Information Provided to Portfolio Managers.....	27
Item 8 – Client Contact with Portfolio Managers .....	28
Item 9 – Additional Information .....	29

## Item 4 – Services, Fees, and Compensation

### Services

Wayne Hummer Investments, LLC (“WHI” or the “Adviser”) has entered into an agreement with Wells Fargo Advisors (“WFA”), pursuant to which WFA provides advisory and/or other services with respect to the Programs. Clients of investment advisory accounts described herein are clients of WHI. WHI is not related to or affiliated with WFA or First Clearing, LLC (the “Clearing Agent”). Unless otherwise specified, WHI or Clearing Agent will maintain custody of client assets. Clearing Agent qualifies as a “qualified custodian” as described by Rule 206(4)-2 of the Investment Advisers Act. WFA and Clearing Agent each reserves the right to reject and not provide services to any client or with respect to any client account for any reason.

WFA provides advisory and other services to WHI with respect to the following programs: Masters, Diversified Managed Allocations, Wells Fargo Compass Advisory, Allocation Advisors, Customized Portfolios, FundSource, Pathways and Financial Planning. Please review the appropriate WFA Disclosure Documents for a complete description of each program. WHI offers these programs in accordance with the following fee schedules:

### Masters

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to Masters Accounts.

Listed below are WHI’s standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for Masters is \$100,000, and may be subject to manager minimums.

#### **Equity and Balanced**

##### **Accounts**

##### **Annualized**

##### **Total Account Value**

##### **Fee**

First \$500,000	2.75%
Next \$500,000	2.50%
Next \$1,000,000	2.00%
Over \$2,000,000	Negotiable

#### **Fixed Income Accounts**

##### **Total Account Value**

##### **Annualized**

##### **Fee**

First \$500,000	1.50%
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Next \$500,000	1.25%
Next \$1,000,000	1.00%
Over \$2,000,000	Negotiable

### **Diversified Managed Allocations (DMA)**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to DMA accounts.

Listed below are WHI's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for DMA is \$250,000, and may be subject to portfolio minimums, depending on client's asset level.

<b><u>Total Account Value</u></b>	<b><u>Annualized</u></b>
	<b><u>Fee</u></b>
First \$500,000	2.75%
Next \$500,000	2.50%
Next \$1,000,000	2.00%

### **Wells Fargo Compass Advisory**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to Wells Fargo Compass Advisory accounts.

Listed below are WHI's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for the portfolios offered in the Wells Fargo Compass Advisory Program range from \$50,000 to \$250,000, depending on the portfolio.

#### **Individual, Asset Allocation and ETF Strategies**

<b><u>Total Account Value</u></b>	<b><u>Annualized</u></b>
	<b><u>Fee</u></b>
First \$250,000	2.50%
Next \$750,000	2.00%
Over \$1,000,000	1.50%

#### **Fixed Income Strategies**

<b><u>Total Account Value</u></b>	<b><u>Annualized</u></b>
	<b><u>Fee</u></b>
First \$250,000	1.50%
Next \$750,000	1.25%
Over \$1,000,000	1.00%

### **Allocation Advisors**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to Wells Fargo Compass Advisory accounts.

Listed below are WHI's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The minimum account size for the portfolios offered in the Allocation Advisors Program range from \$25,000 to \$50,000, depending on the portfolio.

<b><u>Tactical Portfolios</u></b>	
<b><u>Total Account Value</u></b>	<b><u>Annualized</u></b>
	<b><u>Fee</u></b>
First \$250,000	2.50%
Next \$750,000	2.00%
Over \$1,000,000	1.50%

<b><u>Strategic Portfolios</u></b>	
<b><u>Total Account Value</u></b>	<b><u>Annualized</u></b>
	<b><u>Fee</u></b>
First \$250,000	1.75%
Next \$750,000	1.00%
Over \$1,000,000	0.75%

### **Customized Portfolios**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to DMA accounts.

Listed below are WHI's standard fees for this program, which are negotiable and may differ from those described in the WFA Separately Managed Accounts Wrap Fee Brochure. The

minimum account size for the Customized Portfolios Program is \$2,000,000 for the taxable and municipal fixed income strategies.

<b><u>Total Account Value</u></b>	<b><u>Annualized</u></b>
	<b><u>Fee</u></b>
First \$1,000,000	2.50%
Next \$1,000,000	2.0%
Over \$2,000,000	Negotiable

### **Fundsource**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to DMA accounts.

Listed below are WHI's standard fees for this program, which are negotiable and may differ from those described in the WFA Mutual Fund Advisory Wrap Fee Brochure. The minimum account size for FundSource is \$25,000.

<b><u>Total Account Value</u></b>	<b><u>Annualized</u></b>
	<b><u>Fee</u></b>
First \$250,000	1.75%
Next \$750,000	1.50%
Over \$4,000,000	1.15%

### **Pathways**

Please see the WFA Separately Managed Accounts Wrap Fee Brochure for a description of the services and additional fee information applicable to DMA accounts.

Listed below are WHI's standard fees for this program, which are negotiable and may differ from those described in the WFA Mutual Fund Advisory Wrap Fee Brochure. The minimum account size for Pathways is \$25,000.

<b><u>Total Account Value</u></b>	<b><u>Annualized</u></b>
	<b><u>Fee</u></b>
First \$250,000	1.75%

Next \$750,000	1.50%
Over \$4,000,000	1.15%

WFA does not provide advisory services to WHI with respect to Private Investment Management, Asset Advisor, Private Advisor Network and CustomChoice. While WHI is the sponsor of these advisory programs, WFA provides certain non-advisory services which enable WHI to offer these programs.

### **Private Investment Management (“PIM”)**

With PIM, certain specially trained WHI Financial Advisors (called Portfolio Managers) provide investment advisory and brokerage services to your account on a discretionary basis. As a minimum criterion for providing advisory services, WHI requires our Portfolio Managers to possess satisfactory past business experience, plus any required industry examinations and registrations. Based on your investment objectives and individual needs, your Financial Advisor will have discretion to manage your assets to an appropriate investment strategy.

PIM is based on both fundamental and quantitative research and other independent research. Individual PIM Portfolio Managers may develop specific investment strategies using a mix of these analytic methods. They also establish quality and concentration requirements to provide overall discipline. Such strategies ordinarily include long and short-term securities purchases and, depending on your objectives and the Portfolio Manager's investment philosophy, supplemental covered option writing. In special circumstances, the strategies may also include margin transactions, other option strategies and trading or short sale transactions.

Portfolio Managers may use third-party research to assist in developing security selection models for PIM. When seeking to anticipate trends and identify undervalued securities with sound fundamentals, Portfolio Managers may also use a security selection and portfolio modeling process that incorporates fundamental, technical and statistical analyses of historical data. Due to any number of factors, including timing of deposits, investment selection process or investment needs, certain clients may receive different execution prices and investment results.

### **Asset Advisor**

Asset Advisor is a non-discretionary, client directed investment program in which your Financial Advisor may provide a broad range of investment recommendations based on your investment



objectives, financial circumstances and risk tolerance. You have the option of accepting these recommendations or selecting different investments for your account.

Most types of securities are eligible for purchase in an Asset Advisor account including, but not limited to, common and preferred stocks, exchange-traded funds, closed end funds, fee-based unit investment trusts, corporate and government bonds, certificates of deposit, options, structured products, certain mutual funds whose shares can be purchased at net asset value, and certain wrap class alternative investments, such as hedge funds and managed futures funds. Collectively, these are referred to as “Program Assets.”

Hedge funds and managed futures are not suitable for all investors. Hedge funds are complex investment vehicles that often use leverage and other speculative investment practices, such as short sales, options, derivatives, futures and illiquid investments that may increase the risk of investment loss. Managed futures are speculative investments that are subject to a significant amount of risk. This Disclosure Document is not a solicitation, recommendation or invitation to invest in alternative investments and is intended solely to disclose the availability of alternative investments within Asset Advisor.

Certain assets, such as commodity futures contracts, options on such contracts, annuities, limited partnership interests, and mutual funds that cannot be purchased at net asset value are not eligible as Program Assets, and are referred to collectively as “Excluded Assets.” You may purchase or sell Excluded Assets in your account, but these transactions will incur commissions or charges.

While new-issue CDs are an eligible Program Asset, the yield of new-issue CDs takes into account a sales concession in order to compensate the brokerage firms that sell the CDs. For certain advisory accounts, the underwriter retains this sales concession. Although WHI does not receive the sales concession, it has an impact on the overall yield paid to you. Since we charge an advisory fee on all eligible assets within an advisory Account, you are effectively charged both the sales concession (retained by the underwriter) and the advisory fee on the CD. These charges reduce the overall yield on the CD and, in some cases, this may result in a negative yield. You should be aware that you could obtain the same CDs without being subject to the advisory fee if you purchase it in a non-advisory brokerage Account.

An Asset Advisor account may not be used for market timing strategies or activities for mutual funds or any extreme trading activity that WHI or Clearing Agent, in its sole discretion, deems detrimental to the interest of average fund shareholders or contrary to the policies or interest of mutual fund companies with whom WHI, or Clearing Agent maintains relationships. WHI or Clearing Agent, in its sole direction, or by direction of the fund company, reserves the right to reject any transactions or to assess a redemption fee for any partial or full liquidation execution in which the account trading appears to be inconsistent with the fund’s prospectus. Furthermore, WHI will cooperate, when asked by a fund company, to aid in its attempt to identify and impede the efforts of Financial Advisors and investors engaging in market timing or

extreme trading activity. If the fund company notifies WHI to reject or cancel a trade for any reason, WHI reserves the right to cancel such trade without prior notice to Client. WHI will not be held accountable for any losses resulting from market timing activities or any action taken under its market timing policies. In addition, the frequency of mutual fund transactions and exchanges is subject to any limits established by the application mutual funds and WHI.

### **Private Advisor Network**

Through Private Advisor Network (“PAN”), WHI will assist you in identifying an investment adviser to perform investment advisory services with respect to your assets. WHI’s services may include preparing an investment policy statement in connection with anticipated advisory needs, matching personal and financial data provided by you with a roster of investment advisers, periodic evaluation and comparison of account performance, and continuing investment performance and objectives.

WHI will provide information on investment advisers that appears to meet your needs. Screening criteria may include the investment adviser’s past record, management style, location, size of account, etc. With the assistance of a WHI Financial Advisor, you may then choose one or more investment advisers to manage your assets.

All accounts are managed by the independent investment adviser(s) selected by you. Neither WHI nor WFA has discretionary trading authority with respect to such accounts. Information collected by WHI regarding PAN advisers is believed to be reliable and accurate but WHI does not necessarily independently verify it on all occasions. WHI does not assume responsibility for the conduct of investment advisers that clients select, including their performance or compliance with laws or regulations.

You will also be provided with a quarterly portfolio performance monitor. WHI or its agent will furnish you and/or the WHI with a statistical presentation of the performance of your account.

### **CustomChoice**

CustomChoice is a non-discretionary investment advisory program designed to help you allocate your assets among open-end mutual funds in accordance with your individual investment goals, objectives, and expectations. Based on the investment objectives and risk tolerance reported in your Account Profile, your Financial Advisor will recommend an appropriate mix of various open-end mutual funds and money market funds.

You have the option of accepting any of our recommendations, or selecting an alternative combination of funds. We will implement your investment decisions, but will not have investment discretion over your account, except for the limited discretion to rebalance your

target asset allocation, if you authorize us to do so. Over time, as changes occur in the financial markets and/or your investment objectives and circumstances, we may recommend changes in your portfolio. In making these recommendations, we will take the updated information in your Account Profile into account. You are advised that your decisions relating to investments in mutual funds may have tax consequences that should be discussed with your tax advisor. In order to maintain your portfolio in conformance with your target asset allocation, you may authorize us to rebalance your Account using an automated rebalance trading system. You may select a quarterly, semi-annual or annual rebalance option.

### **Fees and Compensation**

All of the program accounts described in this brochure are charged a fee on eligible assets that covers advisory, execution, custodial, and reporting services. The Fee Schedules for each program are set forth below.

#### **PIM Fee Schedule**

PIM accounts are charged an all-inclusive fee that covers advisory, execution, custodial and reporting services. Billed quarterly in advance, the standard PIM fee schedule is based on program eligible assets:

<b>Total Account Value</b>	<b>Annualized Fee</b>
First \$250,000	3.00%
Next \$750,000	2.50%
Next \$1,000,000	2.00%

#### **Asset Advisor Fee Schedule**

Asset Advisor accounts are charged an all-inclusive fee that covers advisory, execution, custodial, and reporting services. Billed quarterly in advance, the standard Asset Advisor fee schedule is based on program eligible assets:

<b>Total Account Value</b>	<b>Annualized Fee</b>
First \$250,000	3.00%
Next \$750,000	2.50%
Next \$1,000,000	2.00%

#### **Private Advisor Network Fee Schedule**

You have the choice of compensating WHI in one of two ways for Network services:

**Fee Schedule** – You pay a fee for both Network services and execution services, with no separate charge being imposed by us for brokerage commissions on agency trades or markups or markdowns on principal transactions. Billed quarterly in advance, the Private Advisor Network fee schedule is negotiable based on a maximum fee of 2.00%.

**Execution Schedule** - You pay for Network services by paying commissions for each transaction in the account at our normal commission rate for such agency transactions and at the normal markup or markdown imposed on client accounts for principal transactions. You will also be subject to any other fees associated with our standard brokerage accounts, including postage and handling fees, transfer taxes, exchange fees (among which SEC fees may be included), and any other fees required by law.

Neither the Execution Schedule nor Fee Schedule includes the investment adviser fees of the third-party investment manager. You pay for the services of the investment adviser separately. You authorize us to pay the separate investment advisory management fee invoiced by the adviser by debiting the client account accordingly. It is your responsibility to determine if any such invoice from the investment adviser is proper or if the amount of fees charged is accurate. You may revoke WHIs authorization to pay the investment adviser fee at any time by written notice.

### **Custom Choice Fee Schedule**

CustomChoice accounts are charged an all-inclusive fee on eligible mutual funds that covers advisory, execution, custodial, and reporting services. Billed quarterly in advance, the standard CustomChoice fee schedule is based on program eligible mutual funds:

<b>Total Account Value</b>	<b>Annualized Fee</b>
First \$250,000	1.75%
Next \$750,000	1.50%
Next \$1,000,000	1.15%

You should be aware that program fees charged may be higher or lower than those otherwise available if you were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory service provided. Our fee schedules may be subject to negotiation depending upon a range of factors including, but not limited to account sizes and overall range of services provided.

You should consider the value of this advisory service when making such comparisons. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple accounts, documentation and fees. You should also consider the amount of anticipated trading activity when selecting among the programs and assessing the overall

cost. Advisory programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher fees than if commissions were paid separately for each transaction.

A portion of the fees or commissions charged for the programs described will be paid to the Adviser Representative in connection with the management of accounts as well as for providing client-related services within the program. This compensation may be more or less than the Adviser Representative would receive if you paid separately for investment advice, brokerage, and other services, and may vary, depending on the program or services offered.

Unless agreed upon otherwise, you authorize us to deduct a quarterly fee calculated at the rate indicated in the Fee Schedule from your account, in advance. For the purposes of calculating program fees, "total account value" shall mean the sum of the long and short market value of all securities and mutual funds, if applicable. In valuing the account, we will use the closing prices or, if not available, the lowest published "bid-price" and if none exist, the last reported transaction if occurring within the last 45 days. For mutual funds, we use the fund's most current net asset value, as computed by the fund company. In so doing, we will use information provided by quotation services believed to be reliable.

The initial fee is calculated as of the date that the account is accepted into the program and covers the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the value of the account on the last business day of the prior calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in your account during that period. Your account will be charged or refunded a prorated quarterly fee on any net additions or net withdrawals in the account during a month. Fees will be charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in your Account, and WHI shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of your funds.

Whenever there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle.

### **Risk in the Use of Margin**

To the extent margin is used in your account, you should be aware that the margin debit balance will not reduce the market value of eligible assets, and will therefore increase the asset-based fee you are charged. The increased asset-based fee may provide an incentive for

your Adviser Representative to recommend the use of margin strategies. The use of margin is not suitable for all investors, since it increases leverage in your Account and therefore risk.

### **Other Account Fees**

The fee does not include certain dealer markups or markdowns, odd lot differentials, transfer taxes, exchange fees, execution fees (foreign and/or domestic) when applicable, and any other fees required by law. Cash balances in an Account may be invested in money market mutual funds including, as permitted by law, those with which we have agreements to provide advisory, administrative, distribution, and other services and for which we receive compensation for the services rendered. In a low interest rate environment, the yield that you earn on cash and cash alternatives, including cash sweep funds, CDs and money market funds may not offset advisory fees. In some instances, the effective yield of the investment may in fact be negative.

Non-brokerage-related fees, such as IRA fees, are not included in the wrap fee and may be charged to your account separately. As more fully described in the fee schedules above, the fees you are charged may be different, depending on the asset type invested by the account.

Your Financial Advisor may suggest that you use other products and services that WHI offers, but that are not available through the program you select ("Excluded Assets"). Excluded Assets are not charged a program fee and are not considered a part of the program or program services. We generally recommend that you hold these Excluded Assets in a separate brokerage account. If an excluded fund purchased for or transferred into your account later becomes eligible for the program, program fees will apply to that fund and it may become subject to the rebalance trading system. You will incur any usual and customary brokerage charges and fees imposed on transactions in Excluded Assets which may include (i) any dealer markups and odd lot differentials and transfer taxes; (ii) charges imposed by broker-dealers and custodians other than WFA and its affiliates and fees for other products and services that we and our affiliates may offer; (iii) offering discounts, commissions and related fees in connection with underwritten public offerings of securities; (iv) margin interest and operational fees and charges; (v) IRA fees; and (vi) any redemption fees, exchange fees and or similar fees (among which SEC fees are included) imposed in connection with mutual fund transactions whereby WHI or your Financial Advisor may receive additional compensation on these Excluded Assets.

### **Costs of Investing in Mutual Funds**

In addition to program fees, as a shareholder of a money market, mutual fund or closed-end fund, you will bear a proportionate share of the fund's expenses, including investment management fees that are paid to the fund's investment adviser. WHI may receive fees from these mutual funds or closed-end funds. For more information about these funds, refer to their prospectuses.

You should be aware that you may invest in Money Market Funds or Mutual Funds directly without incurring the fee charged for participation in a program. In addition, certain institutional investors may directly purchase a class of shares of certain money market funds or funds that do not charge shareholder services, sub-accounting or other related fees. If you do, however, you will not receive the various program services provided under the program and some mutual funds may impose a sales load on direct investments. You will receive a prospectus for each money market and mutual fund purchased, as required by securities regulations.

WHI may collect such fees directly or indirectly from some or all of the mutual funds in which you invest, and we may pay any such fees it receives to Adviser Representatives. The amount of the fees we or your Adviser Representative receive will vary, depending on the percentage paid pursuant to a fund's Rule 12b-1 plan.

Certain Funds make multiple no-load, institutional, advisory, or load-waived share classes available for purchase through investment advisory programs. These share classes may be available only through investment advisory programs and have different and lower shareholder servicing, sub-accounting, investment management and 12b-1 fees and charges from other shares classes offered by those Funds. As a result, some clients may have purchased these lower-cost institutional share classes, while others may have purchased a non-institutional share class.

### **Account Termination**

Your account agreements may be terminated by either party at any time upon 30 days' advance written notice. If you terminate your Agreement, a pro rata refund will be made, less reasonable start-up costs. You have the right, within five (5) days of execution, to terminate the Client Agreement without penalty. Unless otherwise agreed upon by the Adviser, the client's written confirmation that it wishes to withdraw all assets from the Account shall be considered a written notice of termination of the Client Agreement by the client. In the event of cancellation of Client Agreements, fees previously paid pursuant to the fee schedule will be refunded on a pro rata basis, as of the date notice of such cancellation is received by the non-canceling party, less reasonable start-up costs.

If you choose to terminate your agreement, we can liquidate your account if you instruct us to do so. If so instructed we will liquidate your account in an orderly and efficient manner. We do not charge for such redemption; however, you should be aware that certain mutual funds impose redemption fees as stated in their fund prospectus. You should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with your tax advisor.

We will not be responsible for market fluctuations in your account from the time of notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that may affect the orderly and efficient liquidation of an account might be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate an advisory account, termination orders cannot be considered market orders. It may take several business days under normal market conditions to process your request.

If a program account is terminated, but you maintain a brokerage account with us, the money market fund used in a "sweep" arrangement may be changed and/or your shares may be exchanged for shares of another series of the same fund. You will bear a proportionate share of the money market fund's fees and expenses. You are subject to the customary brokerage charges for any securities positions sold in your account after the termination of program services.



## Item 5 – Account Requirements and Types of Clients

### Account Requirements

The minimum initial account values for the Programs in this document are listed below. Under certain circumstances, the minimum account size may be waived. WFA may act as sub-adviser for the advisory programs. The minimum and maximum account size required by WHI may differ than that required by WFA as stated in its advisory program Wrap Fee Brochure or applicable Disclosure Document. You should refer to the chart below, as appropriate, to determine the minimum account sizes permitted.

<b>Program Name</b>	<b>Minimum Account Size</b>
Masters	\$100,000 subject to Manager's minimum
DMA	\$250,000 or portfolio minimum
Network	\$100,000 subject to Manager's minimum
PIM	\$50,000
Asset Advisor	\$50,000
Wells Fargo Compass Advisory	
Blue Chip	\$50,000
Value Investors	\$50,000
Managed DSIP	\$50,000
Conservative Growth	\$250,000
Moderate Growth	\$250,000
Long Term Growth	\$150,000
Conservative Growth and Income	\$250,000
Moderate Growth and Income	\$250,000
Long-Term Growth and Income	\$250,000
Conservative Income ETF	\$50,000
Conservative Growth & Income ETF	\$50,000
Conservative Growth ETF	\$50,000
Moderate Income ETF	\$50,000
Moderate Growth & Income ETF	\$50,000

Moderate Growth ETF	\$50,000
Long Term Income ETF	\$50,000
Long Term Growth & Income ETF	\$50,000
Long Term Growth	\$50,000
Taxable Fixed Income	\$250,000
Intermediate Taxable Fixed Income	\$250,000
Tax-Exempt Fixed Income	\$250,000
Allocation Advisors	
Strategic Portfolios	\$25,000
Tax-Exempt Fixed Income	\$50,000
Customized Portfolios	\$2,000,000
CustomChoice	\$25,000
Fundsource	\$25,000
Pathways	\$25,000

### **Types of Clients**

WHI provides the advisory services described in this brochure to individuals, pension or profit sharing plans, trusts, estates or charitable organizations, corporations or other business entities, governmental entities and educational institutions, as well as banks or thrift institutions.

## **Item 6 – Portfolio Manager Selection and Evaluation**

### **Portfolio Manager Selection**

Financial Advisors are selected to act as Adviser Representatives, based on a number of factors, including overall level of experience and the successful completion of appropriate regulatory examinations. Clients may designate the Adviser Representative; a specific Adviser Representative is not generally recommended to a client. Each Account is subject to periodic review for adherence to the investment objective and risk tolerance of the client. The investment returns, as compared with appropriate market benchmarks, are also periodically reviewed. The review is conducted by a supervising registered principal of the firm. The investment merits of individual securities are not reviewed. The supervising principal may recommend replacement of an Adviser Representative based on factors such as performance and service.

### **Evaluation**

As our client, you will be provided with timely confirmations of all transactions. No less frequently than quarterly, you will be provided with an Account statement from FC reflecting any and all Account activity, including purchases and sales of securities. The Adviser will also provide you with a periodic review of the investment performance of your Account. The Adviser will discuss that review with you as deemed necessary in each case, provide answers to any questions, and discuss other factors deemed appropriate. The review will include an evaluation of Account activity and performance for the most recent quarter and the current year. This evaluation will include a measurement of, among other things, net investment earnings, Account additions and withdrawals, performance relative to one or more benchmarks, and asset allocation statistics. Performance reviews are prepared in accordance with industry standards by the Adviser Representative.

Account reviews are carried out on a periodic basis throughout the year. Account reviews include the monitoring of equity, fixed income, and cash levels for each account by investment objective (asset allocation), the concentration of any security in an account, the security selection, and the investment rating of any bond held in the account.

### **Conflicts of Interest**

Some broker-dealers may be able to obtain better prices on securities transactions than either WHI or FC. Because the Adviser directs all orders for to WHI or FC, the Adviser will not solicit prices from other broker-dealers and may not otherwise obtain “best execution.” Accordingly, clients may receive less favorable net prices and executions of some transactions than might otherwise be obtainable from another broker-dealer.

The directors, officers, employees and registered persons of the Adviser and its affiliated broker-dealer, WHI may purchase or hold securities that are recommended for purchase or sale to clients. Personal

security transactions by persons associated with the Adviser, WHI are subject to the firm's Code of Ethics, which includes various reporting, disclosure and approval requirements, described in item 11 of the firm's ADV Part 2A. The Code of Ethics applies not only to transactions by the individual, but also to transactions for accounts in which such person has an interest individually, jointly or as guardian, executor, or trustee or in which such person or the person's spouse, minor children or other dependents residing in the same household have an interest. Compliance with the Code of Ethics is a condition of employment.

### **Advisory Business**

Wayne Hummer Investments, LLC ("WHI" and "Adviser") was founded in 1931 and is 100% owned by Northshore Community Bank & Trust, a subsidiary of Wintrust Financial Corporation.

WHI provides investment management services to individual and institutional clients on a personalized basis, reflecting the individual client's circumstances through the following programs:

- i. Wells Fargo Advisors Investment Advisory Services (collectively "the programs")
  - o Masters Investment Consulting Program ("Masters"),
  - o Diversified Managed Allocations ("DMA"),
  - o Network Investment Consulting Services ("Network"),
  - o Private Investment Management ("PIM"),
  - o Compass Advisory Program ("Compass Advisory"),
  - o Asset Advisor,
  - o FundSource,
  - o Pathways
  - o CustomChoice
- ii. WHI Personal Financial Planning

### **Wells Fargo Advisors Investment Advisory Services**

The Programs consist of separately managed account (i.e., "wrap") programs provided to clients for an inclusive fee, a mutual fund asset allocation program and discretionary investment advisory services for an advisory fee with the client paying separately for brokerage. WHI also offers discretionary investment advisory services with the client paying for brokerage.

In offering the Programs, WHI entered into an arrangement with Wells Fargo Advisors, LLC ("Wells Fargo Advisors"), an independent investment management firm and broker-dealer. Under the Programs, (1) the Adviser and an investment adviser representative/Wayne Hummer Investments LLC ("WHI") Financial Advisor ("Adviser Representative") completes pertinent financial and demographic information regarding the client in order to develop an investment program that meets the client's goals and objectives; (2) the Adviser Representative forwards the client's information to Wells Fargo Advisors which analyzes such information and recommends an appropriate asset allocation and strategy, which may include use of various sub-managers and investment vehicles such as mutual funds, based on the client's goals and objectives, investment time horizon, tolerance for risk and other factors deemed pertinent to the client's individual situation; (3) for all Programs except Asset Advisor and CustomChoice, the sub-manager, Adviser Representative or the investment manager of the investment vehicle, as applicable, provides continuous investment management services on a discretionary basis

with respect to the cash and securities in the client's accounts under the Programs (the "Accounts"); (4) Wells Fargo Advisors, the sub-manager or Adviser Representative, as applicable, through First Clearing, LLC ("First Clearing"), Wells Fargo Advisors' affiliate and clearing firm, effects transactions in securities for the client's Accounts; and (5) First Clearing maintains custody of the client's assets under the Program. For the services offered under the Programs (with the exception of Network), the client pays an all-inclusive fee out of which the Adviser pays itself, Wells Fargo Advisors, the sub-manager (as applicable) and First Clearing. In the case of Network, Wells Fargo Advisors may be compensated for its services either from a fee, which is payment for both the Network services and execution services, or through brokerage commissions. Network clients pay for the services of the sub-manager separately.

Each Program (with the exceptions of Asset Advisor and CustomChoice) is a discretionary asset allocation service. Pursuant to an Investment Management Agreement between the Adviser, Wells Fargo Advisors and the client; the client grants Wells Fargo Advisors, subject to the review of the Adviser and Adviser Representative, or Adviser in the case of PIM, discretionary authority to invest and reinvest all assets in the client's Account under one of the Programs. Such discretion will be exercised in accordance with the client's goals and objectives, as discussed above. Accordingly, Wells Fargo Advisors or Adviser is empowered to buy, sell or to otherwise effect transactions in securities for the client's Accounts at any time and without prior consultation with the client and may delegate such authority to sub-managers. Pursuant to the Investment Management Agreement for Masters, DMA, Compass, Network, FundSource and Pathways Accounts, the Adviser will inform Wells Fargo Advisors of any changes to the client's financial information and investment objectives as provided to the Adviser by the client.

For the PIM, Asset Advisor and CustomChoice Programs, an Adviser Representative acts as portfolio manager for the Account. Asset Advisor and CustomChoice are non-discretionary programs pursuant to which the Adviser, acting through the client's Adviser Representative, will make investment recommendations based on the client's information. The Adviser may not implement such recommendations without obtaining the client's prior approval.

The investment management services provided by WHI and/or Wells Fargo Advisors under each Program include:

- Assessment of the client's investment needs and objectives
- Investment policy planning
- Development of an asset allocation strategy designed to meet the client's objectives
- Recommendations on suitable style allocations
- Identification of appropriate sub-managers, investment vehicles, asset classes and/or securities suitable to the client's goals
- Evaluation of sub-managers, investment vehicles, asset classes and/or securities meeting style and allocation criteria
- Engaging selected sub-managers and/or investing in selected investment vehicles, asset classes and/or securities on behalf of the client (for all Programs except Asset Advisor)
- Ongoing monitoring of performance of individual sub-managers, investment vehicles, asset classes and/or securities
- Review of the Accounts to ensure adherence to policy guidelines and asset allocation
- Recommendations for rebalancing of the Accounts, if necessary
- Reporting of the Accounts' performance and progress

- Avoidance of wash sale rule violations
- Fully integrated back office support systems, including custody, trade execution and confirmation and statement generation through First Clearing Corp., an affiliated broker/dealer of Wells Fargo Advisors.

Wells Fargo Advisors may retain sub-managers to manage the Accounts. In some cases, sub-managers construct a model portfolio which is used to invest client assets. The Adviser will provide the client with a copy of each applicable sub-manager's Part 2A of Form ADV or disclosure brochure. Client's contact source is the Adviser Representative and sub-managers are generally not required to make themselves available to individual clients. The Programs (with the exception of Asset Advisor, which is a non-discretionary program) are intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Rule 3a-4 sets forth certain requirements for programs that offer discretionary portfolio management services to a large number of clients if clients with similar investment objectives receive the same investment advice or hold the same or substantially the same securities in their accounts. Each Account is managed on the basis of the client's individual financial situation. Each client has the opportunity to select the Account's investment objective and impose reasonable restrictions on the management of the assets in the Account. In addition, clients are contacted annually by the Adviser in order to confirm the accuracy of information regarding the client and are notified quarterly by the Adviser to contact the Adviser with any changes to the Account's investment objective or investment restrictions.

### **WHI Personal Financial Planning**

WHI provides fee-based financial planning services to its clients. Depending upon the client's specific situation, WHI creates either a limited or comprehensive financial plan. Financial planning elements include:

- |                        |                          |
|------------------------|--------------------------|
| ○ Financial statements | ○ Survivor needs         |
| ○ Income tax           | ○ Disability             |
| ○ Asset allocation     | ○ Financial independence |
| ○ Education            | ○ Long-term care         |
| ○ Accumulation         | ○ Estate planning        |
| ○ Business planning    | ○ Investment analysis    |

Comprehensive financial plans include three or more of the elements listed above.

WFA does not sponsor or advise WHI in creating Financial Plans.

### ***Financial Planning Process***

We believe that financial planning advice requires a clear understanding of a client's current situation. To achieve that level of understanding, our Adviser teams typically hold a series of meetings with each new client during which the team reviews the client's investment goals, objectives and other financial issues that the client may be concerned about. For example, we focus on personal goals such as how to achieve/maintain achieve financial independence, funding for children's college education and/or providing adequate funds for dependents in the event of death or disability. Each client is expected to provide complete information in all

relevant areas. We review various factors that can impact a client's overall financial picture, including the client's overall assets, liabilities, income, expenses and taxes (including estate taxes). We also review the client's existing trust arrangements, wills, insurance coverage, employee benefit programs in which the client is enrolled (or is eligible to enroll), as well as personal and family obligations. We give careful consideration to subjective factors such as a client's prior investment experience, ability and desire to manage assets, comfort with risk, and knowledge of various investment vehicles. Our goal is to determine the optimum course of action to realize the client's financial planning objectives, taking into consideration the client's needs, earning power, financial resources, and particular aversion to risk.

The team develops a comprehensive financial plan that includes, for example, an appropriate asset allocation model, including the types of assets to be included in the recommended portfolio (e.g., bonds, large cap stock, etc), as well as the correct proportions for each asset class. The financial plan may also cover other matters, including a retirement sufficiency analysis, the client's estate planning arrangements, education funding for any children, insurance coverage recommendations, and others. The financial plan is typically a written product, but the client may also receive oral financial advice designed to help them identify priorities and achieve their financial goals in all areas.

If a client is in agreement with the recommendations, our advisory personnel implement those recommendations over a period of time. Implementation is executed on a non-discretionary basis and in each case as mutually agreed upon.

#### *Financial Reviews*

We believe that financial planning is an on-going process and requires periodic re-visiting. A client's goals and economic conditions are likely to change over time. Moreover, over time, there are likely to be revisions in tax laws, changes in inflation rates, fluctuation in interest rates and/or instability in investment markets, all of which will affect the effectiveness of a financial plan. For this reason, we offer ongoing financial planning and goal tracking services that include periodic review and revisions to the major components of a client's financial plan.

#### *Implementation*

When a client retains us to implement a financial plan, our advisory personnel also design and construct an investment portfolio that is consistent with the client's financial objectives. As part of this service, the applicable Financial Advisor will recommend specific investments to be included in the client's portfolio. While determined in large measure by the specific client's goals/objectives, our portfolio design philosophy is a process of strategic asset allocation among three asset classes: fixed income, equities and alternative investments.

As part of a financial plan, a Financial Advisor may recommend changes to a client's health, life, disability or long-term care insurance coverage. Clients may elect to implement the insurance advice by purchasing a policy through one of our representatives in such capacity as a licensed insurance agent of various insurance agencies or companies.

Brokerage Execution will be conducted through FC with WHI as introducing broker. See item 9 for more information on conflicts of interest and brokerage practices.

#### Assets Under Management

Total program assets calculated as of 3/21/2011.

#### Discretionary

PIM	\$37,684,586.64
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#### Discretionary (third party managed)

Compass Advisory	\$1,495,640.95
DMA	\$20,190,042.97
Fundsource	\$47,139,139.76
Masters	\$2,773,709.42
Pathways	\$16,440,854.71
Network	\$23,220,149.53

#### Non-Discretionary

Asset Advisor	\$296,165,059.34
Custom Choice	\$4,752,208.99

#### **Performance Based Fees and Side-by-Side Management**

WHI does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Methods of Analysis, Investment Strategies and Risk of Loss**

##### Methods of Analysis

For programs for which WHI maintains discretionary authority or makes investment recommendations, methods of analysis are usually based on both fundamental and quantitative research and other independent research.

##### Investment Strategies

All investors have objectives or goals, such as seeking income, growth & income, growth, or trading or speculating. All investors also have risk tolerance, which is the amount of risk of loss they are willing and able to tolerate in order to achieve their investment goals. Although all investments involve risk, including the potential loss of principal, some securities, such as equities (stock), among others, involve more risk. Higher risk investments may have the



potential for higher returns, but also have the potential for greater losses. Generally speaking, investment objectives are on a spectrum, with "Income" investors generally holding the smallest percentage of higher risk investments and "Trading and Speculation" investors holding the largest percentage of higher risk investments. Similarly, risk tolerances are on a spectrum such that an investor with a "Conservative" risk tolerance will accept less risk than an investor with a "Moderate" risk tolerance; a "Moderate" investor less than a "Long Term" investor; and a "Long Term" investor less than a "Trading & Speculation" investor. The "Long Term" investor accepts short term market volatility associated with a large proportion of higher risk investments because he or she has a long term time horizon and seeks the higher long term return potential associated with these higher risk investments.

**Clients should consider their objective and risk tolerance carefully and understand that Investing in securities involves risk of loss that clients should be prepared to bear.**

Below are descriptions of the combined Investment Objective and Risk Tolerance:

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**Investment Objective - Income:** Income investors seek a maximum amount of income given their risk tolerance, and are willing to forgo capital appreciation and growth of income.

**Risk Tolerance- Conservative:** Conservative Income investors seek the maximum amount of income consistent with a modest degree of risk. They are willing to accept a lower level of income in exchange for lower risk. Higher risk investments, such as high yield bonds and some equities, are typically not a large percentage of the account.

**Risk Tolerance- Moderate:** Moderate Income investors seek to balance the potential risk of capital loss with increased income potential. Higher risk investments, such as high yield bonds and some equities, may be some percentage of the account.

**Risk Tolerance- Long Term:** Long Term Income investors seek a significant level of income, are financially able and willing to risk losing a substantial portion of investment capital, and, due to their long term horizon or other factors, they employ higher risk, more aggressive strategies that may offer higher potential income. Higher risk investments, such as high yield bonds and some equities, may be a significant percentage of the account.

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**Investment Objective - Growth & Income:** Growth and Income investors seek current income but also seek income and capital growth over time. These investors are willing to forgo a portion of current income in order to seek potential future growth.

**Risk Tolerance- Conservative:** Conservative Growth and Income investors seek the maximum growth and income consistent with a relatively modest degree of risk. They are willing to accept lower potential returns in exchange for lower risk. Equities, generally dividend paying equities, may be some percentage of the account.

**Risk Tolerance- Moderate:** Moderate Growth and Income investors seek to balance the risk of capital loss with higher potential growth and income. High yield bonds and equities, generally dividend paying equities, may be a significant percentage of the account.

**Risk Tolerance- Long Term:** Long Term Growth and Income investors seek a significant level of growth and income, are financially able and willing to risk losing a substantial portion of

investment capital, and due to their long term horizon or other factors they pursue high risk, more aggressive strategies that may offer higher potential returns. High yield bonds and equities, generally dividend paying equities, may be the primary assets in the account.

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**Investment Objective - Growth:** Growth investors do not seek account income and their primary objective is capital appreciation.

**Risk Tolerance- Conservative:** Conservative Growth investors seek maximum growth consistent with a relatively modest degree of risk. They are willing to accept lower potential returns in exchange for lower risk. Equities may be a significant percentage of the account.

**Risk Tolerance- Moderate:** Moderate Growth investors seek to balance the potential risk of capital loss with their goal of higher potential growth. Equities may be the primary asset in the account.

**Risk Tolerance- Long Term:** Long Term Growth investors seek a significant level of growth, are financially able and willing to risk losing a substantial portion of investment capital, and due to their long term time horizon or other factors, they employ higher risk, more aggressive strategies that may offer higher potential returns. Higher risk investments such as equities may be as much as 100% of the account.

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**Trading & Speculation:** Trading and Speculation investors seek out maximum return through a broad range of investment strategies, which generally involve a high level of risk, including potential for significant loss of investment capital.

Please see the WHI FCC Advisory Wrap Fee Brochure for a description of the services methods of analysis and investment strategies applicable to Program Accounts.

### **Voting Securities**

As a matter of firm policy and practice, WHI does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. WHI Financial Advisors may provide advice to clients regarding the clients' voting of proxies.

## **Item 7 – Client Information Provided to Portfolio Managers**

You must complete an Account Profile with the assistance of your Financial Advisor. The Account Profile outlines your investment objectives, financial circumstances, risk tolerance and any restrictions you may wish to impose on your investment activities. You agree to inform us in writing of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Your Financial Advisor will be reasonably available to you for consultation on these matters, and will act on any changes in your Profile deemed to be material or appropriate as soon as practical after we become aware of the change.

## **Item 8 – Client Contact with Portfolio Managers**

Your contact for information and consultation regarding your program accounts is your Financial Advisor. In certain instances, your Financial Advisor may coordinate a response with the Portfolio Manager (if applicable) or arrange for you to consult directly with the Portfolio Manager.

## Item 9 – Additional Information

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of WHI or the integrity of WHI's management. WHI has no information applicable to this Item.

### **Other Financial Industry Activities and Affiliations**

WHI is owned by Northshore Community Bank & Trust, a subsidiary of Wintrust Financial Corporation (Wintrust), a financial holding company based in Lake Forest, Illinois. Wintrust engages in the business of providing traditional community banking services, primarily in the Chicago metropolitan area and southeastern Wisconsin, and operates other financing businesses on a national basis through several non-bank subsidiaries. Additionally, Wintrust offers an array of wealth management services. The Company conducts its businesses through three segments: community banking, specialty finance and wealth management. The Company provides community-oriented, personal and commercial banking services to customers located in the greater Chicago, Illinois and southern Wisconsin metropolitan areas through its 15 wholly owned banking subsidiaries (collectively, the Banks).

Affiliated companies related by common ownership or control include:

- **Wealth Management**
  - Wintrust Capital Management, LLC – SEC Registered Investment Advisor based in Chicago, IL. A wholly owned subsidiary of Wintrust Financial Corporation
  - Advanced Investment Partners, LLC (“AIP”) – SEC Registered Investment Advisor based in Safety Harbor, FL. A Subsidiary of Wintrust Capital Management, LLC
  - The Chicago Trust Company, N.A
- **Community Banking**
  - Lake Forest Bank & Trust Company
  - Hinsdale Bank & Trust Company
  - North Shore Community Bank & Trust Company
  - Libertyville Bank & Trust Company
  - Barrington Bank & Trust Company, N.A.
  - Crystal Lake Bank & Trust Company, N.A.
  - Northbrook Bank & Trust Company
  - Schaumburg Bank & Trust Company, N.A.
  - Village Bank & Trust
  - Beverly Bank & Trust Company, N.A.

- Town Bank
- Wheaton Bank & Trust Company
- State Bank of The Lakes
- Old Plank Trail Community Bank, N.A.
- St. Charles Bank & Trust Company
- **Specialty Finance**
  - Wintrust Mortgage Corporation.
  - First Insurance Funding

Contractual Relationships:

- First Clearing, LLC (“FC”) – A wholly owned subsidiary of Wells Fargo Advisors, Inc. FC is a Broker/Dealer and Clearing Firm for which WHI is Introducing broker.

Other industry activities include:

- **Investment Company (Mutual Fund) Managers**  
WINCAP acts as an investment adviser to Northern Lights Trust for the management of the Wintrust Capital Small Cap Opportunity Fund and Wintrust Capital Disciplined Equity Fund. When appropriate, recommendations may be given directing Wrap Account assets into these or other investment companies.
- **Insured Bank Deposits**  
Additionally, all accounts that are under the custody of FCC typically will participate in a “sweep program” for the automatic purchase and redemption of cash balances in connection with free credit balances and to satisfy debit balances in the custodial brokerage accounts (net of free credit balances). Through Insured Bank Deposits Program (IBD), available cash balances in a Wayne Hummer brokerage account (“Brokerage Account”) are automatically deposited into one or more interest-bearing, bank deposit accounts established at Wintrust banks (“Program Banks”) and insured by the Federal Deposit Insurance Corporation (“FDIC”). In this event, the Adviser will waive or refund the pro rata portion of its quarterly wrap fee attributable to that portion of the client’s Account for the period of time such assets are deposited.

**Benefits to Wayne Hummer, Program Banks, and FCC**

Wayne Hummer Investments will receive a fee directly from the Program Banks for each Brokerage Account that has funds swept to Banks as part of the sweep arrangement. The fee is currently \$25 per Brokerage Account per Program Bank. This fee is subject to change to a maximum of \$40 per Brokerage Account and Wayne Hummer may waive all or part of this fee. A portion of this fee may go to FCC for 1099 reporting, statement issuance and other services provided in connection with IBD. In addition, Wayne Hummer’s Financial Advisors receive compensation for services rendered to clients enrolled in IBD. Other than applicable fees imposed by Wayne Hummer on a Brokerage Account, there will be no charge, fee, or commission imposed on your Account with respect to IBD. Wayne Hummer and FCC may also

receive distribution (12b-1), service fees and other compensation as a result of sweep investment in Money Funds. The Program Banks may benefit financially from cash balances held in IBD. As with other depository institutions, the profitability of the Program Banks is determined in large part by the difference or “spread” between the interest they pay on deposit accounts, such as IBD, and the interest or other income they earn on loans, investments and other assets. The participation of the Program Banks in IBD is expected to increase their respective deposits and, accordingly, may increase their overall profits.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

WHI has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at WINCAP must acknowledge the terms of the Code of Ethics annually, or as amended.

WHI’s employees and persons associated with the Adviser are required to follow WHI’s Code of Ethics. Compliance with the Code of Ethics is a condition of employment. Subject to satisfying this policy and applicable laws, officers, directors and employees of the Adviser and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for WHI’s clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of the Adviser will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of the Adviser’s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between WHI and its clients.

WHI anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which the Adviser has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which the directors, officers, employees and registered persons of the Adviser and its affiliated broker-dealer, WHI, may purchase or hold securities that are recommended for purchase or sale to clients. Personal securities transactions by persons associated with the Adviser and WHI are subject to the firm’s Code of Ethics, which includes various reporting,

disclosure and approval requirements, described in summary below, in order to prevent actual or potential conflicts of interest with transactions recommended to clients. The Code of Ethics applies not only to transactions by the individual, but also to transactions for accounts in which such person has an interest individually, jointly or as guardian, executor, or trustee or in which such person or the person's spouse, minor children or other dependents residing in the same household have an interest.

In accord with SEC rules relating to recordkeeping by investment advisers and Rule 17j-1 promulgated under the Investment Company Act of 1940, the Adviser and WHI require prompt reports of all covered transactions. Each entity further requires that all brokerage account relationships be disclosed, that the entities receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code of Ethics from all covered persons. Transactions in government securities, bank certificates of deposit, and shares of unaffiliated open-end mutual funds are excluded from the reporting requirements.

In addition to reporting and recordkeeping requirements, the Code of Ethics imposes various substantive and procedural restrictions on covered transactions, including several of the procedural and substantive restrictions recommended by the Investment Company Institute's Advisory Group on Personal Investing in 1984. These include the following:

1. Certain securities transactions must be submitted by "Investment Personnel" (generally, a person who makes decisions regarding the purchase or sale of securities by or on behalf of an advisory client) for pre-approval by the Adviser's Ethics Committee.
2. Purchases or sales by Investment Personnel of securities (other than de minimis trades) are prohibited for a period of seven days before and after an account of an advisory client that the Investment Personnel manages trades in that security.
3. Subscriptions by Investment Personnel to any initial public offering are prohibited.
4. Certain short-term trades of Investment Personnel are subject to review by the Adviser's Ethics Committee, which may require disgorgement of profits. Purchases of certain private placement securities require approval of the Ethics Committee.

As part of its responsibilities, the Adviser's Ethics Committee monitors and verifies compliance of covered persons with the requirement of the Code of Ethics, and reports apparent violations to the Adviser's senior management. Under the Code of Ethics, the Ethics Committee has the authority to require reversal or adjustment of a personal transaction, or the disgorgement of a profit realized on a transaction in personal investment activities and those carried out for clients. The Ethics Committee also may recommend to management the imposition of more severe sanctions, including suspension of personal investing privileges, or termination of employment, in the case of certain types of violations.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with WHI's obligation of best execution. In such



circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. WHI will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

WHI's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the WHI Compliance Department at 800-621-4477.

### **Review of Accounts**

Account reviews are carried out on a regular basis throughout the year. Account reviews include the monitoring of equity, fixed income, and cash levels for each account by investment objective (asset allocation), the concentration of any security in an account, the security selection, and the investment rating of any bond held in the account.

Clients receive an account statement from First Clearing on no less than a quarterly basis showing all transactions, receipt of sale proceeds, dividend and interest income, and payments for security purchases and other disbursements. Clients may also request a portfolio performance review at any time. The review consists of performance reports that reflect assets held, income for the period, and increases or decreases in the market value of the account. Other information may be provided which lists each of the holdings in an account priced at the close of a specified date, the market value, unit and aggregate cost of each holding, the interest/dividends paid, and yield.

The Financial Advisor will also provide the client with a performance report and review no less than annually showing the allocation of assets in the Accounts as well as the performance of the client's Accounts during the previous year. In addition, the review should monitor and identify changes in client objective, risk tolerance, or financial status that may require a re-evaluation of the investment portfolio.

### **Client Referrals and Other Compensation**

From time to time WHI enters into agreements, which comply with Rule 206(4)-3 and other requirements of the Investment Advisers Act of 1940, providing for the payment of a portion of the advisory fee to employees of the Adviser or Adviser Affiliates who secure clients for the Adviser. Additionally, the Adviser may enter into agreements with independent contractors or firms not affiliated with the Adviser ("Solicitors") for the promotion of investment advisory services to qualified prospects. These solicitors may receive a retainer payment and/or a percentage of the fee to be paid to the Adviser as disclosed in the Solicitor's Agreement. Solicitor payments will not increase the overall fee charged to clients.

**Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about the Adviser's financial condition. WHI has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.