# Whitnell

**Whitnell & Co.**

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**March 2016**

This Brochure provides information about the qualifications and business practices of Whitnell & Co. If you have any questions about the contents of this Brochure, please contact us at 630-575-2300 or at www.whitnell.com. 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.

Whitnell & Co. 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 Whitnell & Co. also is available on the SEC website at www.adviserinfo.sec.gov.

## Item 2 – Material Changes

This item discusses only the material changes that have occurred since Whitnell & Co. last filed its annual amendment dated March 31, 2015. There are no material changes to disclose.

Currently, our Brochure may be requested by contacting William E. Thonn at 630-575-2300 or wthonn@whitnell.com.

Additional information about Whitnell & Co. is also available via the SEC web site www.adviserinfo.sec.gov. The SEC web site also provides information about any persons affiliated with Whitnell & Co. who are registered, or are required to be registered, as investment adviser representatives of Whitnell & Co.

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## ITEM 4 - ADVISORY BUSINESS

Whitnell & Co. ("Whitnell" or the "Firm") is a registered investment adviser specializing in financial planning, investment management, and family office services.

Whitnell was founded in 1988 to manage investments for the Donald P. Kelly family and a small number of other families and individuals. In 2006 Whitnell began offering both financial planning and portfolio management services to other high net worth families, individuals, trusts, foundations and institutional investors. During 2011 Whitnell expanded its family office services offering by adding the Family Office Practice group which focuses on providing high level services to the ultra-high net worth client.

Whitnell is closely held by KMK & Associates (34%), the Residuary Trust under the Donald P. Kelly Revocable Trust (51%) and employees (15%). KMK is a limited liability company whose owners consist of Donald P. Kelly's three children and their family trusts.

Whitnell is registered with the Securities and Exchange Commission (SEC) and operates as a fee-only registered investment advisory firm. Whitnell's compensation is solely derived from clients for the services we provide. Whitnell does not receive any commission or compensation from any third party.

### *Advisory Services Offered*

Whitnell specializes in financial planning services, investment management services, and family office services. Whitnell tailors all of its advisory services to meet the client's specific, individual needs. This is accomplished through in-depth conversations and meetings between the client and a financial planner and/or an investment advisor. Each client is unique; consequently, each financial plan and investment portfolio is unique, designed around the client's specific circumstances, objectives and preferences. Each plan and each portfolio are tailored to meet the client's individual needs.

*Financial Planning Services:* Financial planning is a process that helps the client address and organize the financial issues faced daily. Among the topics the financial planning process covers are cash flow requirements, investment planning, tax planning and preparation, risk management and insurance planning, and retirement and estate planning.

The information needed to put together a financial plan is obtained through in-depth personal interviews with the client. Topics discussed and information gathered includes but is not limited to the client's current financial status, future goals, and tolerance for risk. Any related documents supplied by the client are carefully reviewed and analyzed and remain confidential at all times.

Following the in-depth meetings, and the review and analysis of the documentation provided, a personalized financial plan is developed and presented for client review. The prepared plan specifically identifies the client's needs and objectives and includes various recommendations for strategies to help achieve the defined goals.

More specifically the financial plan will address any or all of the following areas:

- *PERSONAL*: Family records, budgeting, personal liability, estate information and financial goals;
- *EDUCATION*: Education IRAs, financial aid, state savings plans, grants and general assistance with development of a plan for funding education requirements;
- *TAX & CASH FLOW*: Income tax, spending analysis and planning - Whitnell will illustrate the impact of various investments on a client's current income tax and future tax liability;
- *DEATH & DISABILITY*: Cash needs at death, income needs of surviving dependents, estate planning financial analysis, and disability income analysis;
- *RETIREMENT*: Analysis of current strategies and investment plans to help achieve retirement goals;
- *INVESTMENTS*: Analysis of investment alternatives and the effect on the client's current portfolio;
- *ESTATE*: Analysis of financial issues with respect to living trusts, wills, estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law;
- *INSURANCE*: Discussion regarding various types of risks such as personal liability, disability, long term care, etc. Whitnell recommends that the client consult with an insurance specialist to determine how to best mitigate these risks.

Although the financial plan is tailored to address the client's specific goals and needs, all financial planning recommendations are of a generic nature. They are not limited to any specific product or service offered by a broker-dealer or insurance company. Should the client choose to implement the recommendations contained in the financial plan, Whitnell will suggest that the client work closely with an attorney, accountant, insurance agent and/or investment manager. Implementation of financial plan recommendations is entirely at the direction of the client. However, if the client wishes, and to the extent possible, Whitnell can assist in the implementation of recommendations in the plan.

*Portfolio Management Services:* Whitnell provides investment management services to individuals, trusts, foundations, and institutional investors. Investment management involves risk assessment, asset allocation, security and asset selection, and ongoing due diligence and monitoring of

investments. Investment management includes review of the client's current financial situation with emphasis on:

- Liquidity needs
- Anticipated life events (i.e. college tuition, retirement)
- Current and future tax status
- Liquidity events (i.e. sale of a family business)
- Outside assets
- Duration based on health, age, and family history
- Tolerance for interim losses
- Personal preferences (i.e. socially responsible investing)
- Other personal financial goals

An investment policy is established based upon the results of the client's conversations with an investment adviser. This investment policy will dictate the asset allocation and types of investments that will be utilized in the client's portfolio to help achieve the defined goals. The portfolio manager will manage the client's investments, monitor investment performance, and provide rebalancing of the client's portfolio as required.

Whitnell develops a broadly diversified portfolio for the client by using the following wide range of investment vehicles:

- Individual domestic and multi-national equities
- Individual fixed income instruments, including taxable and tax-exempt bonds
- Exchange-traded funds
- Mutual funds
- REITs
- Real Estate
- Master limited partnerships
- Alternative investments
- Hedge Funds
- Private partnerships
- Warrants
- Corporate debt instruments
- Commercial paper
- Certificates of deposit
- Options on securities
- U.S. government securities

The selection of specific investment vehicles is driven by the client's needs, risk tolerance, preferences and tax status. As such the client may impose restrictions on investing in certain securities or types of securities.

Whitnell may utilize sub-advisors to manage all or a portion of the client's investments on a sub-advisory, discretionary basis, subject to limitations imposed by the client. The decision to use a sub-advisor(s) is based on a number of factors that include the investment objectives of the client along with the performance and management style of the sub-advisor(s).

Whitnell has contracted with investment consultants who perform due diligence, research and analysis, and provide both recommendations and introductions to sub-advisors and mutual funds on Whitnell's behalf. Whitnell advisors may use these sub-advisors and mutual funds in structuring investment portfolios for clients.

*Family Office Services:* The Whitnell Family Services group (FOS) brings order and streamlined administration to the complexity that accompanies family wealth. A family may choose family office services on a comprehensive or ala carte basis. FOS offers solutions involving:

- Multi-generational planning
- Charitable strategies
- Coordination of estate planning strategies with family trust and estate attorneys
- Coordination of income tax strategies with family accountants
- Financial counseling of younger family members
- Expense management
- Cash flow management
- Coordination of strategic risk management and insurance strategies with insurance brokers and the institution of internal controls
- Asset allocation
- Selection and oversight of investment managers, including fee negotiation and performance reporting

For a family which own assets through a complex, integrated structure of trusts and closely-held family businesses, FOS:

- Provides sophisticated consolidated reporting, which brings simplicity and clarity to the family's understanding of key facts and figures;
- Ensures that the grantor's intentions are well communicated and the trustees and beneficiaries understand their rights and responsibilities;

- Provides trust administration services to the trustees of the trust and ensures that formal reporting requirements have been met, including trust accountings to beneficiaries;
- Coordinates annual corporate and partnership filings with corporate attorneys;
- Provides CFO-like oversight of business interests;
- Works with families to accomplish goals and objectives in a framework conducive to sustaining family wealth;
- Determines an appropriate asset allocation to be applied across multiple generations and prepares the Investment Policy Statement.

***Wrap Fee Programs***

Whitnell does not participate in any wrap fee programs.

***Client Assets Under Management***

As of December 31, 2015 Whitnell & Co. managed client assets totaling $1.16 billion. Of this amount $1.05 billion was managed on a discretionary basis and $109 million was managed on a non-discretionary basis.

**ITEM 5 – FEES & COMMISSIONS**

Whitnell is a fee-only firm. The compensation Whitnell receives is solely derived from its clients for the services provided to them. Whitnell does not receive any commission or compensation from any third party.

Whitnell receives compensation for its financial planning, investment management, and family office services by charging clients a fee for the service(s) provided. The fee may be assessed separately for each service provided or the client may be charged a combined fee for services. See below:

The specific manner in which fees are charged by Whitnell is established in a client's written agreement with Whitnell.

*Assessed Separately*:

- Financial Planning services fees are charged based on an annual retainer, or either a fixed fee or an hourly fee can be charged. Fixed fees on individual financial plans typically range from $10,000 to $30,000 and hourly fees typically range from $100 to $500 per hour. Both fixed and hourly rates depend upon the level and scope of the service(s) and the professional(s) rendering the service(s). All fees are reviewed annually.

- Investment Management services fees are based on the client's assets under management, and are calculated as a percentage of those assets. The management fee is paid in advance at the beginning of each calendar quarter based upon the current market value of the account at the end of the previous quarter as valued by third party sources, including fund administrators, pricing services, custodians, etc. The management fee for the initial quarter is calculated on a pro rata basis beginning on the day the assets are under management of Whitnell and is due and payable at the end of that initial quarter. In the event that current market value is not available as may be the case with private placements, foreign investments, hedge funds, illiquid securities, etc., Whitnell will, on an annual basis at a minimum, either obtain and document price information from at least one independent source or the Whitnell Investment Committee will review and price the security in good faith to reflect the security's fair market value ("fair market value"). Fees are typically based on an annualized calculation of the following table:

| *Assets under Management* | | *Annual Fee (%)* |
|---|---|---|
| First | $ 3,000,000 | 1.00% |
| Next | $ 3,000,000 | 0.75% |
| Next | $ 4,000,000 | 0.50% |
| Over | $10,000,000 | Negotiable |

  Investment recommendations will be implemented using various investment vehicles that may include individual securities, mutual funds, exchange-traded funds, sub-advisors, alternative investments, etc. Advisory fees for sub-advised portfolios, private equity investments, alternative investments, etc. are negotiated on a case by case basis and are debited from the client's account along with the Whitnell fee.

- Family Office Services (FOS) fees are determined on a case by case basis, depending upon a number of factors including complexity of existing ownership structures and the number of generations, the number of family lines and the number of family members who will be working directly with FOS. If a family chooses to work with the Whitnell Family Office on an ala carte basis, fees will be charged at the rate of between $150 and $500 per hour. If a family chooses to work with FOS on a comprehensive basis, a negotiated retainer will be agreed upon with the family, which fee will be adjusted up or down at calendar year-end to reflect actual time spent.

*Assessed on a Combined Basis:*

- In the event Whitnell provides both financial planning and investment management services a combined fee may be charged. The fee charged depends on the level and scope of the services and the professionals rendering the services. As referenced above, advisory fees for sub-advisory portfolios, private equity investments, alternative investments, etc. will also apply.

Note: See *Mutual Fund Fees, Custodial & Brokerage Expenses* and *Other Fees* below for additional costs that may apply.

***General Information on Fees***

*Negotiability of Advisory Fees:* Fees may be negotiable when certain circumstances prevail. For example, management complexity, focused or in-depth due diligence on closely-held or alternative assets, or a client's overall relationship may impact the fee charged. The negotiated fee will reflect the specific circumstances that apply.

*Fee Calculation:* The fee charged is calculated as described below and is not charged on the basis of capital gains upon or capital appreciation of funds or any portion of the funds of an advisory client.

*Fee Payment:* Fees will be directly debited from client accounts in one of two ways:

1. In advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter.
2. In limited instances fees are charged in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter.

Fees will be debited from the account in accordance with the client authorization in the Investment Advisory Agreement. Any account opened during a billing cycle will be billed for the services provided at the next billing cycle. Clients may choose to be billed or to have their account charged directly for fees.

*Billing Schedule:* See *Fee Payment* above

*Termination of Advisory Relationship:* A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice or as stated in the executed Advisory

Agreement. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after initially entering into the agreement. Death, disability or incompetency will not automatically terminate an agreement.

*Mutual Fund Fees:* All fees paid to Whitnell for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. The fees and expenses are described in each fund's prospectus. The fees will generally include a management fee, other fund expenses, and a possible redemption fee. If the fund also imposes sales charges, the client may pay an initial or deferred sales charge. The client could invest in a mutual fund directly, without the services of Whitnell. In that case, the client would incur less expense in connection with the mutual fund. However, the client would not receive the services provided by Whitnell which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to the client's financial condition and objectives.

The client should review both the fees charged by the funds and the fees charged by Whitnell to fully understand the total amount of fees to be paid by the client and to evaluate the advisory services being provided.

*Custodial & Brokerage Fees:* Whitnell is not a custodian and does not hold assets, securities, or cash of its clients. In addition to Whitnell advisory fees, the client is responsible for the fees and expenses charged by custodians and imposed by broker-dealers (e.g. Charles Schwab & Co., TD Ameritrade, etc.) including, but not limited to any transaction charges imposed by the broker-dealer when an independent investment manager effects transactions for client accounts.

Item 12 further describes the factors that Whitnell considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions).

*Other Fees:* There are other related costs and expenses that may be incurred by the client. Clients may incur certain charges in addition to the mutual fund fees and custodial brokerage expenses referenced above. The fees charged by other third parties may include manager fees, exchange traded fund fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on securities transactions. In some cases, the client may choose investments that require the use of sub-advisers that charge a separate fee for their services. Additionally, the client may choose private equity investments or alternative investments such as hedge funds, etc. In these situations the client will be charged additional fees by the managers of these investments. The client will be advised of the fee that will apply prior to entering

into the investment. Exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to Whitnell fees, and Whitnell does not receive any portion of these commissions, fees and costs. These charges, fees, and commissions will have the effect of reducing the client's overall rate of return. Whitnell personnel do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of load or no-load mutual funds.

**Item 6 – Performance-Based Fees**

Whitnell 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).

**Item 7 – Types of Clients**

Whitnell provides financial planning, portfolio management, and family office services to individuals, high net worth individuals, trusts, foundations, banking institutions and institutional investors.

The minimum account size for establishing a client relationship is generally $1 million.

**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Whitnell provides investment management services for clients using a disciplined investment process. We invest client funds with an objective to preserve capital in real terms and grow asset values through quantitative and fundamental research. The Firm's Investment Committee assesses the current position and outlook for the economy, fiscal and monetary policy, and financial markets. We use a global perspective to determine the appropriate asset allocation tailored to specific client objectives, risk tolerances and suitability requirements.

Whitnell uses an investment platform from which we select the investments across various asset classes. From this platform each relationship manager constructs diversified portfolios based on measures of quality, growth, and valuation. Asset classes used in portfolios are selected from, but not limited to, equities, fixed income securities, mutual funds, separate managed accounts, and alternative investments. Our investment horizon is long-term, but portfolios are reviewed and managed on an on-going basis.

Investing in securities involves risk of loss that clients should be prepared to bear.

Clients need to bear in mind that all investments carry a certain degree of risk ranging from the variability of market values to the possibility of permanent loss of capital. Risks to capital include, but may not be limited to, changes in the economy, market volatility, company results, industry sectors, accounting standards, and changes in interest rates. Investments are also subject to risks inherent in governmental actions, exchange rates, inflation, deflation, and fiscal and monetary policies. Market risks include changes in market sentiment in general and styles of investing. Whitnell does not engage in high-frequency trading activities or algorithmic trading strategies.

*Equities*: Whitnell believes that the trend of stock prices over the short-term tends to reflect the volatility of swings in investor sentiment, while longer term returns are more closely correlated with fundamentals. Positions are reviewed for possible restructuring if fundamentals or rankings deteriorate or if our research identifies other investments with superior investment prospects.

*Fixed Income*: Portfolios of fixed income securities are constructed to reflect the income needs, tax position and liquidity requirements of clients within the framework of credit quality of individual issues and interest rate conditions.

Cash balances are typically invested daily in money market accounts, unless the client directs otherwise.

**Item 9 – 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 Whitnell & Co. or the integrity of Whitnell management. Whitnell has no information applicable to this item.

**Item 10 – Other Financial Industry Activities and Affiliations**

Neither Whitnell nor its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither Whitnell nor its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trader adviser, or an associated person of the foregoing entities.

Thomas Kelly, Patrick Kelly, and Laura Kelly Smith, directors of Whitnell are, directly or indirectly, principals and investors of Woodland Path LLC. Woodland Path LLC is the manager of Woodland Path Investors LLC, a land investment portfolio concentrating on development opportunities within a specific geographic area in Illinois. Clients of Whitnell have invested in Woodland Path Investors LLC. To avoid any potential conflict of interest that might arise as a result of the directors'

relationship with Woodland Path Investors LLC, Whitnell excludes client funds invested in Woodland Path Investors LLC in its fee calculation and in its assets under management calculation.

Through their primary business and investment activities, Thomas Kelly, Patrick Kelly and Laura Kelly Smith are also controlling persons of additional private placement investments independent of and unrelated to any of their director activities at Whitnell & Co. From time to time, these investment opportunities may be presented or introduced to Whitnell executive officers and outside investors that may include clients of Whitnell & Co. In addition, there are two other related persons who are investors and/or controlling parties in these investments. They are KMK & Associates and the Residuary Trust under the Donald P. Kelly Revocable Trust. These individuals are all clients of Whitnell and have investment interests in the private placements referred to in this Item. These private placements include Emerald Valley Farms LP, Laraway Road LLC, Remington Weber Partners LP, Woodland Financial Group LLC, Blackpool Partners LLC and Continental Energy Services LLC. With the exception of Continental Energy Services LLC, the only investors in these private placements are the related persons referred to above. Client assets invested are excluded from the Whitnell calculation of assets under management.

It should be noted that only 7 Whitnell clients (less than 1%) other than the related persons above participate in the above private placement investments. These private placements are not material to Whitnell or its advisory clients. Whitnell does not provide office space, administrative resources, or research to any of these private placements. Whitnell provides no investment advice to these private placements, receives no fees or commissions from these private placements, and Whitnell makes no financial accommodations to these private placements in the form of loans, guaranties or otherwise. Whitnell does not favor one client's interests over another.

Independent of the above Kelly family investments, from time to time Whitnell clients are given the opportunity to participate in various private placements where the Kelly family may or may not also be participating. Such introductions and opportunities are made on a selective basis subject to a variety of considerations, such as, investment suitability, risk tolerance, liquidity, asset type, duration. The investors make their own independent evaluation and determination about the private placements. No client is compelled to make investments in these opportunities. No investment is made into these investments without client consent. No discretionary account is invested in these investments without client consent.

In some cases Whitnell investment advisers may be asked by clients to give their opinions and recommendations about the private placements. In the event this occurs, the Firm's Investment Committee reviews, evaluates and, if appropriate, permits the portfolio managers to discuss these opportunities with their clients. The portfolio manager then may discuss the investment with suitable clients. In the event a client elects to participate in a private placement investment, the

client's investment will be assessed a fee payable to the general partner or manager of the investment for management services. In addition, the client will be charged the fee that Whitnell typically charges the client for monitoring and advising services in connection with the investment. Whitnell does include client assets invested in the above mentioned investments in the calculation of assets under management.

Thomas Kelly, Patrick Kelly, and Laura Kelly Smith are also controlling persons of KMK & Associates, the Kelly family investment vehicle and minority shareholder of Whitnell. KMK is the majority owner of Entrust Financial Services, a bill paying and financial reporting services company for individuals and families. Whitnell does not actively solicit or refer business to Entrust; Whitnell will, however, refer a client to Entrust if the client expresses a need for a service of this nature.

Whitnell may utilize the services of one or more independent investment managers within certain asset classes to sub-advise client accounts. Whitnell receives no compensation directly or indirectly from those managers for the service they provide to Whitnell clients. Whitnell has no other business relationship with those sub-advisers.

**ITEM 11 – CODE OF ETHICS**

Whitnell has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty. The Code of Ethics includes provisions relating to the confidentiality of client information, the prohibition of insider trading, restrictions on the acceptance of significant gifts, the reporting of gift and business entertainment items, and personal securities trading procedures, among other things. It is the expressed policy of Whitnell that supervised persons shall place the integrity of the investment profession and the interests of clients above their own personal interests. All supervised personnel at Whitnell must acknowledge the terms of the Code of Ethics annually or as amended.

Clients or prospective clients of Whitnell may request a copy of the Firm's Code of Ethics by contacting Deborah Grudzien at 630-575-2300.

Supervised person(s) of Whitnell may recommend to clients that they buy or sell securities or investment products in which the supervised person(s) has some financial interest. Additionally, supervised person(s) of Whitnell may buy or sell for themselves securities that they also recommend to clients. Only securities and investments that are appropriate for the client and consistent with clients' investment objectives are recommended.

Whitnell supervised persons are required to follow the Firm's Code of Ethics. Subject to satisfying this policy and applicable laws, officers and employees of Whitnell may trade for their own

accounts in securities which are recommended to and/or purchased for clients of Whitnell. The Code of Ethics is designed to (i) assure that the personal securities transactions, activities and interests of the employees of Whitnell will not interfere with making decisions in the best interest of advisory clients and, (ii) provide that clients receive priority execution on any trading day where Whitnell personnel are also trading in the same securities. Whitnell personnel are required to engage in personal securities transactions in accordance with the Firm's Code of Ethics. The Code requires pre-clearance of certain transactions, and prohibits trading in any securities that have been placed on the restricted and/or watch lists. In the event a security transaction occurs in the account of a client and in the account of a Whitnell supervised person at or about the same time, the Whitnell Code of Ethics requires that priority be given to the client's transaction.

To supervise compliance with its Code, Whitnell requires that anyone associated with this advisory practice with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm's Chief Compliance Officer. Employee trading is closely monitored under the Code of Ethics to reasonably identify, address, and prevent conflicts of interest between Whitnell personnel and its clients.

The Whitnell Investment Committee is responsible for reviewing and analyzing all investment opportunities Whitnell offers to its clients. The Investment Committee generates an approved list of investments which is used as a resource by the portfolio managers with respect to securities that are bought and sold for their clients. When a new equity security for the Whitnell Core Equity Universe list is approved as an investment or eliminated as an approved investment, Whitnell supervised persons are prohibited from trading in the equity security for a period of 24 hours before and 24 hours after the announcement of the decision.

The Code of Ethics regulates the acceptance, directly or indirectly, of gifts and gratuities and prohibits, except on a de minimis basis, gifts and gratuities from vendors and others seeking to do business with Whitnell. In addition, the Code of Ethics prescribes procedures and monitoring to protect confidential client information and privacy, including electronic security. No Whitnell personnel may serve as a director of any publicly traded company without explicit consent from the Chief Compliance Officer and then only after a determination is made that such service would not be inconsistent with the best interests of Whitnell clients.

All supervised employees of Whitnell must certify that they have received, read and understand the Code of Ethics, agree to abide by it, and report all account holdings as required by the Code.

## Item 12 - Brokerage Practices

Whitnell will suggest to the client the broker-dealer custodian to be used for a client unless

otherwise directed by the client.

For clients in need of brokerage or custodial services, and depending on client circumstances and needs, Whitnell may recommend the use of one of several broker-dealers (including, but not limited to Charles Schwab & Co., Inc. and TD Ameritrade), provided that such recommendation is consistent with Whitnell fiduciary duty to the client. Clients must evaluate these brokers before opening an account.

Whitnell endeavors to select a broker-dealer that will provide the best service at the lowest commission rates possible. The factors considered by Whitnell may include the breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds, etc.), the quality of asset custody services, the broker-dealer's financial soundness and reputation, the ability to provide a high level of professional service, the quality of execution and the cost of such service.

Clients are not under any obligation to affect trades through any recommended broker. Whitnell will follow a client's direction to use a particular broker-dealer where the client has a long-standing relationship and/or directs that a particular transaction be effected through a particular broker-dealer. In directing the use of a particular broker-dealer, it should be understood that Whitnell will not have authority to negotiate commissions, obtain volume discounts, and best execution may not be achieved. The client may pay higher brokerage commissions because Whitnell may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices. Furthermore, a disparity in commission charges may exist between the commissions charged to a client who directs Whitnell to use a broker-dealer and other clients of that broker-dealer.

Whitnell receives services from broker-dealers such as brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. Specifically, Schwab Advisor Services (formerly Schwab Institutional) and TD Ameritrade provide Whitnell with access to institutional trading and custody services, which are typically not available to retail investors. Access to these services along with access to investment research, assistance with record keeping and client reporting, publications and conferences, is a benefit to Whitnell and may be construed as an incentive to refer business to a particular broker-dealer. Whitnell believes that any benefits it receives are passed along to the client. Whitnell does not consider these services to be soft dollar arrangements as the services provided to Whitnell are generally available to independent investment advisers on an unsolicited basis at no charge to them.

Neither Whitnell nor any of its related persons receive client referrals from a broker-dealer or other third party. Whitnell receives no volume rebates from a broker-dealer or a third party acting on its behalf. Therefore, there is no conflict of interest in recommending a broker-dealer to a client.

Whitnell relationship managers manage their clients' accounts on an individual basis. Relationship managers generally effect transactions on each client account independent of any other client. This is due to the unique set of circumstances surrounding each client's financial situation. Whitnell does not require, nor would it be feasible for, its relationship managers to consistently coordinate trades across the firm so that specific securities are bought or sold for all applicable clients on the same day and at approximately the same time. Therefore, there is typically no firm-wide aggregation of transactions or block trades. As a result, the lowest commission rates and/or the lowest transaction costs cannot be guaranteed. Nonetheless, relationship manager's may, but are not required, when buying or selling a particular security on a given day for more than one client, aggregate orders together to achieve best price and best execution for that particular trade, with the clients sharing the benefits of aggregation on a pro rata basis. In rare circumstances, Whitnell relationship managers across the firm may decide to purchase or sell the same securities for several clients at approximately the same time. Under these circumstances, Whitnell may, although is not required to, block or aggregate such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among the clients differences in prices and commissions or other transaction costs that might have been obtained as a result of the block trade. If block trades occur, each client transaction will be segregated by custodian when purchasing or selling securities. Personal transactions of Whitnell access persons will be executed only if client transactions have been filled.

Whitnell does not enter into soft dollar arrangements. (i.e. using commissions or markups as payment for investment related products). Whitnell does not incur transaction or commission costs that benefit one group of clients at the expense of another.

**Item 13 - Review of Accounts**

Our professionals review client accounts on an ongoing basis in response to changes in market conditions, asset performance, and client needs. In cases where Whitnell manages multiple accounts for a client, reviews are conducted on a consolidated basis to validate that the overall investment approach is consistent with the client's investment policy statement and/or stated objectives.

Clients may receive a Whitnell report of assets on a quarterly basis that contains the current market value of the securities in their portfolios. The current fair market value of illiquid investments, however, is updated at a minimum, on an annual basis. Clients may also receive a written quarterly overview of the economy and financial markets featuring timely topics and commentary from our investment professionals. Additionally, clients receive at least quarterly statements directly from their custodian.

## Item 14 - Client Referrals and Other Compensation

Whitnell has no compensation arrangements with any third party that may provide investment advice or other advisory services to Whitnell clients. Other than the services outlined in Item 12 Brokerage above, Whitnell receives no economic benefit from any third party that may provide services of any kind to Whitnell clients.

## Item 15 - Custody

Whitnell has the ability to have advisory fees for each client debited from the client's account by the custodian. Under government regulations, Whitnell is, therefore, deemed to have custody of client assets. Please be aware that the broker-dealer, bank or other qualified custodian maintains actual custody of client assets. Whitnell advises clients that they should receive, at least quarterly, statements from the custodian that holds and maintains client's investment assets indicating all amounts disbursed from the account including the amount of management fees paid. Whitnell urges you to carefully review such statements for completeness and accuracy. To the extent Whitnell provides periodic account statements, the client is urged to compare any statement provided by Whitnell with the account statement received from the custodian. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. The client should also remember that the statements received from the custodian are the official record of accounts and assets for tax purposes.

Whitnell may engage in other practices or services on behalf of its clients that require disclosure in Part 1, Section 9 of Form ADV. The other practices or services referred to are subject to an annual surprise examination by an independent certified public accountant as required by Rule 206(4)-2 of the Investment Advisers Act of 1940.

## Item 16 - Investment Discretion

Whitnell is usually granted discretionary authority by a client whereby we have full power and authority to decide upon and execute investments in stocks, bonds and other securities which Whitnell deems to be in the best interests of the client without the necessity of obtaining prior approval from the client for each investment. In all cases, however, such discretion is to be exercised in a manner consistent with the investment objectives, and constraints, if any, stated in the Investment Policy Statement.

## Item 17 - Voting Client Securities

As a matter of policy and practice, Whitnell does not have 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. Clients will receive their proxies from either their custodian or from a transfer agent. Clients may direct any questions regarding voting of the proxies they receive to their Whitnell portfolio manager. Whitnell does not have arrangements with any proxy advisory firm for recommendations with respect to the voting of proxies.

In the event that a client specifically requests Whitnell to vote proxy statements, Whitnell will generally vote with management for all uncontested and/or non-special voting issues. Whitnell will vote in what it believes to be the best economic interests of the client for contested and/or special voting issues. Whitnell may choose not to vote proxies in certain situations such as: (1) where a proxy is received for a client account that has been terminated; (2) where proxies are received for securities which are no longer held in the client's account; (3) where Whitnell deems the cost of voting would exceed any anticipated benefit to the client; or (4) if a proxy is received after the proxy voting due date. Whitnell will not vote proxy statements when client assets are managed by a separate account manager. Whitnell does not direct clients' participation in class actions. In the event Whitnell receives notification of class action proceedings Whitnell will forward these notifications on to the appropriate client.

Whitnell maintains written policies and procedures as to the handling, voting and reporting of proxy voting and makes appropriate disclosures about Whitnell proxy policies and practices. Our policy and practice includes the responsibility to disclose any potential conflicts of interest as well as to make information available to clients about the voting of proxies for their portfolio securities.

Clients may request a copy of Whitnell proxy voting policies and procedures and receive information on how their proxy votes were cast by contacting Deborah Grudzien at 630-575-2300.

## Item 18 - Financial Information

Whitnell does not require or solicit prepayment of fees from any client six months or more in advance.

Whitnell is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

Whitnell has never been the subject of a bankruptcy petition.