



# ***ANNEX WEALTH MANAGEMENT, LLC<sup>®</sup>***

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## **Corporate Headquarters**

18650 W. Corporate Drive  
Brookfield, WI 53045

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## **Registered as Annex Advisory Services, LLC**

Securities & Exchange Commission Number 801-63505

Central Records Depository Number 127987

**This brochure provides clients with important information about Annex Wealth Management<sup>®</sup>, LLC and its Limited Discretionary Asset Management Program, its Manager of Managers Program, and its Consulting Services Program that should be considered before becoming a client of Annex Wealth Management or one of its Programs. This information has not been approved or verified by any governmental authority.**

**ANNEX WEALTH MANAGEMENT, LLC<sup>®</sup>**

***Disclosure Brochure (substitute Form ADV II)***

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**Advisory Services**

**1.0 A** Annex Wealth Management, LLC is a domestic limited-liability company whose Articles of Organization are filed with the State of Wisconsin. Annex Wealth Management, LLC is the sole Member to three other domestic limited liability companies, namely; Annex Insurance Services LLC, a licensed corporate insurance agent, Annex Advisory Services LLC, an Investment Advisor registered with the US Securities & Exchange Commission, and Annex Investment Services LLC, a currently dormant investment firm which may at some time seek registration as a broker/dealer with FINRA and various States (collectively, “Annex”).

The Company’s primary business is offering a wide range of investment, insurance, and investment advisory programs, products, and services to individual investors, high net worth individuals, pension and profit sharing plans, charitable organizations, trusts, small businesses, partnerships, corporations, and other similar entities.

Annex’s Corporate Offices in Brookfield, Wisconsin are the central supervisory and management location for its independent contractor sales force made up of investment advisor representatives, registered representatives, and insurance agents.

Annex Advisory Services, LLC, does business as Annex Wealth Management, LLC and provides a variety of investment advisory services to its clients including personalized active money management services, assisting in the selection of other advisors, and fee-based financial planning and consultative services. Annex’s advisory services are described in detail within this Brochure. Clients and prospective Clients are encouraged to have all of their questions answered regarding Annex and its advisory services prior to entering into a contract with the firm.

**1.0 A Limited Discretionary Asset Management Services**

Annex registers Investment Advisor Representatives to perform limited discretionary asset management services under the terms of a contract with each client. The Investment Advisor Representative will open a brokerage Account, or Accounts, as appropriate, (collectively, “Account” or “Accounts”) and based on the information provided by the client, manage the investments in each Account on behalf of the client. The Investment Advisor Representative will supervise, provide ongoing management, and direct the investments of the Account with respect to the purchase, sale or continued holding of securities in the Account, subject to any restrictions the Client may impose. The Investment Advisor Representative may utilize software and other tools from unaffiliated companies to assist in the development of asset allocation models and client portfolios.

The client appoints the Investment Advisor Representative as his or her investment manager and attorney-in-fact granting limited discretionary authority over the client Account. When the Investment Advisor Representative feels it is appropriate, and without further consultation with the client, he or she may buy, sell, exchange, convert or trade securities deemed to be in the client's best interest in attempting to achieve the objectives provided by the client. The discretionary nature of the Account does not create a custody relationship between Annex and any Client nor impose any restriction or limitation on the client to exercise each and every ownership right to the assets in any Account, including the right to withdraw assets for an Account upon reasonable notice to Annex.

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Each of the Investment Advisor Representatives is also registered as a securities representative with H. Beck, Inc. (“HBI”), a Member of the Financial Industry Regulatory Authority (“FINRA”) and Securities Investor Protection Corp. (“SIPC”). Clients are strongly encouraged to open a brokerage Account with one of Annex’s approved custodians. However, a client may select any broker/dealer as they may choose for the execution of securities transactions, subject to HBI’s approval. Annex selects custodians for accounts, and the custodians in turn select broker/dealers for the execution of transactions as the custodian determines they provide the required execution and related services on terms acceptable to the custodian, beneficial to the client, and in keeping with Annex’s obligations regarding best price and execution. Accounts may be in the custody of Pershing LLC (“Pershing”), Fidelity Investments Institutional Services Company, Inc. (“Fidelity”), Schwab Institutional a Division of Charles Schwab & Co. (“Schwab”), TD AMERITRADE Institutional, Division of TD AMERITRADE, Inc., Member FINRA/SIPC (“TD Ameritrade”), GreatBanc Trust Company (“GBTC”) or a similar custodian. In the case of variable annuities and life insurance, client Accounts are in the custody of the corresponding life insurance company.

Since the Investment Advisor Representatives will also act in the capacity of securities representative to each client Account, a conflict of interest is created. Annex and its Investment Advisor Representatives may receive commissions and other economic benefits for transactions in client Accounts in addition to the advisory fees paid by the client. Among these are the additional compensation in the form of mutual fund trail commissions, commonly known as SEC Rule 12b-1 fees, as well as commissions to cover ticket charges and other administrative costs of the Account charged by the custodian. The overall cost to the client may be higher or lower than for comparable services obtained elsewhere. For more information on conflicts of interest, and Annex’s relationship with HBI, please see the section of this brochure titled “**Additional Compensation and Potential Conflicts of Interest**” in response to ADV Question 13, below.

Through its Investment Advisor Representatives, Annex will contact each client at least annually to review their Account and to determine whether there should be any changes to the client profile and how the Account is being managed. During this meeting the client may impose any reasonable restrictions on the management of the Account or modify existing restrictions.

Each client will receive Account statements from the custodian according to the terms of their custodial contract. In addition, each client will promptly receive a consolidated report on the balances, activity, fee assessment, and performance from Annex quarterly. **Clients are strongly urged to review the reports provided by Annex against the account statements and transaction confirmations they receive directly from their custodian for any inaccuracies. Clients should immediately notify Annex and the custodian of any inaccuracies.** Annex is compensated by the client, as a part of their advisory fee, for the billing and reporting functions it performs.

**1.0 A Manager of Managers Program**

In providing comprehensive financial planning, there may be times where it is appropriate for Annex to introduce its clients to other investment advisory firms. Through its Manager of Managers Program, Annex Investment Adviser Representatives assist their clients in selecting one or more portfolio managers separate from Annex. Annex then monitors and reports to the client on the performance of each selected manager. Through its Investment Adviser

Representatives, Annex will collect and analyze information provided by the client and identify one or more managers whose investment philosophies, styles, and investment policies are, in the Investment Adviser Representative's judgment, compatible with the Client's stated financial condition, investment objectives, risk tolerance level, investment time frame and tax status, subject to such restrictions as the Client may impose. The Investment Adviser Representative will record this information about the client in the client's file and will communicate it to the selected Manager(s). When the client updates their information on file with the Investment Adviser Representative it will also be provided to the Manager(s). The Investment Adviser Representative making the introduction to the manager will conduct at least annual reviews of the manager's performance to assist the client in determining whether the manager is performing in accordance with its stated practices and continues to be appropriate in relation to the client's investor profile. Clients participating in the Manager of Managers program will receive a separate disclosure brochure, similar to this one, provided by each selected manager.

Performance information reported by a Manager to the client is not reviewed for accuracy by Annex or any third-party and may not be calculated on a uniform and consistent basis. Notwithstanding the absence of a review of performance data by Annex, Annex seeks to only enter into agreements with and recommend Managers that certify to Annex that they calculate performance data in compliance with the accepted methods of the Chartered Financial Analyst (CFA) Institute.

The client appoints the Annex Investment Adviser Representative as his or her investment manager and attorney-in-fact granting limited discretionary authority over the client Account. Further, the selected managers are granted discretionary authority to purchase and sell the client's managed assets. The client acknowledges that while Annex and its Investment Adviser Representatives may execute securities transactions in the Client's Account(s) at the direction of a Manager, all investment decisions are those of the Manager alone. The discretionary nature of the relationship does not create a custody relationship between any Client and Annex nor impose any restriction or limitation on the client to exercise each and every ownership right to the assets in the Account, including the right to withdraw assets from the Account upon reasonable notice to Annex.

Annex, when it deems appropriate and without further consultation with or consent from the Client, may execute all documents necessary to affect the retention or appointment of Managers on behalf of the Client, terminate the services of a Manager or Managers on behalf of the Client, and transfer assets between Managers on behalf of the Client.

Annex enters into agreements with each of the Managers to which it refers clients. Under the terms of these agreements, Annex is paid a portion of the fee the Manager collects, usually as a percentage of assets under management or as a percentage of the fee collected. These fees are continued to be paid to Annex for the duration of the client's relationship with the Manager. Therefore, a conflict of interest exists where Annex recommends a Manager for which it will receive compensation.

### **Morningstar Managed Portfolios**

Annex may offer clients the Morningstar® Managed Portfolios<sup>sm</sup> program ("Morningstar Program"). This program is a discretionary investment advisory program offered by Morningstar Investment Services, Inc. ("MIS"), a federally registered investment advisor. The Program is available to clients through an arrangement MIS has with Annex. MIS will receive compensation for their investment advisory services provided under the Program as a percentage of assets. In

addition, MIS will delegate certain services to Annex such as assisting each client in completing a questionnaire and other applicable account opening forms, determining suitability, meeting with the client at least annually to obtain any changes in their financial situation and acting as liaison between MIS and the Annex client. For these services, Annex will receive a portion of the fee paid by each client participating in this Program.

There are minimum initial investments for the various aspects of the Program that should be discussed with your Annex advisor. However, at MIS' sole discretion, an initial or subsequent investment of less than the minimums stated in the materials provided by MIS may be allowed.

Pursuant to the discretionary authority granted within the Investment Management Agreement (signed prior to opening an account), MIS will execute transactions as frequently as MIS considers necessary.

#### Program Fees

An annual Program fee is charged quarterly either in advance or in arrears based on the account owner's account value either at the beginning of or the end of a period. The Program fee consists of two parts (collectively Annual Program Fee):

- MIS Fee – A fee relating to services performed or provided by MIS including discretionary investment management services, communications to you and your Advisor Representative, marketing activities and services provided by the Middle-Office Provider; and
- Annex Fee – A fee covering the services performed by your Advisor Representative and/or Annex.

#### *MIS Fee*

The standard fee schedule for the **Asset Allocation, Focused Allocation and Retirement Income Strategy** is:

	First <u>\$500K</u>	Next <u>\$500K</u>	Next <u>\$1MM</u>	Over <u>\$2MM</u>
MIS Net Fee* <sup>1</sup>	40bps	35bps	30bps	20bps
Annual Minimum MIS Advisory Fee <sup>+</sup> :			\$200	

<sup>1</sup> The MIS Net Fee for the Enhanced Cash Option (ECO) will be assessed a fee of 20 bps, across all breakpoints. Investments in the ECO are not bank deposits and therefore not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. It also does not include the Advisory Firm Fee.

\* The Portfolios' underlying mutual funds incur their own internal expenses such as management, transfer agent, shareholding servicing, and 12b-1 fees.

<sup>+</sup> The Annual Minimum MIS Advisory Fee is applied to those accounts not held with PFPC, Inc.

The standard fee schedule for the **Stock Basket Strategies**<sup>1</sup> is:

First <u>\$1MM</u>	Next <u>\$4MM</u>	<u>Thereafter</u>
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MIS Advisory Fee <sup>2</sup>	55bps	50bps	45bps <sup>3</sup>
Annual Minimum MIS Advisory Fee – Custom Series: \$1,375			
Annual Minimum MIS Advisor Fee – Strategist Series: \$550			

<sup>1</sup> The Stock Basket Strategy invests primarily in common stocks of U.S. companies, which are a type of equity security that represents an ownership interest in a corporation. Common stocks are subject to greater fluctuations in market value than other asset classes as a result of such factors as a company's business performance, investor perceptions, stock market trends and general economic conditions. Stocks of small and mid cap companies tend to be more volatile and less liquid than stocks of large companies. Small and mid cap companies, as compared to larger companies, may have a shorter history of operations, may not have as great an ability to raise additional capital, may have a less diversified product line making them susceptible to market pressure, and may have a smaller public market for their shares. Stock Basket Strategy may also invest in American Depositary Receipts (“ADRs”) or foreign stocks listed on an U.S. exchange. There are investment risks associated with ADRs and foreign stocks including, but not limited to, currency exchange-rate, inflationary, and liquidity risks as well as the risk of adverse political, economic and social developments taking place within the underlying issuer’s home country. In addition, the underlying issuers of certain ADRs are under no obligation to distribute shareholder communications to ADR holders, or to pass through to them any voting rights with respect to the deposited securities.

<sup>2</sup> Does not include fees/commissions associated with executing transactions nor the internal expenses of exchange-traded funds. It also does not include the Advisory Firm Fee. Additionally, this fee covers costs associated with middle-office services such as a trading infrastructure and client accounting and reporting.

<sup>3</sup> For clients with account assets of \$5 million or above, MIS Advisory Fee is negotiable.

The standard fee schedule for the **ETF Strategy** is:

	First \$1MM	Next \$4MM	Thereafter
MIS Advisory Fee <sup>1</sup>	31bps	25bps	20bps <sup>2</sup>

Annual Minimum MIS Advisory Fee: \$310

<sup>1</sup> Does not include fees/commissions associated with executing transactions nor the internal expenses of exchange-traded funds. It also does not include the Advisory Firm Fee. Additionally, this fee covers costs associated with middle-office services such as a trading infrastructure and client accounting and reporting.

<sup>2</sup> For clients with account assets of \$5 million or above, MIS Advisory Fee is negotiable.

#### *Advisory Firm Fee*

The Advisory Firm Fee portion of your Annual Program Fee is solely determined by Annex and your Advisor Representative. Their determination of what the Advisory Firm Fee will be will be



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noted within the Program Fee Schedule presented as part of account opening documents. As always, MIS encourages you to review the Program Fee Schedule as well as all of your account opening documents carefully.

*Supplemental Fee Information*

As the result of MIS' discretionary authority, investment decisions made for a Stock Basket Strategy or ETF Strategy account will result in you incurring brokerage commission/fees imposed by your Clearing Firm ("Clearing Fees"). The payment of these Clearing Fees is solely your responsibility. Your Clearing Firm will charge your Stock Basket Strategy or ETF Strategy account directly for any applicable Clearing Fees. These Clearing Fees are in addition to the above-mentioned Annual Program Fee.

When securities can be traded in more than one marketplace, your Clearing Firm will use its discretion in selecting the market in which such orders are entered. Please be aware that your Clearing Firm may receive remuneration, compensation or other consideration for directing orders to particular broker/dealers or market centers for execution (i.e., payment for order flow) and that MIS does not participate in such arrangements.

Exchange-traded funds have their own internal fees and expenses such as investment advisory, administration, and other fund-level expenses and that by investing in them you incur a proportionate share of those fees and expenses. Those fees and expenses are in addition to the above-mentioned Annual Program fee and Clearing Fees.

You may also incur certain charges by your Clearing Firm or its affiliates related to retirement plan accounts such as IRAs. You understand that these charges are in addition to the abovementioned Annual Program fee and Clearing Fees.

American Depositary Receipts ("ADRs") are typically created, organized and administered by a U.S. bank. Generally, these banks charge a fee for their services (e.g., custody) and may deduct these fees from the dividends and other distributions generated from the ADR shares. In addition, banks incur expenses, such as converting foreign currency into U.S. dollars, and as a result may pass those expenses on to the ADR shareholder. You understand that these fees and expenses are in addition to the above-mentioned Annual Program Fee and Clearing Fees.

**1.0 A Consulting Services**

For clients having a need for financial advice or analyses involving an investment, portfolio, financial situation or condition, Annex offers Consulting Services designed to meet the client's needs and expectations. Consulting Services will generally include an analysis of a client's existing portfolio or financial condition, data gathering about the client's financial goals, tolerance to risk, time horizon, tax status, family, and similar information. Based upon the analyses, a plan is developed designed to assist the client in achieving their desired outcome. The plan may then be implemented at the client's discretion in any manner or degree that the client chooses. Consulting Services are generally oriented towards reviewing existing investment portfolios, insurance and asset protection strategies, risk management, retirement projections, estate or business plans, education savings, trust services, retirement planning, estate planning, and corporate and small business planning. The projects encompassed in Annex's Consulting Services are intentionally broad and designed to address the material issues of each client's financial goals. The fees paid for Consulting Services are exhausted by those services and an



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additional fee would be required for the ongoing monitoring or management of client assets.

Where a written analyses or financial plan is requested, the Annex Investment Advisor Representative who introduces the client to Annex will be responsible for the analyses and preparation of the report or plan and the services agreed to in the Consulting Agreement. Generally, the Investment Advisor Representative will utilize third-party provided software to produce financial plans, asset allocation models, portfolio analyses and similar written reports and plans. Investment Advisor Representatives utilize industry-standard software that has not been reviewed by Annex, but are believed to be reliable tools.

The fees for Consulting Services contracted on an hourly basis are negotiable but generally range from \$150-\$300 per hour. Consulting Services may also be contracted on a flat fee or as a percentage of the assets for which the Services are being performed. Flat fees for basic projects can start as low as \$1000 but can be significantly higher depending upon the scope and duration of the Services provided. A written estimate of the fees for Services will be provided to the Client in their Consulting Agreement prior to the initiation of any Services. Generally, the client and their Investment Advisor Representative lay out the scope of the project together. Annex may require an advance deposit equal to as much as 100% of the estimated fee. Any remainder of the fee is due to Annex at the time the Services are completed and the financial plan or other report is delivered to the client. Once the fees are paid in full, the Consulting Agreement will be terminated and any additional Services will require a new Consulting or other advisory Agreement. Annex will not collect any fee in excess of \$500 for Services to be performed more than six (6) months in the future. Should the contract terminate at the instruction of the client or Annex, any prepaid and unearned fee will be returned to the client.

**1.0 A Pension Consulting Services**

Annex provides advisory services to retirement plans ("Plans"), generally covered by ERISA. Annex has entered into arrangements with unaffiliated money managers that it recommends, considers for recommendation, or otherwise mentions to plans for consideration, whereby it receives a portion of the management fee charged by the money manager to offset the administrative cost of operating the firm. In return, the money manager will delegate certain responsibilities to Annex such as assisting each client in completing a questionnaire and other applicable account opening forms, determining suitability, meeting with the client at least annually to obtain any changes in their financial situation and acting as liaison between the money manager and the Annex client. In some cases, Annex may receive up to twenty-five percent of the fee charged by the money manager in addition to the fee it already collects under the consulting agreement or Manager of Managers program. Annex does not encourage its IARs to select money managers that share a portion of their management fee with Annex over any other money manager. Still, a conflict of interest exists where Annex receives additional administrative compensation from any money manager it recommends or mentions to a Plan. Annex does not feel that these arrangements adversely impact any Client or Plan in that no additional fee is charged to any Client and best execution is preserved.

Annex does not allow its IARs to simultaneously charge a fee and a commission within any plan, beyond the nominal and disclosed trading and administrative charges incurred by a plan Custodian. Annex does not participate in any trading or administrative charges to Plan assets by custodians nor does it receive any Rule 12b-1 commissions or other similar compensation for Plans covered by ERISA. Annex will not collect commissions and therefore, does not allow its

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IARs to offset consulting fees through the collection of brokerage commissions.

Annex does not have any arrangements with broker-dealers under which it, or any related company, will benefit from money managers placing trades for any Client or plan with such broker-dealer.

When Annex is hired for any Client account or as a consultant to any plan, it provides the plan contact with its Privacy Policy & Code of Ethics. Within the Code of Ethics, Annex acknowledges in writing that it owes a fiduciary obligation as an investment adviser to the plan while providing consulting services.

### 1.0 A Periodicals and Publications

Annex distributes a periodic newsletter called the *Annex Advisor* to clients and prospective clients. Additionally, Annex may distribute client-specific reports, seminar announcements, or other items of interest to clients and prospective clients through US mail, email, or by posting them on its website. Annex does not charge any fee for the newsletter, any other periodical or publication, or any seminars/public presentations.

**1.0 B** Annex offers discretionary asset management services where its Investment Advisor Representatives will provide continuous active individualized management to each client Account. Where it is appropriate and consistent with a client's objectives, financial condition, or special needs, Annex may assist a client in selecting other asset managers and provide oversight management services, also on a discretionary basis. Annex also provides investment advice through individual consultations about investment matters for a fee. Additionally, Annex provides consulting services to its clients about other life planning and business planning matters outside of the investment industry. Frequently, these services are collectively referred to as financial planning.

### 1.0 C Fees

Fees for Limited Discretionary Asset Management Services and Manager of Manager services are generally calculated as a percentage of assets under management based on the market value of the assets in the managed Account on the last calendar day of each quarter and are collected in advance. Fees for the initial quarter for which services are provided are pro rated based upon the number of days in the quarter during which services are provided. Should a client elect to terminate services during a calendar quarter, then the client shall only be responsible for the pro rated fee based upon the number of days services were performed and a pro rated reimbursement of unearned fees shall be made to the client. Annex retains the discretion and right to offset, waive, or set aside its interest in the collection of any fee due Annex, in whole or in part, to which it would otherwise be entitled. The forbearance of the collection of any fee for any particular Client shall have no bearing whatsoever on the fees due from any other Clients or Account. All fees are *negotiable* between the client and the Annex Investment Advisory Representative introducing the client. However, generally, fees are calculated as follows:

#### Value of Assets Under Management

**\$0 - \$249,999**  
**\$250,000 - \$749,999**

#### Annual Fee as a Percentage of Assets

**2.00%**  
**1.85%**

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\$750,000 - \$2,499,999	1.45%
\$2,500,000 - \$5,000,000	1.25%
\$5,000,000 and above	Negotiable

Clients authorize Annex and its third-party billing agents and/or custodians to deduct one-fourth of the annual management fee directly from the client's Account following each quarter and send the fees to Annex or its payee agent. Furthermore, clients authorize Annex and its Investment Advisor Representatives and custodians to sell money market shares and then securities, in that order of preference, if sufficient cash balances are not available in the Account at the time the fees are to be debited.

Clients may pay additional fees beyond the advisory fee including fees for Account billing and reporting, expenses charged by mutual funds and variable insurance companies, Rule 12b-1 fees, mark-ups and mark-downs, ticket and other custodial charges, and other nominal and disclosed fees.

Commissions and other compensation may be earned by Annex and its Investment Advisor Representatives where a client purchases investments or insurance in their Account. The fee for advisory services is in addition to these commissions and other compensation. Therefore, it may cost the client more or less if they elected to purchase the advisory services, investment services, and insurance services separately. Annex and its Investment Advisor Representatives seek to control the overall cost of the services by limiting commissions on investments to the nominal and disclosed administrative costs of trading such as ticket charges and other brokerage costs. Annex may participate monetarily in the ticket charges, Rule 12b-1 fees, and other brokerage costs, through revenue sharing with the various custodians, vendors, and investment companies it uses. Please read the section entitled "**Additional Compensation and Potential Conflicts of Interest**" for more information.

Annex and the Investment Advisor Representatives recommending the Annex advisory service programs receive compensation as a result of each client's participation in the programs. The amount of this compensation may be more than what the Investment Advisor Representative would receive if the client participated in other Annex advisory services programs or paid separately for investment advise, brokerage, insurance, and other services. Therefore, both Annex and the Investment Advisor Representative have a financial incentive to recommend certain programs over other programs or services.

The fees for Consulting Services contracted on an hourly basis are negotiable but generally range from \$150-\$300 per hour. Consulting Services may also be contracted on a flat fee or as a percentage of the assets for which the Services are being performed. Flat fees for basic projects can start as low as \$1000 but can be significantly higher depending upon the scope and duration of the Services provided. A written estimate of the fees for Services will be provided to the client in their Consulting Agreement prior to the initiation of any Services. Annex may require an advance deposit equal up to 100% of the estimated fee.

Advisory fees for services provided by Annex may be more or less than those for comparable services offered elsewhere.

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**2.0 A-G    Types of Clients**

Annex generally provides investment advice and financial planning services to individuals (including high-net-worth individuals), pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. In providing these services, an Annex Representative relies on the client to furnish Annex with current and accurate information regarding the client's investment portfolio and financial situation, as well as the related documents which Annex requests. Upon completion of its review and analysis, the Annex Representative will meet with the client and suggest an investment strategy for the client based on various factors, including the client's financial condition, investment objectives, risk tolerance level, investment time frame and tax status. Each recommendation and investment decision will be made in reliance on the information provided by the client.

Each client will enter into a contractual relationship with Annex to receive advisory services. The contract may provide Annex with discretionary authority to act as the client's attorney-in-fact as stipulated in the contract. Annex will supervise, provide ongoing management, and direct the investments of each client with respect to the purchase, sale or continued holding of securities and any other property that comprise the assets of an Account, subject to any restrictions the client may impose. The discretionary authority will also allow Annex the authority to discharge a money manager and move client investments between and amongst managers where it is believed to be consistent with the client's investment objectives and risk tolerance level. The discretionary nature of the relationship does not create a custodial relationship between any Client and Annex nor impose any restriction or limitation on the client to exercise their ownership rights to their assets, including the right to withdraw assets from their Account upon reasonable notice to Annex.

An Annex Representative will contact each client at least annually to see if there have been any changes to the client's financial condition, investment objectives, risk tolerance level, investment time frame, tax status, or similar meaningful information. Each client may impose any reasonable restrictions on the management of their Account or modify existing restrictions at any time.

**3.0 A-L    Types of Investments**

Client Accounts may be invested in many types of investments including, but without limitation; exchange listed and over the counter stocks, corporate debt, commercial paper, certificates of deposit, municipal securities, US government securities, options contracts on securities, limited partnerships, real estate investment trusts, unit investment trusts, mutual funds, exchange-traded funds, and variable insurance and annuity contracts.

***Mutual Fund and Exchange Traded Fund ("ETF") Investors:*** Mutual funds and certain ETFs pay management fees to their investment advisers, which reduce their respective assets. Therefore, some clients who invest in mutual funds and ETFs through Annex advisory Accounts pay two levels of advisory fees for the management of their assets, one to the mutual fund or ETF and one to Annex.

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**4.0 A-C Methods of Analysis, Sources of Information and Investment Strategies**

Annex may employ fundamental, technical, or cyclical analysis of securities and passive or tactical allocation strategies in providing investment advice to clients. In doing so, Annex may use financial newspapers and magazines, research and other materials prepared by unaffiliated third-parties, inspections of corporate activities, corporate rating services and annual reports, prospectuses, filings with the US Securities & Exchange Commission, company press releases, information posted on the internet, and similar informative materials. Annex may also consult with other investment managers and industry professionals about the investments and investment strategies being considered. Annex will also use software it has licensed from outside vendors to create financial plans, Account reports, asset allocation models, portfolio analysis, historical investment reports, and similar client reports. Annex may use a range of investment strategies that may include long-term purchases, short term purchases where securities are bought and sold within a year, active trading where securities are bought and sold within thirty days, short sales, and margin transactions and options writing, including covered options or spreading strategies.

**5.0 Education and Experience Standards**

Annex seeks to have its Investment Advisor Representatives to have a minimum of five years of investment industry experience, similar tenure in a business related field, or a college degree. Annex also expects its Investment Advisor Representatives to pass the Uniform Investment Advisor Law Examination and maintain FINRA Series 65 or Series 66 registration, or their equivalent, and meet the examination and, where required, registration requirements of each State in which they conduct an advisory business unless otherwise exempted by regulatory allowances. Investment Advisor Representatives are encouraged to achieve certification as a Certified Financial Planner™ or a similar professional designation. Annex will frequently register an Investment Advisor Representative who has not yet achieved these standards but is committed to making progress to fulfill these requirements.

**6.0 Officers and Professional Staff**

**David J. Spano, CFP®, President/CEO**

Born 1965, Mr. Spano earned his Bachelor of Science in Business Administration from the University of Wisconsin-Milwaukee and achieved status as a Certified Financial Planner (CFP®) in 1991.

Mr. Spano entered the financial planning industry in 1986, acted as the Vice President–Sales Manager for a Milwaukee-based Regional Broker-Dealer from 1988 to 1995, and as Vice President-Regional Director for SII Investments, Inc. from 1995-2009. He is currently a Registered Principal of HBI's Brookfield Office of Supervisory Jurisdiction.

In 2000, Mr. Spano founded Annex Wealth Management with the company taking its current form as a limited liability company in 2001. Annex Advisory Services, LLC, Annex Insurance Services, LLC, and Annex Investment Services, LLC were formed by Mr. Spano as affiliates and subsidiaries of Annex Wealth Management, LLC in 2003. Through their strategic relationships, these companies collectively provide clients with independent and complete personal and business wealth management services.

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Mr. Spano is the co-host of the radio show "Money Talk" heard at 10 am Saturdays on News Talk 620 WTMJ. Dave is the Chairman of the Board of and past-President of the Financial Planning Association of Southern Wisconsin, where he also served as the Director of Government Relations since 2004. He also served as the Treasurer, Chief Financial Officer, and is the current Vice-President of the Italian Community Center. He serves on the boards of The United Ethnic Festivals, The Historic Third Ward, The Lakeshore State Park, and Miller Park Stadium Board (2004-08).

David holds FINRA registrations of General Securities Representative (Series-7), FINRA General Securities Principal (Series-24), Registered Options Principal (Series-4), Uniform Securities Agent State Law (Series-63) and Uniform Investment Advisor Law (Series-65).

**Mark M. Oswald, Managing Partner, Chief Compliance Officer**

Born 1964, Mr. Oswald is the Managing Partner and Chief Compliance Officer of Annex Wealth Management, LLC responsible for the regulatory oversight and daily operations of the Wealth Management Firm and its affiliates, including Annex Advisory Services, LLC. His responsibilities include the continuing development of all aspects of the Firm, including due diligence review of third-party money Managers, regulatory oversight supervision of all Annex Investment Advisor Representatives, supervision of Accounts and transactions, and compliance with US Securities & Exchange Commission, Financial Industry Regulatory Authority, and State securities rules and regulations.

Prior to assuming his current duties, Mr. Oswald served five years as the Chief Compliance Officer for FINRA Member Firms, SII Investments, Inc. and Investment Centers of America Inc., developing and implementing the supervisory structures for those firms. In the late 1990's, he acted in a similar capacity for Princor Financial Services, the broker-dealer arm of the Principal Financial Group. He began establishing his regulatory experience in the position of Vice-President Compliance with NYSE Member Robert W. Baird & Co. in 1993.

Mark can be heard as the co-host of "Money Talk", Saturday mornings at 10am on News Talk 620 AM WTMJ.

Mark has more than 20 years of securities industry experience and holds FINRA registrations of General Securities Representative (Series-7), NYSE General Securities Sales Supervisor (Series-8), FINRA General Securities Principal (Series-24), Uniform Securities Agent State Law (Series-63) and Uniform Investment Advisor Law (Series-65).

Mr. Oswald attended the University of Wisconsin-Whitewater studying Finance with an emphasis on Financial Planning from 1982-1985 and 1987-1989.

**7.0 Other Business Activities**

Annex Advisory Services, LLC is a limited liability company whose sole Member is Annex Wealth Management, LLC. Annex Wealth Management is also the sole Member of Annex Insurance Services, LLC a licensed insurance agent. Most, if not all, of the Officers, advisers, and staff of Annex Wealth Management split their time between their wealth management



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functions, working with clients and operation issues specific to HBI, and the insurance company operations; however, they devote sufficient time and attention to the proper management and supervision of the firm's investment advisory business.

Some Annex staff, its principal officers, and all Investment Advisory Representatives are also securities Registered Representatives of HBI Investments, Inc. ("HBI") an unaffiliated and separate registrant. HBI is a Member of FINRA and SIPC.

Approximately sixty-percent (60%) of the staff, its principal officers, and Investment Advisor Representatives' time is spent on investment advisory business with the remainder spent on securities and insurance activities.

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

Annex Investment Advisor Representatives are Registered Representatives of HBI Investments, Inc. ("HBI") a broker-dealer and Member of the FINRA and SIPC. HBI is also an unaffiliated and separate SEC registered investment advisory firm.

The Investment Advisor Representatives are also insurance agents appointed with various unaffiliated insurers and licensed with the various states in which they conduct an insurance business. When offering insurance services to their clients, many of the Investment Advisor Representatives will transact business through and represent Annex Insurance Services, LLC as agents. Annex Insurance Services, LLC is wholly-owned by Annex Wealth Management. Therefore, a conflict of interest exists when a Client purchases an insurance contract where a commission is paid to (i) the agent who is also the Investment Advisor Representative to the Client or, (ii) Annex Insurance Services, or (iii) some other person under the control of Annex.

Some of the Officers and Professional Staff are Certified Financial Planners and are active members of The Financial Planning Association ("FPA®"). The Financial Planning Association is the membership organization for the financial planning community. FPA is built around four Core Values - Competence, Integrity, Relationships and Stewardship.

Annex Advisory Services, LLC is a limited liability company whose sole Member is Annex Wealth Management, LLC. Annex Wealth Management is also the sole Member of Annex Insurance Services, LLC.

### **9.0 Code of Ethics Summary**

The Investment Advisers Act of 1940 imposes a fiduciary duty on investment advisers like Annex. As a fiduciary, Annex has a duty of utmost good faith to act solely in the best interests of each of our clients which in turn places a high standard on our conduct and integrity. Our fiduciary duty compels the officers, directors, employees, affiliates, and Investment Advisor Representatives [collectively, "Annex Representatives"] to act with the utmost integrity in all of our dealings. This fiduciary duty is the core principle underlying our Code of Ethics and represents the expected basis of all of our dealings with our clients.

This Code of Ethics consists of the following core principles:

The interests of clients will be placed ahead of the firm's or any Annex Representative's own investment interests.



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Annex Representatives are expected to conduct their personal securities transactions in accordance with the firm's Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest with the client.

Annex Representatives will not take inappropriate advantage of their position with the firm.

Annex Representatives are expected to act in the best interest of each of our clients.

Annex Representatives are expected to comply with federal and state securities laws and the Firm's Compliance Policy Manual.

Annex Representatives are expected to exercise diligence and care with our client's confidential personal information in compliance with the firm's Privacy Policy.

Annex Representatives are expected to conduct themselves with the utmost integrity and to avoid any actual or create the perception of conflict with our clients.

In this spirit, the following are required of Access Persons:

Annex Representatives are prohibited from receiving any gift, gratuity, hospitality or other offering of more than \$100 in value from any person or entity doing business with Annex in any calendar year, unless the gifts are reported in accordance with Annex's gift reporting policy *and* the gifts are neither so frequent or excessive as to raise a question of inappropriateness.

Annex Representatives wishing to serve as director for an outside company or engage in business activities outside of Annex must first seek the approval of the firm's Chief Compliance Officer who will determine whether such service is consistent with the interests of the firm and our clients.

Annex Representatives must acknowledge that they have read, understand and agree to comply with this Code of Ethics. All Annex Representatives are required to acknowledge as such at the time they join Annex and then annually thereafter in connection with the firm's annual policy manual acknowledgement.

A client may obtain a complete copy of the Annex Code of Ethics by sending a written request and stamped self-addressed envelope to Annex Advisory Services, LLC C/O Managing Partner, 18650 W. Corporate Drive, Suite 300, Brookfield, WI 53045.

**9.0 B-E Participation or Interest in Client Transactions & Personal Trading Policy**

Annex Investment Advisor Representatives are also Registered Representatives of HBI Investments, Inc. ("HBI") and provide brokerage and securities transaction execution services to clients through that affiliation. Annex Investment Advisor Representatives are licensed insurance agents, and in most cases are agents of an affiliated insurance company, Annex Insurance Services, LLC. In such capacities, Advisor and its Representatives may receive commissions and other remuneration resulting from transactions in a client's Account. Those commissions and other remuneration are in addition to the fees a client pays for advisory services. Annex and its Representatives may also receive a portion of the Rule 12b-1 fees mutual fund companies charge

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to their shareholders. A conflict of interest is created where Annex and its Representatives receive a fee for rendering investment advice and a commission or other remuneration for effecting securities or insurance transactions on the basis of that advice.

Generally, Annex does not buy or sell securities for itself that it recommends, buys, or sells, for its clients. However, Annex's employees and Investment Advisor Representatives may buy, sell, or hold securities in their personal Accounts that they also recommend, buy, or sell for their clients. Personal securities transactions by these individuals are reported to Annex quarterly so that Annex may supervise the Account activities to reasonably determine if any personal transactions were effected to the detriment of Annex's clients. Where Annex Investment Advisor Representatives are placing transactions for the same security in a client Account and in their own personal Account, client transactions will be placed for execution ahead of personal transactions or Clients will be granted more favorable pricing for their transactions than the Investment Advisor Representative.

Before placing a trade in a personal Account, Annex employees and Investment Advisor Representatives are asked to consider whether the amount or nature of the transaction will affect the price or market for the security; whether they will benefit from purchases or sales being made for clients; whether the transaction is likely to harm any client; and whether there is any appearance or suggestion of impropriety. Personal Accounts will include all Accounts for family members living within an Investment Advisor Representative of Annex employee's household and any other Accounts over which they have authority or a direct beneficial interest.

A client may obtain a complete copy of the Annex Personal Trading Policy by sending a written request and stamped self-addressed envelope to Annex Advisory Services, LLC C/O Managing Partner, 18650 W. Corporate Drive, Suite 300, Brookfield, WI 53045.

**10.0 Conditions for Managing Accounts**

In order to effectively manage client Accounts, clients are expected to furnish Annex and its Investment Advisor Representatives with current and accurate information regarding the client's investment portfolio and financial situation, investment objectives, risk tolerance level, investment time frame and tax status as well as any and all related documents which the Adviser requests. All recommendations and investment decisions will be made in reliance on the information provided by the Client.

While Annex does not require a minimum Account size for management services, services are best provided for Accounts with a value in excess of fifty-thousand (\$50,000.00) dollars. Outside investment advisory firms who are part of the Annex Manager of Managers Program may institute their own minimum account size. Where there is such a minimum from a selected outside firm, it will be disclosed in the brochure provided to the client by the selected manager.

Annex may require the prepayment of as much as 100% of the fee agreed upon in a Consulting Services Agreement with a client, not to exceed \$499.99 for any services to be performed five months or more in the future.

**Proxy Voting**

Without exception, Annex does not vote proxies on behalf of clients. Custodians have been instructed by Annex to mail proxy materials directly to the Client or a designated representative

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of the Client, who is responsible for voting the proxy. In the event that Annex or its Investment Advisor Representatives receive proxy materials intended for the client, Annex will promptly forward the materials to the client so that the client may take whatever action s/he deems advisable. Annex and its Investment Advisor Representatives may answer client questions regarding proxy-voting matters in an effort to assist the client, however, the final decision of how to vote the proxy rests solely with the client.

**11.0 A-B Reports and Review of Accounts**

Through its Investment Advisor Representatives, Annex reviews each client Account. The Investment Advisor Representative who introduces or services the client Account will contact each client not less than annually, and more frequently at the request of Client, to review the Account and to determine whether there have been any changes in the client's financial situation or investment objectives, any material changes to ownership interest or control of the Account, or if the Client wishes to impose any reasonable restrictions on the management of the Account or modify existing restrictions.

Annex's principal officers and their qualified delegates periodically review a sampling of Client Accounts to identify situations or events that may require further review or a specific action. Account review instruction and standards are included in the Annex Compliance Policy Manual provided to each reviewer.

Each client will receive Account statements from their custodian not less than quarterly. The reports will include a description of all of the activity in the Account during the preceding quarter, including all transactions made on behalf of the Account, all contributions and withdrawals made by the client, all fees and expenses charged to the Account by Annex, and the value of the Account at the beginning and end of the period. Additional Account reports may be available via the internet, if the client elects to pay an additional fee for this service. **Clients are strongly urged to review the reports provided by Annex against the account statements and transaction confirmations they receive directly from their custodian for any inaccuracies. Clients should immediately notify Annex and the custodian of any inaccuracies.** Annex is compensated by the client, as a part of their advisory fee, for the billing and reporting functions it performs.

Clients receiving Consulting Services will receive their report, allocation model, financial plan or similar results of their contracted project.

**12.0 Use of Discretion and Selection of Broker/Dealers**

When contracting for asset management services with Annex through either the Limited Discretionary Asset Management or Manager of Manager programs, each client appoints Annex and its Investment Advisor Representatives as their investment manager and attorney-in-fact granting limited discretionary authority as defined in their advisory agreement. As such, when it is deemed appropriate and in the client's best interest, but without prior consultation with or consent from the client, Annex and its Investment Advisor Representatives may:

1. buy, sell, exchange, convert and otherwise trade in any stocks, bonds, mutual funds, exchange-traded funds, variable contract separate Accounts, and other securities, including money market instruments, that it deems to be in the Client's best interest in

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attempting to achieve the objectives provided to Annex including determining the securities to be bought and sold and the amount to be bought or sold; and

2. the commission rates to be paid for execution; and
3. place orders for the execution of such securities transactions with or through such brokers, dealers or issuers as Annex or the client may select; and
4. sell securities or other assets that are part of the Account assets regardless of the length of time that such securities or assets have been owned or held by the client, and regardless of the resulting rate of portfolio turnover, if Annex or the Investment Advisor Representative, in its sole discretion, believes such sales are consistent with the client's investment objectives; and
5. execute all documents necessary to affect the retention or appointment of custodians and/or outside investment advisory firms participating in the Annex advisory services programs on behalf of the client; and
6. terminate the services of an investment advisory firm participating in the Annex Manager of Managers Program on behalf of the Client; and
7. transfer assets between investment advisory firms participating in the Annex Manager of Managers Program on behalf of the Client.

The discretionary nature of the advisory relationship does not permit Annex, its employees, or any Investment Advisor Representative to take custody of any client funds or securities.

Where discretionary authority is granted to an outside investment advisory firm participating in the Annex Manager of Managers Program, that Manager will have discretion as to which broker-dealer will be selected to execute client transactions. Neither Annex nor its Investment Advisor Representatives make any investment decisions in the Manager of Managers Program. Annex does, however, have the authority to fire a Manager, introduce a new Manager at its sole discretion, or redistribute client assets between Managers.

**12.0 B** Annex participates in Institutional money management programs through unaffiliated registered investment advisors and unaffiliated registered broker-dealers and FINRA members. These independent Institutional programs offer services which include custody of securities, trade execution, clearance and settlement of transactions. Adviser receives additional benefits from some of the Institutional managers through its participation in the program. Please see the section entitled “**Additional Compensation**” for more information.

**12.0 B Custodians and Potential Conflicts of Interest**

Annex may recommend that clients accessing the Firm's Limited Discretionary Asset Management Services establish brokerage accounts with one of its contracted custodians. Approved custodians include Pershing, Schwab, Fidelity, and TD Ameritrade. Custodians may be registered broker-dealers and SIPC members. These custodians maintain custody of Client's assets and effect trades for their Accounts. Annex is independently owned and operated and not affiliated with any of these custodians. Annex, and specifically its Investment Advisor Representatives, considers a number of factors in selecting and/or recommending brokers and

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custodians for its Clients' accounts, including, but not limited to, execution capability, experience and financial stability, reputation, and the quality of services provided. Beyond these considerations, before inviting a broker or custodian to provide services to its current and future Client accounts, Annex also considers the custodian's subadvisor agreements, any conflicts of interest that may be created by those affiliations, as well as administrative pricing such as ticket charges, monetary support for Annex's operations, whether the custodian is committed to helping Annex grow through recruiting additional advisors to the firm or referring clients to the firm, website and technology offerings, business development and consulting services, functionality and support services, and the breadth and quality of services the custodian provides.

Custodians provide Annex with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them. Annex has made informal and non-binding commitments to the Custodians it employs to put assets on their platform in return for reduced trading costs and the reimbursement of other expenses such as billing and reporting costs and marketing expenses related to Annex's radio shows and radio advertising, all of which are intended to indirectly or directly benefit Annex's Clients. Custodial services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significant initial investment. Some Custodians have arrangements with Annex whereby Annex may receive a share of the ticket charges and other brokerage costs assessed to client accounts. A potential conflict of interest is created when an Investment Advisor Representative selects a Custodian for which Annex participates in revenue sharing arrangements. For example, the arrangements could provide an incentive for Annex to engage in more client transactions than it otherwise would to increase its revenue, or select one custodian over another based on its financial support of Annex. Annex believes that the revenue sharing arrangements do not result in any significant increased cost or loss of best execution to the Clients, and rather that the revenue is generally used to pay or offset expenses that benefit the Clients.

The Custodians and other third-party vendors may also make available to Annex other products and services that benefit Annex but may not benefit its Client's Accounts. Some of these other products and services assist Annex in managing and administering Client's Accounts. These include software and other technology that provide access to Client Account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple Client Accounts); provide research, due-diligence, pricing information and other market data; facilitate payment of Annex's fees from its Client Accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Annex's Accounts, including Accounts not maintained at the Custodian. The Custodians also make available to Annex other services intended to help Annex manage and further develop its business enterprise. These services may include consulting, recruiting new advisors to Annex, introducing prospective Clients to Annex, financial assistance with Annex's radio shows and radio advertising, financial assistance with other operating expenses, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Custodians may make available, arrange and/or pay for these types of services rendered to Annex by independent third parties. In terms of marketing, Custodians and other third-party marketing firms such as mutual fund and ETF companies may pay for radio advertising in support of Annex's weekly call-in shows, seminars, and similar marketing efforts. Custodians may discount or waive fees they would otherwise charge for some of these services or pay all or part of the fees

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of a third party providing these services to Annex. While as a fiduciary, Annex endeavors to act in its clients best interests, Annex's recommendation that clients maintain their assets in accounts with the Custodians may be based in part on the benefit to Annex of the availability of some of the foregoing products, services, and monetary support, and not solely on the nature, cost or quality of custody and brokerage services provided by the Custodian, which may create a potential conflict of interest.

Custodians occasionally invite management and/or IARs of Annex to attend educational conferences at their expense. Likewise, Annex and its IARs occasionally accept meals, tickets to sporting or other social events, or comparable entertainment from Custodians and their guests which are neither so frequent nor excessive to raise questions of propriety and are not precondition on any sales or asset goals. None of these events increase the cost of engaging Annex for advisory services or result in an adverse effect on best execution of securities trades.

Some Custodians, and specifically Pershing, have arrangements with HBI whereby HBI receives a share of the ticket charges and other brokerage costs assessed to client accounts. A conflict of interest could be created by HBI if it were to limit Annex to using custodians from whom they receive compensation. HBI has committed to allow Annex to select the custodians it engages for services to Client accounts and no such limitations have been made nor incentives offered to Annex to place Client Accounts in the custody of Pershing. Less than one percent (1%) of Annex's advisory accounts are held at Pershing.

For Annex's Client's Accounts maintained in its custody, the custodians generally do not charge separately for custody but are compensated by account holders through commissions, Rule 12b-1 fees, or other transaction-related fees for securities trades that are executed through the custodian, through the custodians separate broker/dealer arrangements, or for trades that settle into their custodial accounts.

**13.0 Additional Compensation and Potential Conflicts of Interest**

Annex frequently promotes itself as "independent" in its advertisements, radio shows, seminars, brochures and similar presentation to the public. The firm makes this representation to differentiate itself from other registrants whose ownership structure makes it beholden to a parent company such as a bank, trust, insurance, or similar financial service company. Annex also holds itself out as "independent" because it does not offer any proprietary products, participate in fixed income underwriting or issuance, participate in syndication or offering groups, offer Initial Public Offerings (IPO's), or create other similar in-house investment products where a conflict of interest might be created. The representation of independence notwithstanding, Annex's Investment Advisor Representatives are also licensed as securities representatives with FINRA Member HBI Investments, Inc. ("HBI"). Securities representatives are limited to executing transactions through their FINRA Member firm. Therefore, where an Investment Advisor Representative is directing the execution of securities transactions, they will be executed through HBI. Likewise, HBI has regulatory mandated supervisory authority over Annex and its Investment Advisor Representatives creating a close relationship between Annex and HBI. As such, HBI requires that all advisory fees payable for services be reported to HBI and a nominal percentage of each advisory fee is paid to HBI for their supervision. Annex is also an Office of Supervisory Jurisdiction (OSJ) for HBI. Officers of Annex act as registered principals for HBI and supervise the activities of its representatives, accounts opened, and securities transactions executed through HBI. Roughly forty percent (40%) of revenues generated by Annex come from



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commissions on the sale of securities, life insurance, annuities and similar registered and unregistered products offered through HBI.

Annex Investment Advisor Representatives are also insurance agents and may be further appointed as agents of Annex Insurance Services, LLC. In such capacities, Annex and its Representatives often receive commissions and other remuneration resulting from transactions in a client's Account. This additional compensation is in addition to the fees paid to Annex and its Investment Advisor Representatives for investment advisory services. Annex and its Representatives also receive a portion of the Rule 12b-1 fees charged to investors in many open-ended mutual funds. Consequently, a conflict of interest exists because Annex and its Representatives receive a fee for rendering investment advisory services and a commission or other remuneration for effecting securities or insurance transactions on the basis of that advice. It is important for clients to know that investment advice, investments, and insurance may be available from other firms at a higher or lower overall cost.

The total compensation Annex and its Representatives receives for investment advice, securities, and insurance may vary depending upon the programs, securities, and insurance selected by the Investment Advisor Representative. Therefore, Annex and its Representatives may have a financial incentive to recommend one program or product over another. Annex and its Representatives may receive compensation from the outside investment advisory firms participating in the Annex Manager of Managers Program. A conflict of interest is created where an Investment Advisor Representative might select one manager over another depending on whether or not the manager provides additional compensation to Annex. In practice, the majority of Client assets in the Manager of Manager program has been placed with Managers who do not provide any additional compensation to Annex beyond its share of the advisory fee collected from the Clients.

Annex has entered into arrangements with unaffiliated money managers that it recommends whereby it receives a portion of the management fee charged by the money manager to offset the administrative cost of operating the firm. In return, the money manager will delegate certain responsibilities to Annex such as assisting each client in completing a questionnaire and other applicable account opening forms, determining suitability, meeting with the client at least annually to obtain any changes in their financial situation and acting as liaison between the money manager and the Annex client. In some cases, Annex may receive up to twenty-five percent of the fee charged by the money manager in addition to the fee it already collects under the consulting agreement or Manager of Managers program. Annex does not encourage its IARs to select money managers that share a portion of their management fee with Annex over any other money manager. Still, a conflict of interest exists where Annex receives additional administrative compensation from any money manager it recommends or mentions to a Client. Annex does not feel that these arrangements adversely impact any Client in that no additional fee is charged to any Client and best execution is preserved.

Annex periodically reviews its brokerage affiliation based on factors contained in the Annex Compliance Policy Manual primarily as it relates to best-execution and the reasonableness of the commissions charged to our clients.

Annex may pay cash referral fees to persons or entities that directly or indirectly solicit or refer any client to Annex. The solicitor will not be subject to disqualifications as described in Rule 206(4)-3 of the 1940 Advisers Act. Any cash referral fee paid to a solicitor comes as a result of a



written agreement between the solicitor and Annex. The solicitor will make certain facts known to the client at the time of the solicitation through a Solicitor's Disclosure. Primarily the Solicitors Disclosures will inform the client that the solicitor is predisposed to referring the client to Annex because of the referral fee that is paid. Annex will not enter into solicitation arrangements where we are required to pay the solicitor non-cash referral fees, such as directed brokerage arrangements nor will it pay referral fees to a fiduciary of an ERISA unless the solicitation arrangement is structured to comply with applicable ERISA regulations.

As discussed in the **"Use of Discretion and Selection of Broker/Dealers"** section above, Annex participates in Institutional money management programs and, in its own discretion, Annex selects custody and brokerage services for Client Accounts. There is no direct link between Annex's participation in these programs and the investment advice it gives to its Clients, although Annex may receive economic benefits through its participation in the program that are typically not available to retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; recruiting efforts for advisors to join Annex; the referral of potential clients to Annex; discounts on services such as overnight delivery costs; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Annex by third party vendors. The Institutional programs may also have paid for business consulting and professional services received by Annex's related persons. Some of the products and services made available to Annex by the Institutional programs may benefit Annex but may not benefit its Client accounts. However, these products or services may assist Annex in managing and administering Client accounts. Services made available to Annex by Institutional programs are intended to help Annex manage and further develop its business enterprise including growing the Firm, reducing operating expenses, and enhancing profitability, all of which indirectly benefit Clients by ensuring that Annex is a going concern and allowing for retained earnings to be reinvested into the firm to continue to develop client services and the overall client experience. The benefits received by Annex or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to any particular broker, dealer, or custodian. As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Annex or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Annex's selection of custodian and purveyor of brokerage services.

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