



## **Madison Asset Management, LLC**

### Disclosure Brochure

*550 Science Drive  
Madison, WI 53711  
800-767-0300*

*March 2012*

*[www.madisonadv.com](http://www.madisonadv.com)*

Disclosure Brochure for accounts outside of the MAP Program. For MAP Program accounts, please refer to the separate Disclosure Brochure for the program and its clients.

**This brochure provides information about the qualifications and business practices of Madison Asset Management. If you have any questions about the contents of this brochure, please contact us at 800-767-0300. 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.**

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

## **Madison Asset Management, LLC**

### Annual Summary of Material Changes to Disclosure Brochure

*550 Science Drive  
Madison, WI 53711  
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www.madisonadv.com*

The following summarizes for your reference changes to the firm's Disclosure Brochure since the last annual update of the brochure (Disclosure Brochure dated March 2011). Some or all of these changes may not be considered material to you or others.

You should keep a copy of this summary with the complete copy of the Disclosure Brochure we previously provided to you. If you would like a complete copy of the current disclosure brochure, please call us.

#### Changes from Disclosure Brochure dated March 2011

- No material changes

#### Changes from Disclosure Brochure dated June 2011

- The brochure was reformatted to remove disclosures relating to various individual employees of the firm because we introduced the new "Brochure Supplement" (otherwise known as Form ADV Part 2B) which contains much of this information. We provided the Brochure Supplement separately to clients.
- New subsection entitled "Subadvisory Services By Investment Adviser Affiliates" was added to the "Other Financial Industry Activities and Affiliations" section.
- The description of our Code of Ethics was revised to reflect an amendment to our code during the year.
- The "Investments in Related Products" subsection of the Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" section was revised to further disclose the circumstances under which we might recommend investments in our proprietary mutual funds.
- The discussion in the "Trade Allocation Practices" subsection of the "Brokerage Practices" section was revised to explain why certain exceptions to our normal practices may occur.
- New subsection entitled "Unmanaged and Non-Discretionary Account Assets" was added to the "Brokerage Practices" section.

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

## **TABLE OF CONTENTS**

<b>ADVISORY BUSINESS .....</b>	<b>1</b>
<b>FEES AND COMPENSATION .....</b>	<b>2</b>
<b>PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT .....</b>	<b>3</b>
<b>TYPES OF CLIENTS.....</b>	<b>4</b>
<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....</b>	<b>4</b>
<b>DISCIPLINARY INFORMATION .....</b>	<b>5</b>
<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....</b>	<b>5</b>
<b>CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....</b>	<b>7</b>
<b>BROKERAGE PRACTICES .....</b>	<b>7</b>
<b>REVIEW OF ACCOUNTS .....</b>	<b>11</b>
<b>CLIENT REFERRALS AND OTHER COMPENSATION.....</b>	<b>11</b>
<b>CUSTODY .....</b>	<b>11</b>
<b>INVESTMENT DISCRETION.....</b>	<b>11</b>
<b>VOTING CLIENT SECURITIES .....</b>	<b>11</b>
<b>FINANCIAL STATEMENTS .....</b>	<b>12</b>
<b>PRIVACY POLICY .....</b>	<b>13</b>

## ADVISORY BUSINESS

### Our Firm and Its History

Madison Asset Management, LLC is a subsidiary of Madison Investment Holdings, Inc. Along with its subsidiary Madison Investment Advisors, LLC, each “Madison” entity shares personnel and resources at our Madison, Wisconsin headquarters. (Prior to December 1, 2010, Madison Investment Holdings, Inc. was known as Madison Investment Advisors, Inc.)

Based in Madison, Wisconsin, the Madison organization has earned a reputation for its risk-sensitive investment philosophy and active bond and equity strategies since the founding of our parent company, Madison Investment Holdings, Inc., in 1974. The clients of our firm and its affiliates who entrust us with their assets include institutional funds, pension accounts, foundations, endowments, corporations, municipalities and insurance companies. We also serve a wide range of individual investors. The Madison investment philosophy is “Participate and Protect”® which reflects our investment goals of achieving consistent investment returns while limiting portfolio risk. There is no guarantee, of course, that these goals will be achieved.

The firm is privately held and its employees are majority owners of Madison Investment Holdings, Inc. Our organization has offices in Madison, Wisconsin, Chicago, Illinois, New York, New York and Scottsdale, Arizona.

### Our Principal Owners

All voting shares of our firm are owned by Madison Investment Holdings, Inc. Frank E. Burgess is the principal owner of Madison Investment Holdings, Inc. The firm is a joint venture with CUNA Mutual Group. While Madison Investment Holdings, Inc. controls Madison Asset Management, CUNA Mutual has a non-voting equity interest in the firm.

### Our People

Madison is overseen by its Executive Directors, including the largest shareholders of Madison Investment Holdings, Inc., as follows:

#### *Frank Burgess - President and Executive Director*

Mr. Burgess is the founder of our firm, the principal owner and the President. Mr. Burgess has extensive experience in the investment world. Following degrees in Engineering and Law, he founded Madison in 1974.

#### *Katherine Frank – Chief Operating Officer and Executive Director*

An Economics graduate of Macalaster College, Ms. Frank is involved in a number of key areas in our firm and is intimately involved in maintaining client relationships. Ms. Frank joined the firm in September 1986.

#### *Michael Schlageter – Chief Marketing Officer and Executive Director*

Mr. Schlageter provides valuable insights in a variety of key areas applying more than 20 years of investment experience. Mr. Schlageter is involved in client relationships and is responsible for overseeing our business development efforts. Mr. Schlageter obtained his business degree from the University of Notre Dame. Mr. Schlageter joined the firm in August 1986.

#### *Jay Sekelsky – Chief Investment Officer and Executive Director*

Mr. Sekelsky serves as the head of equity investments for Madison. He joined the Madison organization in January 1990 as an Assistant Portfolio Manager. He holds a BBA and MBA from the University of Wisconsin and has also earned both the CPA and CFA designations.

### The Investment Strategy Committee

Senior members of management and senior portfolio managers also serve as members of Madison’s Investment Strategy Committee. The committee reviews, analyzes and discusses the various forces and factors that affect the financial markets and, in turn, the client portfolios we manage. The committee’s review parameters include, for example, macroeconomic trends, Federal Reserve Policy, inflation, currency influences, valuation metrics and risk/reward profiles for various markets and market sectors. Currently, the committee members include Jay Sekelsky, Paul Lefurgey, Frank Burgess, Jack Call, Bruce Ebel, Chuck Saunders and David Hottmann.

### Our Services

*General.* Madison Asset Management has core expertise in asset allocation strategies and equity option strategies, particularly covered call writing. In addition, our firm manages a wide range of fixed income, balanced and equity portfolios through the MEMBERS Mutual Funds and Ultra Series Fund mutual funds.

*Asset Allocation Strategies/Wrap Programs.* A particular area of expertise provides several discretionary managed money offerings for retail clients in a managed account program which is available through the firm's MEMBERS Managed Account Program ("MAP") as well as wrap account program sponsor Navy Federal Asset Management ("NFAM").

For information and disclosures regarding the MAP wrap account program, please refer to the separate disclosure brochure for MAP.

For information regarding the NFAM wrap program, please refer to NFAM's wrap program disclosure brochure. The asset allocation strategy offered through MAP and NFAM provides models-based discretionary investment strategies that utilize mutual funds and/or exchange traded funds as selected by the firm's asset allocation investment team. Customized portfolios are also available for certain large, institutional accounts. These accounts use similar investment strategies (and investments) as MAP and NFAM; however, the strategies are not models based.

### **Discretionary Management.**

We have discretionary authority to make determinations regarding the securities that are to be bought and sold, as well as the quantities of such securities, for most clients. Such authority is provided in our contract with each client. In many cases, this discretion is subject to mutually agreed upon investment guidelines relative to the client's portfolio. We have model portfolio guidelines available for clients to adopt, in whole or in part, if they do not have their own. Client investment guidelines may or may not limit the scope of potential investments. As a result, clients can impose restrictions on investing in certain securities or types of securities. Within client guidelines and instructions, our portfolio managers make decisions as to the nature and quantity of securities to be bought or sold.

As part of a wrap fee program (discussed below) or existing client relationship, we may manage accounts on a non-discretionary basis. In the wrap program context, we will normally only recommend securities for a model portfolio, but have no or limited authority to effect account transactions.

### **Wrap Account Management.**

In general, wrap program "sponsor" firms enter into contracts with their clients to provide a variety of services for a predetermined fee. These services typically include all or some of the following: outline of client goals and objectives, asset allocation study, selection of advisors where appropriate, payment of advisors' management fees, custody of client assets, execution of trades for the client at no additional fee or commission, and the monitoring of the investment performance on client assets. It is the responsibility of the sponsoring organization to notify the client of the services provided by Madison Asset Management and the portion of the attributable fee paid. As these programs are generally part of a multiple client program, they offer efficiencies to participating managers. As such, fees paid to Madison Asset Management are lower than are otherwise available.

We manage our wrap fee accounts in the same manner as our other accounts. However, wrap fee accounts may have lower account minimums than our other accounts and, therefore, we may not be able to manage them identically to our larger accounts. For example, the smaller the size of the account, the less it is possible to efficiently hold certain small blocks of securities in the account.

### **Our Assets Under Management**

As of December 31, 2011, Madison Asset Management, LLC managed approximately \$5,935,847,000 in assets on a discretionary basis and approximately \$44,370,000 on a non-discretionary basis (both rounded to the nearest thousand).

Together with our affiliated investment advisory firms described below in the section entitled, "Other Financial Industry Activities and Affiliations," the Madison organization managed in excess of \$15 billion in assets on a discretionary basis as of December 31, 2011.

Madison Asset Management generally will not manage accounts on a non-discretionary basis unless done so as part of a wrap fee program or other subadvisory relationship. We may make exceptions for accounts in existing client or institutional relationships.

## **FEES AND COMPENSATION**

### **Fee Schedules**

*Separately Managed Accounts.* Our fee schedule for separately managed accounts is as follows:

Fixed Income Accounts	
On the first \$20 million.....	0.50% annually
On the next \$30 million.....	0.40% annually
On the balance.....	0.35% annually

Equity/Balanced Accounts	
On the first \$15 million.....	0.80% annually

On the balance..... 0.60% annually

Non-Proprietary Mutual Funds (held in above accounts)  
On all assets..... 0.20% annually

Depending on unique circumstances (another existing account relationship with a client, expected dramatic account growth, special conditions or portfolio guidelines, etc.), fees may be subject to negotiation.

*Wrap Accounts.* Fees charged to clients whose assets are held in wrap accounts are set forth in the sponsor’s wrap fee brochure and/or client agreement. From this fee, the sponsor pays us for our advisory services to the client. The fee that we receive varies and may be affected by a number of factors including account size and distribution fees received from unaffiliated fund companies.

### How We are Paid

We generally require fees to be computed and payable quarterly in advance, based on the valuation of assets under management on the last day of the prior quarterly period. Clients may select whether they prefer us to automatically deduct fees from their accounts or send them a bill for fees incurred.

Clients in certain wrap fee programs may be billed monthly by the wrap program sponsor.

### Other Fees You Should Understand

We do not have custody of client assets. Therefore, each client must appoint a custodian and may be required to pay custodian fees. Also, except with respect to clients in wrap fee programs, clients will generally incur brokerage and other transaction costs in the course of our management of their accounts. (See the section in this brochure entitled, “Brokerage Practices” for a discussion of how we make brokerage decisions that affect client accounts.)

### Refunds of Advance Fees Paid

We may not change our fees without sixty days’ advance written notice. In the event of the termination of our services, any unearned portion of fees previously paid is prorated and fully refundable. A client may terminate an agreement with us at any time by written notice to us.

### Investments in Affiliated Funds

We do not normally exercise our discretion to invest non-investment company client assets in our affiliated funds. For the convenience of such clients, we may hold shares of our affiliated mutual funds (or any closed-end fund we manage) in client accounts so that clients will have a complete picture of their assets. We may recommend investment in our affiliated no-load funds if a client’s account is too small to manage separately. In such circumstances, we will not charge our account management fee on these assets. Our employees are not compensated for the sale of securities in this manner. However, you should understand that we (or one of our affiliates) will receive any fees paid by the mutual fund or other investment company as disclosed in the applicable prospectus for the fund. That fee may be higher or lower than the fee a client may be paying on other assets that we manage in the client’s account. Of course, to the extent the fee paid by the fund is higher than your account fee, any recommendation by us to invest in the fund represents a potential conflict of interest.

## PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT.

We may entertain requests by certain “qualified clients” (as defined by Rule 205-3(d) under the Investment Advisers Act of 1940) to enter into an advisory contract that provides for compensation on the basis of a share of the capital gains upon, or the capital appreciation of, the qualified client’s funds. This is commonly referred to as a “performance fee.”

If we were to manage both accounts that are charged a performance-based fee and accounts that are charged an asset based fee as described above in the section, “Fees and Compensation,” we would have an incentive to favor accounts for which we receive a performance-based fee. To address this conflict, our procedures require us to monitor securities allocations to any performance-based fee account and compare them with accounts without such fees in order to ensure that no preferential treatment is being provided to the account with the performance-based fee.

## TYPES OF CLIENTS

We provide investment advisory services to a variety of clients, including individuals, pension and profit sharing trusts, insurance companies, foundations, charitable organizations and other “institutional clients,” such as mutual funds. A representative client list is available upon request.

Outside of formalized wrap account programs, our minimum account size is typically \$1,000,000. In addition, we reserve the right to refuse to accept proposed management responsibilities or to resign from the management of any individual account.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Our Investment Strategies

Within the philosophies described below, our general investment strategies are to make long-term (securities held at least a year) and short-term (securities sold within a year) purchases.

*Options.* For a thorough description of the various options-related strategies we provide for our investment company clients, please refer to the applicable prospectus and other disclosure materials for the respective investment companies we manage that have adopted option strategies.

*Fixed-Income.* Our strategy is to determine the overall direction of interest rates and position durations accordingly. We analyze the yield curve to determine the most advantageous portfolio construction. We determine the relative attractiveness of corporate vs. government and/or government agency securities. Based on the results of our analysis, we adjust durations/maturities when conditions indicate and shorten portfolio exposure when necessary to preserve capital.

In addition, we are active duration managers. This means that when we believe interest rates are falling, we lengthen duration to take advantage of the increased returns that should be available as rates drop. Likewise, when our proprietary market indicators warn of forces that threaten the markets, our managers will seek to shorten portfolio maturities and durations with the goal of limiting potential declines.

Based on the strategies and philosophy described above, we manage a variety of types of bond portfolios with the distinctions generally relating to the specific type of securities in the portfolio. For example, we manage accounts that contain: only government securities; only corporate securities; mixtures of both government and corporate securities; municipal bonds (tax-exempt securities); and securities with a limited duration.

*Equity.* We are bottom-up stock-pickers, focused on high-quality consistent growth companies trading at reasonable valuations. Our goal is to beat the market over a market cycle by fully participating in up markets, while protecting principal in difficult markets. We strive to remain both objective and unemotional in our decision-making process through independent thinking.

We follow a rigorous three-step process when evaluating companies. We consider (1) the business model, (2) the management team and (3) the valuation of each potential investment. When evaluating the business model, we look for a sustainable, competitive advantage, cash flow that is both predictable and growing, as well as a rock-solid balance sheet. When assessing management, we look to see how they have allocated capital in the past, their track record for enhancing shareholder value and the nature of their accounting practices. The final step in the process is assessing the proper valuation for the company. We strive to purchase securities trading at a discount to their intrinsic value as determined by discounted cash flows. We corroborate this valuation work with additional valuation methodologies. Often we find companies that clear the first or second hurdle, but not the third. Those companies are monitored for inclusion at a later date when the valuation is more appropriate.

Part of the overall valuation methodology is to establish an upside and downside target for each candidate. Typically, we will only invest in a stock with (1) triple the expected upside versus downside, and (2) at least a 25% return upside potential over the 12 months following purchase. This is intended to avoid the volatility associated with high growth/high multiple equities while still investing in high-quality growth companies. Our goal is for clients to end up with a portfolio of high-quality growth companies with very attractive upside return potential and limited downside risk. This risk-reward ratio is a key element in our stock selection process.

The number of holdings in a typical client “Large Cap Core Equity” account will range from 25-40. This reflects our belief that our client’s assets should be in our top investment ideas, not our 75<sup>th</sup> or 125<sup>th</sup> best idea. The portfolio’s weighting in any one economic sector generally will not exceed two times the weighting of that sector within the benchmark, at the time of purchase. The portfolio’s weighting for any one industry shall not exceed 25% of the total market value of the portfolio at the time of purchase. For a typical Large Cap Core Equity account, at least 75% of the portfolio holdings will typically be in large cap companies, generally defined as greater than a \$10 billion market cap. Up to 25% of such a portfolio (at purchase) may be in mid-cap companies. We would not normally purchase any company with a market capitalization below \$1 billion in market cap in a Large Cap Core Equity account.

Similarly, the number of securities in a typical client “Mid-Cap Core Equity” portfolio will likely range from 25 – 40. We generally define stocks of mid-cap companies as those whose market capitalization is similar to companies in the Russell Midcap Index or the S&P 400

Index. The size of the companies in each index changes with market conditions and the composition of the index. We generally do not purchase stocks of companies below \$500 million market capitalization for the “Mid-Cap Core Equity” portfolio, but such smaller companies are considered for other accounts with investment objectives that include opportunistic investing in smaller companies and special situations.

Because of our investment philosophy, the majority of our Large Cap Core and Mid-Cap Core Equity holdings will be found in these primary sectors: Consumer, Healthcare, Technology, Financial, Industrial and Energy. Typically, our portfolios will have more limited exposure to commodity-based (basic materials) or heavily cyclical (capital goods, autos, utilities) sectors.

Of course, these descriptions only illustrate Large Cap Core and Mid-Cap Core Equity accounts. Accounts managed as “Disciplined Equity,” “Balanced” or in some other unique style would normally have appropriate differences in number of holdings, industry benchmarks, weightings and market capitalizations. For example, accounts managed with the objective of having exposure to all market sectors will hold a greater percentage of securities of companies in commodity-based or heavily cyclical sectors that reflect, to the extent possible, our general investment methodology among the opportunities available within those market sectors.

In light of market volatility, market capitalization references in this section may be adjusted to reflect current economic conditions.

### **Cash Management and ETFs**

Each client custodian “sweeps” non-invested cash balances in client accounts every day into a money market or some other cash account selected by the client and offered as a service by the custodian. At the client’s request, we will recommend the sweep vehicle among the choices offered by the custodian. In that case, we make a recommendation based on our understanding of the client’s tax status and risk preferences. We do not direct cash sweeps to our proprietary money market mutual funds.

Cash sweeps generally fall into three categories: (1) government money market funds, (2) prime rated money market funds (commercial paper), and (3) tax-exempt money market funds (municipal vehicles). The process and mechanics are the same for equity and fixed income clients.

In some situations, often at a client’s request or in connection with a specific investment strategy, we may invest client accounts in exchange traded funds (“ETFs”) or other investment companies. To the extent any account is so invested, you should understand that the ETF or other investment company itself pays the manager of the fund an investment advisory fee like most other investment companies. Therefore, in addition to the fee you pay to us to manage your account, you will indirectly pay your *pro rata* portion of the management fee of the ETF or other investment company in which your account is invested. That fee is described in the offering materials (prospectus) for the ETF or other investment company.

### **Class Action Settlements**

Although we may be authorized to vote proxies in client accounts as described below in the section entitled, “Voting Client Securities,” we will not handle or otherwise process any potential “class action” claims or similar settlements that clients may be entitled to for securities held in client accounts. Clients will receive the paperwork for such claims directly from their account custodians or, if we receive the forms on behalf of a client, we will promptly forward them to the client to complete.. Each client should verify with his/her/its custodian or other account administrator whether such claims are being made on the client’s behalf by the custodian or if the client is expected to file such claims directly.

### **Risk**

Although we work hard to preserve your capital and achieve real growth of client wealth, investing in securities involves risk of loss that each client should be prepared to bear. Typical investment risks include market risk typified by a drop in a security’s price due to company specific events (such as an earnings disappointment or a downgrade in the rating of a bond) or general market activity (such as occurs in a “bear” market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up.

## **DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that we believe are material to a client’s evaluation of our business or the integrity of our management.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Investment Adviser Affiliates**

Madison Scottsdale, LC, a separately registered investment adviser located in Scottsdale, Arizona, specializes in managing the assets of insurance and other companies governed by state insurance law and regulation. Our firm owns a majority interest in Madison Scottsdale.

Our New York affiliate, NorthRoad Capital Management LLC, New York, New York, is also a separately registered investment adviser. NorthRoad's specializes in international equity management. Our firm owns a majority interest in NorthRoad.

Concord Asset Management, LLC, Chicago, Illinois, is also a separately registered investment adviser. Concord's services and clientele are similar to ours. Our firm owns a majority interest in Concord.

Our Madison Investment Advisors, LLC affiliate serves as investment adviser to individuals, institutions, wrap accounts and investment companies. Madison Investment Advisors, LLC is a separately registered investment adviser and is a wholly owned subsidiary of our firm.

As disclosed above, Madison Investment Holdings, Inc. (known as Madison Investment Advisors, Inc. prior to December 1, 2010), a separately registered investment adviser, is our parent company.

Registration does not imply a certain level of skill or training.

#### **Subadvisory Services By Investment Adviser Affiliates**

If authorized by a client, we may delegate the management of all or a percentage of a client's account to one of our investment adviser affiliates identified above. We would do so if the affiliate has a particular investment expertise that we believe would be suitable to the client and conforms to the stated investment policies of the client's account. For example, we may delegate a percentage of a client's account for management by our NorthRoad Capital Management affiliate in order to provide international equity management if suitable. To avoid any potential conflict of interest, we will not charge different fees to any client for amounts managed by our affiliates in a subadvisory capacity in this manner. Of course, because of the affiliation, we indirectly receive a portion of any subadvisory fees we pay to our affiliates to manage assets in this manner.

#### **Investment Company Affiliates**

*Option Funds.* Madison Asset Management manages accounts trading in covered calls that may buy or sell puts and calls and trade in listed options. As of the date of this brochure, Madison Asset Management manages (1) the Madison Strategic Sector Premium Fund, a closed-end fund traded on the New York Stock Exchange ("NYSE") (Frank Burgess and Katherine Frank serve as two of its five Trustees); (2) the Madison/Claymore Covered Call and Equity Strategy Fund, also a closed-end fund traded on the NYSE (Frank Burgess serves as one of its six Trustees); (3) the Madison Institutional Equity Option Fund, an open end series of Madison Mosaic Equity Trust (Frank Burgess serves as one of its four Trustees); (4) the MEMBERS Equity Option Fund, an open end series of MEMBERS Mutual Funds (Katherine Frank serves as one of its six Trustees); and (5) the Ultra Series Equity Option Fund, an open end series of the Ultra Series Fund (Katherine Frank serves as one of its six Trustees).

*MEMBERS Mutual Funds/Ultra Series Fund.* Madison Asset Management manages the investment portfolios of the MEMBERS Mutual Funds, which currently consist of 13 separate funds, and the Ultra Series Fund, which currently consists of 17 separate funds (Katherine Frank serves as one of the six Trustees of each fund family). MEMBERS Mutual Funds are retail mutual funds that are offered to the public through financial intermediaries, while funds included in the Ultra Series Fund are investment options for variable annuity and variable universal life contracts offered through CUNA Mutual and are not available for purchase directly by individual investors.

*Madison Mosaic Funds.* Our affiliate Madison Investment Advisors, LLC sponsors and acts as investment adviser to the Madison Mosaic Funds family of no-load mutual funds consisting of 13 separate funds (Frank Burgess and Katherine Frank serve as a Trustee of most funds). We receive annual management fees indirectly through Madison Investment Advisors. Madison Investment Advisors is a separately registered investment adviser with which we share offices and personnel.

#### **Broker-Dealer Affiliate**

We also have an affiliated broker-dealer, Mosaic Funds Distributor, LLC, for the limited purpose of serving as the distributor of our affiliated mutual funds (MEMBERS Mutual Funds, the Madison Mosaic mutual fund family and Ultra Series Fund). Mosaic Funds Distributor does not perform any other brokerage activities, has no employees of its own and other than its mutual fund services, the broker-dealer engages in no trades, transactions or other brokerage activities whatsoever. It is not permitted to perform any trades for our clients, including the accounts of our affiliated mutual fund portfolios, and does not carry customer accounts. A number of our employees are registered representatives of Mosaic Funds Distributor, LLC so that they can make offers of our affiliated funds to the public.

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Our Code of Ethics

We impose restrictions upon ourselves and any person associated with us in connection with the purchase or sale, directly or indirectly, for their own account or accounts controlled by them, of securities recommended to or purchased for clients. We maintain strict guidelines and a Code of Ethics for all our employees designed to assure that we, and persons associated with us, may not benefit, directly or indirectly, from transactions made for the accounts of clients and that no other conflict of interest exists.

Generally, employees may not trade in any securities that are held in client portfolios. Employees are also prohibited from investing in IPOs. We, our officers, employees and directors are required to pre-clear securities trades in order to avoid a conflict of interest between individual and client interests. We are also subject to an absolute ban on trading a security within seven days of a client's trade (in an account over which we have discretion) in that same security. Our Code of Ethics contains various exemptions for personal securities trades that we believe do not involve potential conflicts, such as transactions in Treasury Securities, open-end mutual funds, certain ETFs and securities that we will not purchase for clients. Also, employees may be given permission to trade securities if no client account would trade the security for seven days before or after the employee trade. Finally, we may manage accounts for employees in the same manner as other clients utilizing the same model or composite provided that, in order to avoid any potential conflicts of interest, all transactions for employee accounts managed by our firm must occur after we have completed trading for all non-employee client accounts in the same model or composite. A copy of our Code of Ethics is available to any person upon request.

### Investments in Related Products

Outside of the MAP wrap account program (see the separate Disclosure Brochure for MAP accounts) and recommendations that are based on MAP models, we do not normally invest client accounts in our affiliated mutual funds. For purposes of the MAP Program (any any other client that may utilize an "asset allocation" strategy involving investments in mutual funds), the firm has a potential conflict of interest when it makes asset allocation decisions to invest in an affiliated mutual fund because the firm would receive both fees from the client directly to compensate it for its asset allocation decision-making and indirectly from the affiliated mutual fund's investment advisory fees. The firm's Asset Allocation Committee addresses the potential conflicts of interest that arise in connection with making an allocation of client assets to affiliated mutual funds. The purchase of an affiliated fund within any asset allocation program is limited to the affiliated fund offerings available at that time. Nonetheless, the decision to purchase an affiliated fund within any asset allocation program must be independently supported or tactically justified by the Asset Allocation Committee's ongoing due diligence process. In other words, the firm's decision to invest in an affiliated mutual fund must be supported by either (a) the results of traditional due diligence (for core-type investments) or (b) the ability to carry out timely tactical strategies (for targeted investments).

### Prohibition on Use of Insider Information

We also adopted policies and procedures to prevent the misuse of "insider" information (material, non-public information). A copy of such policies and procedures is available to any person upon request.

## BROKERAGE PRACTICES

### In General

Unless we receive specific directions from a client regarding the placement of brokerage business, we will select the brokers and dealers to effect client transactions. Our first consideration in selecting a broker is whether the broker will provide the best execution of the desired transaction. In addition to best execution price, selection is based on the overall reasonableness of brokerage commissions paid and consideration of a variety of other factors. An important consideration is the receipt of research products, research services, access to brokerage firm analysis, and the availability of economic data, market data and research. Also important is the availability of quotations, statistics and other investment decision-making aids. See the discussion below entitled, "Research and Soft Dollar Benefits."

### Trading of Bonds

The purchase and sale of bonds is completely different from the process of buying and selling stocks (described below). Common stocks are traded on national exchanges or generally large, liquid over-the-counter ("OTC") markets. Directed brokers (see the discussion below entitled, "Directed Brokerage and Compensation for Referrals") and virtually all others, have full access to these markets to efficiently execute common stock transactions. The vast majority of bonds are not traded on exchanges, but rather are purchased from or sold to brokers or dealers. Each broker/dealer maintains an inventory of bonds (bond "positions") that it owns as a principal and holds for resale to its customers. The number and value of bonds that each broker holds varies, depending on the brokerage firm's size, financial strength and involvement in the bond market. No one firm dominates this market or provides substantially all the buying/selling needs of a particular money manager for all of its clients.

We use a three-step process to buy/sell bonds for client accounts, as follows: (1) “free to trade” – if, with respect to a client account, we are free to choose the brokers we wish to trade with, we typically contact at least three brokers before executing a trade in order to seek best execution; (2) “in competition” – for client accounts that require us to include a designated broker in our list of trading partners, we will put that broker in competition with others and select the broker who provides us with best execution (in the event of a tie between brokers, the designated broker receives the trade); and (3) “directed” – if a client has directed us, through written notification, to trade with a specific broker, we will not contact any other broker and instead will negotiate with that broker on any particular trade. When bonds are purchased, the type, sector, maturity, coupon and yield objectives are determined. Under normal circumstances, we will identify the issue we wish to purchase. The broker is asked to offer all such issues available, noting the required block size for all clients using that broker and/or custodian. The broker will offer any bonds meeting our criteria available in its current inventory if we have not identified a specific issue.

If these initial offerings are inadequate, we will work closely with the broker to locate additional attractive bonds from other dealers. We believe this to be in our clients’ best interest because it gives clients access to the best priced, most attractive securities from a number of dealers. By aggregating the purchases or sales of a broader base of clients, including those who use other brokers and/or custodians, we may be able to find additional bonds available in larger blocks, resulting in better overall prices.

When the client designated directed broker confirms a specific transaction, the same applicable commission agreed upon by the client shall be received by the broker as a principal, regardless of whether the bonds were acquired directly from the directed broker or indirectly from another broker/dealer. The commission may differ between our clients due to the dollar value or number of bonds being purchased or sold, the maturities of the bonds and the total arrangement between the client and their broker. These practices are followed unless they are specifically modified or limited by us or the client.

### **Trading of Common Stocks**

When we trade the same security in more than one client account, we generally attempt to batch or “bunch” the trades in order to create a “block transaction.” Generally, buying and selling in blocks helps create trading efficiencies, prompt attention and desired price execution. We may block transactions among clients of our firm and among clients of our subsidiary investment adviser affiliates that share our resources and personnel in our Wisconsin office.

We will place all or substantially all transactions to purchase or sell common stocks with the client’s “directed” broker, when applicable. (See the discussion below entitled, “Directed Brokerage and Compensation for Client Referrals.”) Whenever possible, we will attempt to batch or aggregate trades for clients who use the same directed brokers in order to create a “block transaction.”

The commission amount and per share commission rate will differ between our clients with directed brokerage relationships versus those clients who do not have such relationships, due to the dollar value and the size (number of shares) of the trade for each account and the relationship between the client and their broker. Because each client may differ in portfolio size, investment objective, equity exposure and the extent of the relationship with their broker, we do not negotiate commission discounts on the block transaction itself.

Normally, no commission is added to transactions in the case where the client has established a “fee in lieu of commission” account. We often trade the same securities for accounts that pay commissions and those that do not. We may identify instances for which we are unable to achieve best execution of securities trades in “fee in lieu of commission” or “wrap” accounts that we manage. This is most likely to occur when the client’s designated broker is unable to execute a transaction in a timely manner. In those circumstances, we may execute a trade as a “step-out” transaction with another broker that has agreed to execute the transaction without charging a commission. We will, however, trade with such brokers at their prevailing commission rates for our non-wrap clients for whom we have brokerage discretion either as part of the same “block transaction” or for different transactions.

### **Trade Allocation Practices**

When the firm has trading authority and brokerage discretion, we seek to allocate trades fairly across the various accounts we manage. If we cannot batch all transactions for all clients in a single transaction, then we follow our trade allocation policy among clients that are transacting in the same security. The policy is designed to ensure that we do not trade on behalf of any one client or group of clients in a systematic manner that favors that one client or group or is otherwise unfair to other clients. In these situations, on any given trade, a client’s account may trade first, last or mid-way in the order of trades executed. Decisions regarding whether any client account trades separately from others are based on liquidity, speed of execution and various other factors.

In order to ensure the most efficient executions of client brokerage transactions, we will, however, at times communicate changes to “model” portfolio recommendations to institutional sponsors of model-based programs we manage (and for which we do not have securities trading authority) after we complete trading for clients over which we have such trading authority. Furthermore, if we determine that a particular “wrap” program sponsor (or designated broker) either has procedures for transmission of transaction instructions or transaction execution practices that are unusually time-consuming or lengthy or has transmission/communication problems on a given trading day, we may deviate from our normal rotation practices and place that sponsor’s (or designated broker’s) transactions after those of other, similarly situated programs (or clients) in an effort to avoid delays we deem undue in execution of transactions. In these cases, the deviation may or may not disadvantage such accounts, depending on market conditions.

Finally, certain accounts subject to non-discretionary capital flow activity such as new accounts, accounts experiencing contributions or withdrawals, or similarly situated accounts may be invested according to the most recently updated model before existing accounts in the same program (or group of accounts) are similarly invested.

## **Cross Trades**

There may be occasions when we will sell a particular security for one of our clients (for example, because the client needs to raise cash or is changing investment priorities) at the same time that we buy the same type of security for another client. In such situations, we can reduce transaction costs to both clients by identifying a particular security and instructing a broker to sell from one account and purchase in the other. This is known as a "cross trade." Although we believe the transaction benefits both clients, you should be aware that we represent the interests of both the selling and buying client in the same transaction, and, as a result, may have conflicting loyalties at the time we effect a cross trade. For this reason, we always execute such trades through a third party broker who determines the respective purchase and sale price based on the market.

Cross trades by investment company clients are subject to additional or separate rules governed by the Investment Company Act of 1940. Cross trades involving clients subject to ERISA are generally prohibited by law and, therefore, we will not include any ERISA clients in brokered cross trades on a principal basis.

## **Directed Brokerage and Compensation for Client Referrals**

When executing transactions for a client account, we may place all or a portion of the transactions with a broker with whom the client has a special advisory or consulting relationship. Such transactions are placed with a broker who may have provided manager selection services, performance measurement services, asset allocation services, or a variety of other consulting or monitoring assistance to the client, all with the specific knowledge and full approval of the client.

We do not maintain agreements with referring brokers regarding our internal allocation of brokerage transactions. However, all or a sizable portion of a particular client's brokerage transaction business may be directed to a particular broker if the client has directed, agreed or stipulated us to do so. Commissions are not intended to compensate brokers for client referrals.

With regard to client directed brokerage, we are required to disclose that we may be unable to negotiate commissions, block or batch client orders or otherwise achieve the benefits described above, including best execution, if you limit our brokerage discretion. Directed brokerage commission rates may be higher than the rates we might pay for transactions in non-directed accounts. Also, clients that restrict our brokerage discretion may be disadvantaged in obtaining allocations of new issues of securities that we purchase or recommend for purchase in other clients' accounts. It is our policy that such accounts not participate in allocations of new issues of securities obtained through brokers and dealers other than those designated by the client. As a general rule, we encourage each client to compare the possible costs or disadvantages of directed brokerage against the value of the custodial or other services provided by the broker to the client in exchange for the directed broker designation. Simply put, directing brokerage may cost clients more money.

## **Other Fees in Connection with Trading**

In our efforts to achieve best execution of portfolio transactions, we may trade securities for client accounts by utilizing electronic marketplaces or trading platforms. Some of these electronic systems may impose additional service fees or commissions. We may pay these fees directly to the provider of the service or these fees may be included in the execution price of a security. Our intention is that we will only use such systems and incur such fees if we believe that doing so helps us to achieve the best execution of the applicable transaction, taking into account all relevant factors under the circumstances. For example, we will consider the speed of the transaction, the price of the security, the research we receive (in equity transaction effected in this manner), our ability to block the transaction and other factors discussed in this Brokerage Practices section in connection with trading of stocks and bonds.

## **Accounts with Different Investment Objectives**

It is possible that we or our affiliates may manage accounts of clients whose investment objectives are substantially different from one another. As a result, it is possible that it would be appropriate for us to sell a security "short" from one account while holding it "long" in another account. This may occur if we manage an account that involves significant short-term trading or pursues unique options strategies. In general, however, our positions with regard to any security will be net long. We seek to avoid a conflict of interest by attempting to limit such situations to, for example, an instance in which there is a readily available supply of the security being purchased or sold and the transactions in a security do not affect its market price.

## **Research and Other Soft Dollar Benefits**

Obtaining the best price and execution of trades is of utmost importance in placing transactions. If a broker is allowed a commission in excess of that which another broker might have charged for executing the same transaction, it is done in recognition that such broker's special services are of great importance to us and our client(s). Research services furnished by brokers may be used in servicing all of our accounts; all clients benefit from the research received from all brokers with whom we deal.

Although we seek best execution of transactions, you should understand that obtaining research and services by means of soft dollar benefits represents a conflict of interest since it enables us to receive research that we might otherwise have to produce ourselves or purchase with our own money.

What is the "research" that is paid for with soft dollars? Research refers to services and/or products provided by a broker, the primary use of which must directly assist us in our "investment decision-making process" and not in the management of our firm. The term "investment

decision-making process" refers to the quantitative and qualitative processes and related tools we use in rendering investment advice to our clients, including financial analysis, trading and risk analysis, securities selection, broker selection, asset allocation, and suitability analysis.

Research may be proprietary or third party. Proprietary research is provided directly from a broker (for example, research provided by broker analysts and employees about a specific security or industry or region). Third party research is provided by the payment by a broker, in full or in part, for research services provided by third parties. Both types of research may involve electronically and facsimile provided research and electronic portfolio management services and computer software supporting such research and services. Typical third party research providers include, by way of example, First Call Notes, Bloomberg, Research Direct, First Call Earnings Per Share Estimates, Baseline, Bondedge, ISI, Bank Credit Analysis, S&P Creditweek, Factset and Global Sector Review. For example, a tool that helps us decide what might happen to the price of a particular bond following a specific change in interest rates is considered research because it affects our decision-making process regarding that bond.

In some situations we may execute a transaction with one broker and settle the transaction with another broker. This use of "step-outs" allows us to decouple - to some extent - execution services from research services. In other words, we may execute a transaction with an "execution" broker and step-out the transaction - and related commissions - to a broker who provides research services to book and settle the transaction.

We may receive products or services from brokers which we use for both research and for administrative, marketing or other non-research purposes. In such instances, we make a good faith effort to determine the relative proportion of our use of such product/service that is for research. Only that portion of the research aspect of the cost of obtaining such product/service may be paid for using soft dollars. We pay the remaining portion of the cost of obtaining the product or service in cash from our own resources.

We have an incentive to select a broker-dealer based on our interest in receiving the research or other services they can provide us. This incentive may conflict with client interests in receiving most favorable execution and our measurement of favorable execution may differ from that of a client. We believe we pay fair and reasonable brokerage commissions in return for research products or services provided by brokers. We may use research products or services provided by brokers in servicing any or all of our clients. Although we believe that all clients of our firm and its affiliates benefit from the research and services received by us from brokers, we may not necessarily use such research products or services in connection with the client accounts that paid commissions to or otherwise traded with the brokers providing such products or services.

Our firm has a standing Brokerage Committee consisting of members of our portfolio management and operations teams. The committee meets quarterly to review the quality of brokerage execution obtained on behalf of our clients and to monitor our use of soft dollar research and other services received in connection with client transactions. During our last fiscal year, our Brokerage Committee established an estimated equity brokerage commission budget in advance that reflected our estimate of the most value to our firm and its clients for research and other services, if any, provided by the broker-dealers to which we direct client transactions. The committee was satisfied with the quality of brokerage obtained by our firm for its clients.

### **Unmanaged and Non-Discretionary Account Assets**

As an accommodation, for specified assets that are not managed by Madison or are otherwise not subject to investment management discretion by Madison but which are maintained in the same account as the assets managed for a client by Madison (so that the client has a consolidated account statement of all assets and for which the power of attorney given to Madison to trade the account applies) (referred to as "Accommodation Account Assets"), at client's request, we will relay client-directed trade instructions to the client's designated broker/dealer for settlement at the client's designated custodian pursuant to the client's negotiated broker/dealer commission schedule. Although we will relay such information, it is the client's responsibility to contact his/her/its broker/dealer directly to ensure the timeliness of any transactions in Accommodation Account Assets. In all cases, if a client desires Madison to initiate any securities transactions in the client's Accommodation Account Assets, the client should understand that Madison is not a broker/dealer and that any such instructions may not be communicated to the client's designated broker/dealer on as timely a basis as they would have been had the client contacted the client's broker directly. Clients should understand that Madison accepts no responsibility for losses to client's Accommodation Account Assets resulting from Madison's failure to timely relay client instructions as described above, or from Madison's failure to accurately relay such instructions.

Any instructions regarding Accommodation Account Assets must be provided orally to Madison personnel to ensure that the instructions are received and promptly confirmed in writing by letter or e-mail. Madison will, in turn, confirm a client's instructions in this manner, but such confirmation is not a brokerage transaction confirmation. Because Madison either does not manage or does not have discretion (or both) over Accommodation Account Assets, each client with Accommodation Account Assets is responsible for reviewing the confirmation statement from its broker/dealer to ensure that the client-directed trade was communicated correctly. Clients should contact Madison and the client's broker/dealer immediately if the client's instructions regarding its Accommodation Account Assets do not appear to conform with the Client's intent.

Finally, there may be occasions where Madison is unable to arrange to execute a client's desired instructions. This may occur, for example, if the client's request requires the use of a margin account and the account managed by Madison is a cash account. In such situations, the client should establish a separate account to accomplish its transactions directly with its selected broker/dealer. Madison will not normally manage assets for clients in margin accounts.

## REVIEW OF ACCOUNTS

We review our client accounts at least quarterly. We do not have a limitation on the number of client accounts assigned to any particular account officer, nor is there a precise sequence or review schedule. All portfolios are reviewed continuously rather than periodically. Accounts are reviewed by our portfolio management professionals. The review includes holdings, aggregate statistical composition of factors such as sector weightings, and comparison to any relevant benchmarks and investment policies. Triggering factors could be major market moves, new information regarding specific holdings, or the passage of time. Investment strategy meetings usually occur each month. These meetings include a review of factors such as economic conditions, government policy, sector valuations, and other factors which might be expected to affect portfolio performance. Portfolios are then reviewed for any changes that might be needed due to strategy shifts developed in the investment strategy meeting. The participants in this process include portfolio managers, research analysts and senior management.

We furnish account reports to all non-wrap account clients on a quarterly basis (wrap account clients receive their client reports from the sponsor of their wrap account). All of our non-wrap clients also receive separate monthly accounting reports from their portfolio custodian detailing all cash and asset transactions and activity. In general, meetings with clients are held quarterly or less frequently, according to the stated desires of each client. Reports include an analysis of all assets under management, and current and historical performance.

## CLIENT REFERRALS AND OTHER COMPENSATION

There may be occasions when we pay a percentage of the fee we receive from accounts that have been referred to us to the person making the referral (a “solicitor”). In such cases, you will receive a separate written disclosure statement from the solicitor before you open your account with us that will explain, among other things, the nature of our affiliation with the solicitor (if any) and a description of the compensation the solicitor will receive from us. Our policy is that if we pay such referral fees to a solicitor for any account, the fee schedule applicable to that client’s account will be the same as the schedule that would have applied to accounts of similar size receiving similar services where no referral fees are paid.

## CUSTODY

We require each client to select a qualified custodian to hold its account. We will not serve in this capacity. Each client’s qualified custodian (bank or broker-dealer) will send quarterly or more frequent account statements directly to our clients. Clients are urged to compare the account statements they receive from their qualified custodians with the quarterly account statements we normally provide.

## INVESTMENT DISCRETION

Please refer to the discussion entitled, “Advisory Business – Discretionary Management” above.

## VOTING CLIENT SECURITIES

When you give us authority to vote proxies for securities held in your account, we do not assume the role of an active shareholder. Rather, if we are dissatisfied with the performance of a particular company, we will generally reduce or terminate our position in the company rather than attempt to force management changes through shareholder activism.

Nevertheless, our goal and intent is to vote all proxies in our clients’ best interests. For practical purposes, unless we make an affirmative decision to the contrary, when we vote a proxy as the Board of Directors of a company recommends, it means we agree with the Board that voting in such manner is in the interests of our clients as shareholders of the company for the reasons stated by the Board. However, if we believe that voting as the Board of Directors recommends would not be in a client’s best interests, then we must vote against the Board’s recommendation.

We will vote against the Board of Directors recommendation if the Board recommends an action that could dilute or otherwise diminish the value of your position. This may occur if we are unable to liquidate the affected securities without incurring a loss that would not otherwise have been recognized absent management’s proposal. This may also occur if the action would cause the securities held to lose value, rights or privileges and there are no comparable replacement investments readily available on the market. We may vote in a manner that could diminish the value of your position in the short-term if we believe it will increase the value in the long-term and we are holding the security in your portfolio for the long-term.

In the unlikely event that we are required to vote a proxy that could result in a conflict between your best interests and the interests of our firm, we may alert you or your representative in advance to obtain your consent or direction on how to vote a proxy under such circumstances. In general, however, in the event of a conflict, we will seek the advice of a knowledgeable, independent third party as to how to vote.

If you would like to know how we voted any proxy in your account, please contact your client service representative and he or she will give you that information. If you are not sure who your client service representative is, call us at 800-767-0300 and we will be happy to answer your questions. You may also request a complete copy of our written proxy voting procedures by calling us at 800-767-0300 to request a copy.

## **FINANCIAL STATEMENTS**

Not applicable.

## PRIVACY POLICY

### FACTS

### WHAT DOES MADISON INVESTMENT ADVISORS DO WITH YOUR PERSONAL INFORMATION?

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>▪ Social Security number and transaction history</li> <li>▪ Account balances and checking account information</li> <li>▪ Purchase history and wire transfer instructions</li> </ul> <p>When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p>
<b>How?</b>	All financial companies need to share investors' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their investors' personal information; the reasons the Madison organization chooses to share; and whether you can limit this sharing.

Reason we can share your personal information	Does Madison Investment Advisors share?	Can you limit this sharing?
<b>For our everyday business purposes—</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes—</b> to offer our products and services to you	Yes	No
<b>For joint marketing with other financial companies</b>	No	We don't share
<b>For our affiliates' everyday business purposes—</b> information about your transactions and experiences	Yes	No
<b>For our affiliates' everyday business purposes—</b> information about your creditworthiness	No	We don't share
<b>For nonaffiliates to market to you</b>	No	We don't share

<b>Questions?</b>	Call 1-800-767-0300 or go to <a href="http://www.madisonadv.com">www.madisonadv.com</a> .
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## Page 2

### Who we are

<b>Who is providing this notice?</b>	Madison Investment Advisors, LLC, Madison Asset Management, LLC and Madison Investment Holdings, Inc. (together “Madison”), 550 Science Drive, Madison, WI 53711
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### What we do

<b>How does Madison protect my personal information?</b>	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
<b>How does Madison collect my personal information?</b>	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>▪ Open an account or provide account information</li> <li>▪ Pay your bills or make deposits or withdrawals from your account</li> <li>▪ Give us your contact information</li> </ul> <p>We also collect your personal information from other companies.</p>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>▪ sharing for affiliates' everyday business purposes—information about your creditworthiness</li> <li>▪ affiliates from using your information to market to you</li> <li>▪ sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>

### Definitions

<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>▪ Our affiliates include companies with a common "Madison," "Mosaic" or "MEMBERS" name; financial companies such as MEMBERS Funds and Mosaic Funds Distributor.</li> </ul>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>▪ Madison does not share with nonaffiliates so they can market to you.</li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>▪ Madison does not jointly market.</li> </ul>

### Other important information