



CAREY, THOMAS,  
HOOVER & BREAUTL<sup>INC.</sup>  
A D V I S O R S

8080 E. CENTRAL, SUITE 200

WICHITA, KANSAS 67206

TELEPHONE: (800) 397-2220

[www.cthb.net](http://www.cthb.net)

## WRAP FEE BROCHURE

Form ADV, Part 2A Appendix 1

JANUARY 1, 2014

This Brochure provides information about the qualifications and business practices of Carey, Thomas, Hoover & Breault Advisors, Inc. If you have questions about this Brochure, please contact us by email at [customerservice@cthb.net](mailto:customerservice@cthb.net), or by telephone at (800) 397-2220, or by mail at the address above. 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.

Carey, Thomas, Hoover & Breault Advisors, Inc., is an investment adviser registered with the United States Securities and Exchange Commission. Registration with the SEC does not imply that Carey, Thomas, Hoover & Breault Advisors, Inc., or any person associated with our Firm has achieved a certain level of skill or training.

Additional information about Carey, Thomas, Hoover & Breault Advisors, Inc., is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), either by searching our Firm name or our Firm IARD/CRD number, 155330.

## **ITEM 2: MATERIAL CHANGES**

We are required to update this Brochure at least annually to reflect any material changes in our policies, practices, or conflicts of interest since the last annual amendment. We will identify and discuss in this Item 2 the annual changes, if there have been any.

For the current annual update, the original version of this Brochure was filed with the SEC on August 21, 2013. Since that time, there have not been any material changes to the information presented in this Brochure. Accordingly, there are no disclosures for this Item 2.

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## ITEM 4: SERVICES, FEES & COMPENSATION

### THIS BROCHURE & OUR FIRM'S BACKGROUND

This Brochure provides important information about Carey, Thomas, Hoover & Breault Advisors, Inc. (referred to as the "Firm," "we," or "us"), our services, our compensation, the costs of participating in our wrap fee advisory programs, and situations where our interests may conflict with the interests of our clients. We offer other investment advisory services; and those are described in our separate Form ADV Part 2A Brochure.

You should pay particular attention to the discussions about our various conflicts of interest because these can affect our judgment in managing your account, in choosing brokers to execute trades for your account, and in recommending custodians, among other important considerations.

You should also keep in mind that a number of separate businesses provide the various investment products and services described in this Brochure. These businesses' legal, contractual, and regulatory obligations differ in important ways depending on whether, in providing the product or service, they are acting as an investment adviser, broker-dealer, custodian, or insurance company.

If you have questions about the information in this Brochure, you can reach your Representative at the email address, telephone number, or street address shown in the Brochure Supplement you received from your Representative. You can reach our senior management, including our Chief Compliance Officer, at the email address, telephone number, or street address shown on the front of this Brochure.

### OUR HISTORY AND OUR AFFILIATE

We are a Kansas corporation headquartered in Wichita, Kansas. Prior to 2011, our investment advisory business was operated as a division of our sister corporation, Carey, Thomas, Hoover & Breault, Inc. ("CTHB"), an SEC-registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA").

All investment advisory services are provided through this Firm. All brokerage and insurance products are provided through CTHB or through CTHB's clearing broker-dealer, or other unaffiliated companies, such as insurance companies and mutual fund companies.

National Financial Services ("NFS") serves as the clearing broker-dealer for CTHB's brokerage business and

provides custodial services for virtually all of our advisory clients. NFS is part of the Fidelity Investments family of companies, ranked among the world's largest financial services organizations, offering our clients the benefits of access to sophisticated technology and a variety of financial products and services.

### A. Our Wrap Fee Advisory Services

Through our relationship with NFS we have been introduced to Envestnet Asset Management, Inc., which sponsors the Managed Account Solutions platform of services.

Through the Envestnet Managed Account Solutions platform, we are able to offer our clients the following wrap fee investment advisory programs (sometimes referred to as the "Wrap Fee Programs"):

#### Separately Managed Account Program

#### Unified Managed Account Program

This Brochure provides information about the Separately Managed Account Program ("SMA Program") and the Unified Managed Account Program ("UMA Program"). Additional information about these programs is available through the separate **Form ADV Part 2A Appendix I Wrap Fee Brochure** from Envestnet Asset Management.

Because the information in this Brochure is necessarily general and does not address all details of the Wrap Fee Programs, clients should refer to their individual Advisory Agreement for specific terms that apply to them. Clients may request further information from their Representatives or from our home office.

### SMA PROGRAM OVERVIEW

Envestnet offers an extensive range of investment advisory services and programs that other advisers, such as our firm, are able to offer to their clients. Envestnet's Managed Account Solutions platform provides access to sophisticated portfolio modeling, analysis and allocation tools, as well as access to research and portfolio modelling tools covering numerous institutional investment managers.

For clients interested in the SMA Program, our Representative will work with the client to develop a personal investment profile that identifies the client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and

investment time horizon for the account that will be managed through the SMA Program (all referred to as the "Suitability Information"), and any reasonable investment restrictions the client wishes to impose on the account.

Using specialized software provided by Envestnet, the Representative will develop a proposed allocation of the client's account assets among various asset classes and then will assist the client with the initial designation of one or more third-party portfolio managers from a roster of independent asset managers (each a "Manager") available through the SMA Program. Each Manager designated for the client's SMA Program account will actively manage the asset class or classes allocated to the Manager according to an investment style consistent with achieving the overall objective of the account and that Manager's role among any other Managers for the account.

Unlike a mutual fund where investor funds are commingled with those of other investors, a separately managed account is a portfolio of individually owned securities that can be tailored to fit the client's investing preferences.

Envestnet retains the Managers for portfolio management services in connection with the SMA Program through separate agreements entered into between Envestnet and the Manager on terms and conditions that Envestnet deems appropriate. For certain Managers, Envestnet has entered into a licensing agreement with the Manager, whereby Envestnet performs administrative or trade order implementation duties pursuant to the direction of the Manager. In such situation the Manager is acting in the role of a Model Provider (as defined below).

#### UMA PROGRAM OVERVIEW

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Like the Envestnet SMA Program, in the Envestnet UMA Program, our Representative will work with the client to develop a personal investment profile that identifies the client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account that will be managed through the UMA Program (all referred to as the "Suitability Information"), and any reasonable investment restrictions the client wishes to impose on the account.

Using specialized software provided by Envestnet, the Representative will develop a proposed allocation of the client's account assets. For clients in the UMA program, the client is offered a single portfolio customized by the Representative that accesses multiple asset managers and mutual funds, representing various asset classes. Utilizing the Envestnet portfolio modeling, analysis and allocation

tools, the Representative may choose to customize the asset allocation model or use Envestnet's proposed asset allocation for the type of investor fitting the client's profile and investment goals. The Representative will then customize the portfolio by selecting the specific, underlying investment strategies or mutual funds for the portfolio to meet the client's needs.

Once the Representative has established the content of the portfolio, Envestnet is responsible for providing overlay management services for the UMA accounts and implementing trade orders based on the investment strategies contained in the UMA portfolio.

#### THIRD PARTY MODELS AND MODEL PROVIDERS

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Envestnet has relationships with third-party asset managers through the Managed Account Solutions platform who are engaged to provide investment models ("Third Party Models"). These asset managers, acting as "Model Providers," construct the initial recommended asset allocations and investments for portfolios, including accounts in the SMA Program and the UMA Program. They may also provide portfolio rebalancing services. Envestnet performs overlay management of the Third Party Models by implementing trade orders and periodically updating and rebalancing Third Party Model pursuant to the direction of the Model Provider. Envestnet may, from time to time, replace existing Model Providers or hire others to create Third Party Models and cannot guarantee the continued availability of Third Party Models created by particular Model Providers. Neither the Firm nor the Representative has any direct relationship with the Model Providers.

In managing the Third Party Models, certain Model Providers may pursue an investment strategy that utilizes underlying mutual funds or exchange traded funds advised by the Model Provider or its affiliate(s) ("Proprietary Funds"). In such situations, the Model Provider or its affiliate(s) may receive fees from the Proprietary Funds for serving as investment advisor or other service provider to the Proprietary Fund (as detailed in the Proprietary Fund's prospectus). These fees will be in addition to the management fees that a Model Provider receives for its ongoing management of the Third Party Models and creates a financial incentive for the Model Provider to utilize Proprietary Funds. Clients should discuss any questions with or request further information from their Representative concerning the use of Proprietary Funds in Third Party Models and the conflict of interest this creates.

## ADVISORY FEE AND PROGRAM FEE

As compensation from you for our investment advisory services in the SMA Program and UMA Program, we will receive the “Advisory Fees” described below.

You will also pay Investnet a “Program Fee” to participate in the Program. As sponsor of the Program, Investnet is responsible for administering the Program, paying Managers and Model Providers, and providing services related to client profiling assistance, strategic asset allocation assistance, style allocation assistance, research and evaluation of Approved investment strategies and investments, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services provided by Investnet to assist us in providing advisory services. Not all clients will benefit from all services from Investnet, even though the costs of such services may be borne by all client accounts.

Exhibit A to this Brochure contains the Fee Schedule with the Combined Rate (the “Combined Rates”) for each “Asset Value Tier” in the SMA and UMA Programs; these are subject to negotiation.

Once the Client has decided on the allocation of their portfolio, Investnet will prepare a Statement of Investment Selection (or similar form) that confirms the Combined Rates that will be charged. The Client, Investnet and we will enter into the Statement of Investment Selection (or similar form).

Clients should be aware that they will incur other costs of participating in the Programs, which are in addition to the Advisory Fees and Program Fees. For example, please refer to Item 4.C which discusses Additional Fees & Expenses Client will be charged.

## CHANGES IN PROGRAM FEES WILL NOT AFFECT THE FEES CLIENT PAYS

The Statement of Investment Selection (or similar document confirming the allocation of your portfolio) will reflect the combined Advisory Fee and Program Fee Rate for each Asset Value Tier based on the aggregate value of your portfolio. You will not be charged a higher rate for Advisory Fees (as defined in the Advisory Agreement) or Program Fees (as defined in the Program Terms and Conditions) unless you request a change in the Statement of Investment Selection (or similar form) or we (or another manager for your account) exercise our right to increase our fees periodically. Likewise, you will not be charged less for Advisory Fees or Program Fees if the actual costs for those items decrease.

Investnet’s Wrap Fee Brochure for the Programs indicates that for some of Investnet’s separate clients, the Program Fee will be increased or decreased depending on the particular fees charged by the particular Manager or Model Provider selected for the client’s account. This is not the case for our Programs.

Below, we have reproduced the information from Investnet’s Wrap Fee Brochure reflecting the ranges that their Managers charge.

SMA Program Manager Fee Ranges (for reference only)			
		Equity/Balanced	Fixed Income
Asset Value Tier		Manager Fee Rates*	Manager Fee Rates*
First	\$250,000	0.50% - 1.81%	0.50% - 1.50%
Next	\$500,000	0.50% - 1.56%	0.50% - 1.31%
Next	\$500,000	0.50% - 1.50%	0.50% - 1.25%
Next	\$1,000,000	0.50% - 1.36%	0.50% - 1.21%
Next	\$3,000,000	0.55% - 1.26%	0.55% - 1.20%
Over	\$5,000,000	0.55% - 1.26%	0.55% - 1.20%

UMA Program Manager Fee Ranges (for reference only)		
Asset Value Tier		Manager Fee Rates*
First	\$250,000	0.25% - 0.88%
Next	\$250,000	0.25% - 0.63%
Next	\$500,000	0.25% - 0.56%
Next	\$1,000,000	0.25% - 0.49%
Next	\$3,000,000	0.25% - 0.44%
Over	\$5,000,000	0.25% - 0.41%

\*These figures are provided in Investnet’s Wrap Fee Brochure, and while we believe them to be credible, we have not verified their accuracy.

Clients in the Programs who choose lower cost Managers or Model Providers (or who would otherwise have lower Program Fees) could potentially benefit from other programs that reduce the client’s total fees as the costs of third-party Managers, Model Providers and other Program Fees decline. Of course, in such programs, the client would also bear the risk of increases in their fees. We do not offer such a program and do not offer advice regarding such programs.

In any event, in our Programs, the Advisory Fees and Program Fees are combined and fixed once the Statement of Investment Selection is signed and do not change unless the Client requests a change to the Statement of Investment Selection or we exercise our right under the

Advisory Agreement to increase fees after notice to the Client. Consequently, the Client's Combined Rates will not increase or decrease as a result of changes in the components of the Program Fee, such as changes in the account's Managers or Model Providers, or changes in the allocation of the portfolio, among other factors.

Clients should understand that not all investment advisers implement the Envestnet Programs in this manner. Some investment advisers reduce the amount of Program Fees charged to the client as the costs of Managers and Model Providers decline; however, they also increase the client's Program Fees as these costs increase.

We believe our fees are fair and reasonable for the services we provide, and are consistent with our fiduciary duty. We believe we can manage our Client accounts within the resources available through the Programs using our present fee arrangement.

Prospective Clients interested in programs with alternative fee arrangements may contact Envestnet directly, using the contact information on the Envestnet Wrap Fee Brochure. In that case, we will not be providing advisory services for the individual.

#### OUR FIRM'S CONFLICT OF INTEREST FROM FEE ARRANGEMENT

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The quarterly Advisory Fees we receive are determined by first calculating the quarterly Combined Fees. The Combined Fees are then reduced by amounts contractually belonging to Envestnet, NFS, and each Manager and Model Provider (all referred to as the "Deductions"). The difference between the Combined Fee and the Deductions is our Advisory Fee for the quarter.

Clients should understand that a conflict of interest arises from the fact that our fee arrangement fixes the Combined Fee Rate on entering into the Statement of Investment Selection. There are relatively large differences between the high and low ends of the range of fees charged by Managers available in the Envestnet Programs.

Because we, not the Client, bear the costs of Managers and Model Providers, we have an economic incentive to recommend or select Managers or Model Providers that charge lower fees to keep our costs as low as possible and maximize the amount we receive as Advisory Fees.

For example, we have an economic incentive to recommend or select Model Providers or strategies that charge lower direct fees to keep our costs as low as possible and maximize the amount we receive as Advisory

Fees. By contrast, if you were responsible for paying the costs of a Model Provider, we might recommend a Model Provider that charged a slightly higher fee for a better track record.

Clients should be aware of this conflict of interest and the potential that we may place our interests ahead of theirs by recommending or selecting Managers or Model Providers we might not otherwise recommend if not for our interest in controlling these costs.

As a practical matter, given the broad range of Managers, Model Providers, and products available through the Programs, we do not believe it likely that the interests of our Clients will be adversely affected by considerations of the costs. We are committed to identifying investments, strategies, and, if applicable, Managers and Model Providers whose styles and objectives are suitable for the Client's account, while also being cost efficient to enable us to ultimately control our fees.

Nonetheless, we monitor accounts in an effort to identify instances where these conflicts of interest may adversely affect our clients. However, our efforts we may not always be successful in preventing or addressing the effects of these conflicts.

#### PAYMENT OF FEES

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Advisory Fees and Program Fees are due and payable immediately at the beginning of each calendar quarter or other period for which fees are calculated (and upon termination of the Advisory Agreement, for any unpaid amounts). Advisory Fees and Program Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the account or any Managed Asset.

The Advisory Fees and Program Fees are based on the Combined Rate (as determined according to the then-current Statement of Investment Selection or similar Program document) and the value of Managed Assets as of the last trading day of the preceding calendar quarter (or for the initial calendar quarter, the value of the Managed Assets as of the last trading day of the initial quarter, prorated beginning on the Effective Date of the Advisory Agreement).

Combined Fees will be calculated based on the Combined Rate that corresponds to the Asset Value Tier of the Managed Assets as of the date for which fees are being determined, according to the then-current Statement of Investment Selection (or similar Program document). Subject to our discretion to revise practices to coordinate

with Envestnet, Combined Fees may be calculated on the basis of the actual number of days in a calendar quarter or on the basis of 4 even calendar quarters, as we elect to apply on a consistent basis.

#### CHANGES IN FEE CALCULATION AND BILLING PROCEDURES

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Clients should be aware that Envestnet will act as collection agent for our Advisory Fees and we intend to work with Envestnet, to the extent we believe reasonable, to coordinate our fee billing, calculation, and collection procedures so that they are consistent with the procedures used by Envestnet in the Managed Account Solutions Program. Consequently, in our discretion, we may change the billing and valuation periods and assumptions for calculating combined Advisory Fees and Program Fees from those described above or in the client's Advisory Agreement, as we determine appropriate so that they reasonably reflect the procedures used by Envestnet. However, such changes will not change the Fee Rates or Asset Value Tiers, or cause the Combined Rate to exceed the maximum stated in the Fee Schedule, unless we provide Client with at least 30 days' prior notice of such changes.

#### FAIR VALUATION OF ASSETS

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Typically, the value of an account will be based on the value reported by the Custodian on its statements (or its internal electronic system). In the event a Custodian does not value the account or any asset, or we determine a Custodian's value of the account or an asset is materially inaccurate, the account or such asset shall be valued by us in good faith to reflect its fair value. Money market accounts and bank accounts, if any, shall be valued as of the valuation date. Transactions that have not settled may be included in either the current or the following period, as determined for the account maintained with each Custodian on a consistent basis.

#### NEGOTIABILITY OF FEES & OTHER TERMS

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For all services, we have the discretion to negotiate our fees, minimum account size, minimum annual fees, and other terms of each client's relationship with us, and to negotiate different fees, minimums, or other terms on a client-by-client basis.

When considering these matters, we usually consider the amount of assets to be placed under management by the client and related accounts, anticipated future revenues and anticipated future assets or other business from the client or related persons, and other existing or anticipated relationships. We may elect, in our discretion, to

aggregate related client accounts for the purpose of achieving the minimum account size requirements and determining fees.

Because combined Advisory Fees and other terms of our programs and services may be negotiated separately with individual clients, some accounts pay lower Advisory Fees than other accounts. Waivers, discounts or more favorable terms not generally available to other clients may be offered to family members and friends of our employees and affiliates.

#### RISK OF LIQUIDATIONS TO PAY FEES

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The Custodian will be authorized to deduct the combined Advisory Fees and Program Fees directly from the client's account, without notice to the client. If sufficient cash is not available in the account to pay the combined Advisory Fees and Program Fees when due, the Custodian will liquidate securities selected by the Custodian, Envestnet, or us without prior notice to the client. If mutual funds are liquidated, the client may be charged a contingent deferred sales charge, an early redemption fee, or a fee to discourage short-term trading of fund shares. If the liquidated securities have declined in value, the client will realize a loss and lose the opportunity for future appreciation of the securities.

#### ACCOUNTS WITH MORE THAN ONE CUSTODIAN

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For accounts with assets maintained with more than one Custodian, we will usually calculate the value of the account and the combined Advisory Fees and Program Fees separately for each Custodian, as we determine in our discretion. The valuation method and time periods used to value the account and calculate combined Advisory Fees and Program Fees will be applied consistently for each Custodian, but may differ from the valuation method and time periods used to value the account or calculate combined Advisory Fees and Program Fees of other Custodians.

Except when we determine the fair value of an account or asset, as provided above, account value shall be determined by reference to the valuations provided by or available from each Custodian, as of the close of the last day of each period for which combined Advisory Fees and Program Fees are calculated. If the last day of a period for which we calculate combined Advisory Fees and Program Fees is different than the last day of a Custodian's reporting or statement period, we (or Envestnet) may value the account maintained by such Custodian as of the close of the last day of the Custodian's reporting or statement date most recently ended on or before the close of the period for which combined Advisory Fees and

Program Fees are calculated, as we shall select on a consistent basis for each Custodian.

#### DEDUCTION OF FEES BY THE CUSTODIAN

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The Advisory Agreement authorizes and directs the Custodian to deduct the combined Advisory Fees and Program Fees directly from the account upon receipt of our (or Envestnet's) instructions. As part of our agreement with Envestnet, Envestnet may value the account and calculate and direct the payment of our Advisory Fees to us. We require clients to authorize the Custodian to deduct the combined Advisory Fees and Program Fees from the account and pay us (or Envestnet) directly. Clients are not generally permitted to choose to have Advisory Fees billed directly to them for payment in lieu of billing the Custodian; however, this term may be negotiable in our sole discretion. The amount of the Advisory Fee deducted by the Custodian will be reflected on the Custodian's regular statements to the client.

#### FEES IN ADVANCE & REFUNDS

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Advisory Fees are payable quarterly in advance; provided, in no event will we ask or require prepayment of Advisory Fees of more than \$1,200 per client six months or more in advance.

An Advisory Agreement may be terminated by the client or us at any time upon written notice to the other, as provided in the Advisory Agreement.

If Client terminates the Advisory Agreement within five (5) business days of the Effective Date, Client shall receive a full refund of any prepaid fees. If this Agreement is terminated more than five (5) business days after the Effective Date, any prepaid Advisory Fees shall be prorated based on the number of days this Agreement was in effect during such quarter and the unused portion shall be refunded to Client within 30 days; any earned but unpaid Advisory Fees owed to us will be immediately due and payable upon termination.

After an Advisory Agreement has been terminated: client will be charged commissions, sales charges, and transaction, clearance, settlement, and custodial charges, at prevailing rates, by our affiliated broker-dealer and any executing or carrying broker-dealer; client will be responsible for monitoring all transactions and assets; and neither our affiliate nor we shall have any obligation to monitor or make recommendations with respect to the account or those assets.

#### COMPENSATION OUR AFFILIATE RECEIVES FROM INVESTMENTS MADE OUTSIDE OF THE PROGRAMS

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Each of our officers and Representatives is separately registered as a representative of our affiliated broker-dealer and many are also appointed as agents for various life insurance companies.

Many of our clients maintain assets **not** managed through a Wrap Fee Program in separate brokerage accounts at our affiliated broker-dealer and work with their Representative from time to time to purchase individual securities and insurance products, such as fixed or variable insurance products, stocks, bonds, or other securities. In these transactions (referred to as "non-program purchases" because the assets are not included in the Wrap Fee Programs), our affiliated broker-dealer and the Representative (acting on behalf of our affiliated broker-dealer) receive separate, yet customary brokerage or insurance commissions.

Additionally, for these non-program purchases, our affiliated broker-dealer and Representatives receive 12b-1 Fees that mutual funds charge their shareholders to pay for distribution and shareholder services. For certain types of non-program insurance or other investment products, Representative may also be eligible to receive incentive-type awards (such as trips).

You are under no obligation to accept any recommendation made by a Representative to purchase any non-program securities, insurance, or other investment products. If you wish to purchase such products, you may purchase them through any duly licensed and authorized broker-dealer, insurance agency or other financial services firm.

We do not reduce or offset Advisory Fees by any non-program 12b-1 Fees, commissions, sales charges, or other sales-related compensation, or by any other compensation our broker-dealer affiliate or Representatives receive from your or your account's non-program purchase of securities, insurance, or other investment products, or based on the value of a your account's free credit balance, margin account balance, or retirement account balances.

The potential for our affiliated broker-dealer and our Representatives to receive compensation from non-program purchases of investment products may impair our objectivity and provide an incentive to place our interests, the interests of our affiliated broker-dealer, and the interests of our Representatives ahead of your interests.

For example, in the situation of a client who has both a Wrap Fee Program account and a separate brokerage account and decides to make an additional investment in one of the programs, the incentive to receive immediate commission income might affect the Representative's decision to recommend a brokerage product rather than investment in an advisory program.

To help address and mitigate the potential risks of this conflict of interest:

- we disclose the conflict to you in this Brochure;
- we collect and maintain information about you and your accounts, including your financial circumstances, investment objectives, and risk tolerance, and we conduct regular account reviews to confirm the suitability of your Program portfolio;
- we periodically review your Program holdings and transactions in your Program account to identify indications of unusual treatment; and
- we educate our Representatives regarding our fiduciary responsibilities, regardless of fee arrangements or other compensation.

#### BROKERS FOR THE ACCOUNT

CTHB will act as introducing broker and NFS will serve as custodian and clearing broker-dealer for the Managed Account, except in the limited circumstances of a trade placed with a non-program broker (explained below). NFS executes and clears purchase and sale orders placed by the account's portfolio manager, provides transaction confirmations, account statements, annual reports, prospectuses, and tax information, and maintains custody of client cash and securities.

In the event that a portfolio manager reasonably believes in good faith that another broker or dealer will provide better trade execution considering all factors, including the net price, then it may execute the transaction through another broker (a "non-program broker"). In these circumstances, the Managed Account will be charged the separate brokerage commissions and other transaction costs of the non-program broker.

Brokerage arrangements for the SMA Program and UMA Program are handled on the basis of "directed brokerage subject to most favorable execution." This means that the Client directs all portfolio managers of the account's assets to place purchase and sale orders through our affiliated broker-dealer and NFS (or other broker-dealer affiliate of Fidelity Investors).

When a client directs the use of a particular broker-dealer, the portfolio manager will not aggregate the client's orders with the orders of other clients. Orders for these accounts will not be placed until after orders have been placed for accounts that have not directed the use of a particular broker. As a result, the client will not receive the benefit of reduced transaction costs or better prices that may result from aggregation of client orders or earlier execution. Further, when the portfolio manager is directed to use a particular broker-dealer, it will not have the authority to negotiate commissions, obtain volume discounts, or seek price improvement from other broker-dealers.

Consequently, clients should understand that the direction to place orders with a broker-dealer may result in the portfolio manager not achieving most favorable execution of the client's transactions. This practice may cost the Client more than if the portfolio manager had discretion to select the broker-dealer. A disparity may arise such that clients who direct brokerage may pay higher overall transaction costs and receive less favorable prices than clients who do not direct brokerage.

Notwithstanding the directed brokerage provision of the Envestnet Programs, the Advisory Agreement also provides that the portfolio manager will have the authority to effect transactions with a broker, dealer, or bank not participating in the Envestnet Programs (a "non-program broker"), if the portfolio manager believes that "best execution" may be obtained through such non-program broker. A non-program broker may include a broker-dealer that is affiliated with Envestnet or a third-party manager that participates in the Envestnet programs.

In placing orders with a non-program broker, the portfolio manager's primary objective will be to obtain prompt execution of orders at the most favorable prices reasonably obtainable. In doing so, the portfolio manager may consider a number of factors, including, without limitation, the overall direct net economic result to the Client, the financial strength, reputation and stability of the non-program broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future and other matters involved in the receipt of brokerage services.

In these circumstances, the Client's account will be charged the separate brokerage commissions and other transaction costs of the non-program broker.

## DISCRETION OVER ACCOUNT INVESTMENTS

In the Advisory Agreement, Client will grant us, including the Representative, full discretion to manage the Managed Account without prior notice or consent of the client. The SMA Program and UMA Program agreements with Envestnet also require the Client to grant Envestnet discretion over the Client's account to fulfill its administrative responsibilities.

Subject to the primary responsibility of Envestnet and the managers in the SMA Program and UMA Program to manage the Managed Account, the Advisory Agreement will provide that we retain the authority to invest the Managed Assets in any of the following: shares of open-end investment management companies ("mutual funds"); shares of closed-end investment management companies or unit investment trusts ("UITs"); exchange-traded funds ("ETFs"); subaccounts of variable annuity or variable life insurance contracts (all "variable products"); and temporary "sweep" arrangements where cash balances are transferred into money market funds, mutual funds, or bank accounts. We will also have discretion to hire, fire, and replace any Manager or strategy for the Managed Account.

Notwithstanding the preceding paragraph, the client must agree that Envestnet and the Managers have primary responsibility for investing the Managed Assets and that we will not be responsible for exercising our discretion to invest the Managed Assets except in the event of the failure of Envestnet or the Managers to fulfill their investment responsibilities.

Clients are required to grant Envestnet and any Manager selected for the account, and to the Firm and the Representative (on failure of Envestnet and Manager): full discretionary authority to invest and rebalance the account consistent with achieving the account's investment objective as any of us determines appropriate; to liquidate sufficient assets to pay the Advisory Fee, Program Fee, or any costs or expenses of the SMA Program or UMA Program; and to carry out the actions necessary or proper to fulfilling our responsibilities under the programs.

## DIFFERENCES AMONG REPRESENTATIVES' ACCOUNTS

Representatives follow different investment strategies and styles, and adjust their investment selections depending on their clients' personal and financial situation, and the investment objective, risk tolerance, liquidity needs, and investment time horizon of the account they are managing.

Consequently, it is expected that the portfolios, levels of volatility, fees, expenses, returns, and performance will vary significantly among accounts managed by the same Representative and among accounts managed by different Representatives.

Representative will be acting on behalf of the Firm; and any discretion granted by the client to the Representative will be deemed to be granted to, and may be exercised by, the Firm. The Firm, as the Representative's supervisor, will have the authority to direct any act of the Representative in the performance of any service. Although the Representatives are supervised by the Firm and the Firm monitors the accounts of each Representative, the Firm does not direct or mandate the investment strategy or style followed by a Representative.

## B. Information About Wrap Fee Programs

The SMA Program and UMA Program are offered as "wrap fee" programs. Wrap fee programs have important differences from traditional investment advisory arrangements.

In a traditional investment advisory arrangement, the investment adviser provides investment advisory services in managing the client's account, and then charges the client an advisory fee that is based on a percentage of the account's assets (referred to as "asset-based fees"). When the investment adviser places trade orders with a broker to invest the account's assets, the account pays brokerage commissions and related costs (referred to "transaction-based costs") for the broker's services in executing the trade.

By contrast, in a wrap fee program, the client pays a single fee (the "wrap fee") that includes both the advisory services of the account's investment adviser and the brokerage services of the account's broker (subject to very limited exceptions stated in each program's agreements). The wrap fee is based on a percentage of the account's assets. In the Wrap Fee Programs, the wrap fee is the combination of the Advisory Fee and the Program Fee.

Although wrap fee programs can be beneficial for some clients, they are not appropriate for everyone. Some clients may pay higher overall costs in a wrap program than in a traditional program where they pay separately for investment advisory services and brokerage costs. The benefits of a wrap fee arrangement depend on a number of factors, most particularly the amount of the wrap fee,

the number and frequency of account trades, and the types of securities the account will trade.

Wrap fee programs calculate their fees based, in part, on certain assumptions regarding their expected brokerage and other transaction costs. Clients who choose strategies with modest levels of trading would likely not incur sufficient transaction costs (if they paid commissions out-of-pocket) to justify the higher fees charged in a wrap fee program.

A wrap fee arrangement is likely to be more beneficial for accounts that expect relatively frequent trading, such as where the account intends to pursue an active trading strategy. In that case, the single wrap fee may cost less than the combined investment advisory fees and brokerage commissions that would be charged in a traditional arrangement.

Conversely, an account that does not expect to trade frequently and has a relatively small number of trades each year may find a wrap fee arrangement to be more costly than paying the separate costs of brokerage commissions and fees for investment advice.

Clients are cautioned to review the information regarding the cost of the wrap fee (the combination of the Advisory Fee and the Program Fee), the anticipated level of trading of the strategy they select, the approximate transaction costs and advisory fees they might incur in a traditional arrangement, among the other matters discussed in this Brochure, to understand the costs and factors they should consider when deciding whether to participate in (or to continue to participate in) the Wrap Fee Programs.

No assumption should be made that any particular fee arrangement, such as a wrap fee arrangement or a portfolio management service of any nature will provide better returns than any other fee arrangement, service, or investment strategy.

Fees paid by clients in the Wrap Fee Programs may be more or less than fees charged for advisory, custodial or brokerage services offered separately, depending on the nature, size and frequency of account transactions, Managers, and other services.

Depending upon, among other things, the size of the account, changes in value over time, ability to negotiate fees or commissions, and the number of transactions, the amount of the wrap fee compensation may be more than what the Representative would receive if the client

participated in other programs, or if the client paid separately for investment advice, brokerage and other services. Therefore, while wrap account compensation cannot be determined in advance, the Representative may have an incentive to recommend the Wrap Fee Programs over other programs or services.

Further, clients should consider that the wrap fee arrangement creates a disincentive to trade wrap fee accounts because the execution costs of each trade will reduce the potential profit from the wrap fee. A wrap program sponsor may have an incentive to limit referrals to or outright exclude from its program portfolio managers that trade actively.

As discussed in Item 4.A, our firm's fee arrangement creates an incentive for us to minimize the costs that we must pay as part of the Deductions. For example, the higher management fees and transaction costs of Managers who have an active trading style create a disincentive for us to include those types of Managers in client accounts, even when suitable and consistent with client goals.

## C. Additional Fees & Expenses

The Advisory Fees and the Program Fee are separate and distinct from a number of other expenses accounts that the client will incur. These expenses include (not all accounts will have ETFs):

- Brokerage and Investment Expenses
- Custodial Expenses
- Mutual Fund and ETF Expenses.

### BROKERAGE AND INVESTMENT EXPENSES

Accounts will not pay commissions or other transaction charges for purchasing or selling securities. However, there are costs related to investments and maintaining the client's account, such as:

- the spread on principal trades (mark-up/mark-downs) that are received by brokers and other trading intermediaries involved in executing account transactions to buy or sell securities; and
- margin interest incurred in the client's account, and any fees charged by NFS for services that are not related to transactions in the account.

### CUSTODIAL EXPENSES

We will not have possession of the client's account assets. To participate in the programs, the account's assets must

be maintained in an account (the "Custodial account") under client's name with NFS (the "Custodian") or another qualified custodian acceptable to us (and to Investnet).

An account's initial Custodian will be identified in the Advisory Agreement or related account documents. The Custodian for most accounts will be NFS, which also serves as the clearing broker-dealer for our affiliated broker-dealer. For accounts invested directly through a mutual fund company or variable product company, the Custodian will be the mutual fund or variable product company or their transfer agent. In some cases, account assets may be held by another qualified custodian affiliated with NFS' parent corporation, Fidelity Investments ("Fidelity").

The Custodial account will be governed by a separate agreement between the client and Custodian, and client will be solely responsible for negotiating the terms of such agreement. The Custodial account will bear all fees and expenses of its Custodian and of transactions for such account, according to client's agreement with the Custodian, all of which will be separate from and in addition to the Advisory Fees.

Clients must pay the cost of services provided by their account Custodian for: (1) arranging for the receipt and delivery of securities that are purchased, sold, borrowed or loaned for the account; (2) making and receiving payments with respect to account transactions and securities; (3) maintaining custody of account securities; and (4) maintaining custody of cash, receiving dividends, and processing exchanges, distributions, and rights accruing to the client's account. The Custodian may be compensated through transaction-based fees for securities transactions executed through the Custodian (or its affiliates) or by asset-based fees for investments settled into the Custodian's accounts, or both. The specific fees and terms of each Custodian's services are described in the client's separate Custodial Agreement.

#### MUTUAL FUND AND ETF EXPENSES

Mutual funds, money market funds, ETF's, and variable annuities deduct from their assets the internal management fees, operating costs, and investment expenses they incur to operate the fund. These internal expenses generally include recordkeeping fees, and transfer and sub-transfer agent fees, among others. Variable annuities internal expenses also include a mortality expense, as described in the prospectus. All of these represent indirect expenses that are charged to the fund's shareholders.

Frequently, these internal expenses also include "Distribution Fees." These amounts are deducted from the fund's assets to compensate brokers who sell fund shares, as well as to pay for advertising, printing and mailing prospectuses to new investors, and printing and mailing sales literature.

Mutual fund internal expenses also commonly include "Shareholder Service Fees" which are amounts deducted from the fund's assets to pay the costs of responding to investor inquiries and providing investors with information about their accounts.

Distribution Fees and Shareholder Service Fees are referred to collectively as "12b-1 Fees," named after the SEC rule that adopted them. The 12b-1 Fees are calculated for each class of shares of a fund, and are calculated as a percentage of the total assets attributable to the share class. The 12b-1 Fees, investment management fees, and other ongoing expenses are described in the mutual fund's prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help compare the annual expenses of different funds.

ETFs are a type of investment company that aims to achieve the same return as a particular market index. They can be either open-end companies or unit investment trusts. ETFs are not considered to be, and are not permitted to call themselves, mutual funds. ETFs differ from mutual funds and unit investment trusts because shares issued by ETFs are bought and sold by investors on a secondary market. Unlike mutual funds, retail investors generally cannot tender their shares directly to the ETF for redemption because shares of ETFs are redeemable from the fund only in very large blocks (blocks of 50,000 shares, for example).

The programs may use ETFs to achieve market exposure consistent with the index on which the ETF is based. Investment returns and principal value will fluctuate so that an account's ETF shares, when sold, may be worth more or less than the original cost.

Mutual funds may also impose a contingent deferred sales charge ("CDSC") or short-term trading fee if shares are redeemed within a short time period, usually within 30, 60 or 90 days from the date of purchase. The CDSC or redemption fee is generally one percent. Similarly, variable annuities may charge a substantial penalty for early redemption or cancellations.

## EVALUATE ALL COSTS OF OUR PROGRAMS

When evaluating the overall costs and benefits of our investment programs, clients should consider not just the Program Fee and our Advisory Fees, but also the potential Brokerage and Investment Expenses, the Custodial Expenses, and the Mutual Fund and ETF Expenses to fully understand the total costs and assess the value of our services.

## PURCHASES OF SIMILAR PRODUCTS AND SERVICES FROM OTHER FIRMS

Clients can generally purchase similar investment products or services through other firms that are not affiliated with us. Our Advisory Fees, the Program Fees, and the other costs of the programs are likely higher than amounts charged by other advisers or financial services firms for similar services and who may provide better performance or lower risk.

Clients may also purchase mutual funds, variable annuities, or other investment products or services directly from mutual fund companies and insurance companies. The products may be available on a low or “no-load” basis. Although we do recommend “load-waived” mutual fund share classes, they may carry 12b-1 Fees higher than a client may be able to obtain through a client’s direct purchases from a fund company.

If a client chooses to purchase investments directly or through another intermediary, the client will not receive the benefit of the services we provide in determining which investment products or services may be appropriate in view of the client’s financial situation, investment objectives, risk tolerance, and liquidity needs.

## ACCOUNT BILLING ADMINISTRATION FEES

As one of its services, Envestnet may perform account billing administration, whereby Envestnet, acting as a billing service provider, calculates and deducts from the client’s account our Firm’s Advisory Fee together with Envestnet’s Program Fee, and any custodial fee due to the Custodian, and pays the applicable parties. Your account will not be charged separately for this service Envestnet performs for our benefit; however, if Envestnet did not provide this service, it is possible that the Program Fees might be lower.

## ITEM 5: ACCOUNT REQUIREMENTS & TYPES OF CLIENTS

### MINIMUM ACCOUNT SIZES

We have established the minimum account sizes described in Exhibit A, subject to negotiation.

Please note that because Program accounts are customized to the individual needs of a client, the actual minimum account size required to implement a particular investment allocation, or to use particular investment managers may require a materially higher minimum account size. If a higher minimum amount is anticipated, the client will be notified prior to entering into the Advisory Agreement and the amount of the higher minimum amount will be stated in the account’s Advisory Agreement. The client will have no obligation to enter into an Advisory Agreement or agree to an allocation or manager with a higher minimum account size.

### MINIMUM PROGRAM FEES

The Programs impose the minimum annual Advisory Fees per account described in Exhibit A, subject to negotiation.

Clients participating in more than one Program will be subject to a prorated minimum Advisory Fee for each Program, determined quarterly based on the proportion of the Client’s total Managed Assets in each Program.

Envestnet imposes a minimum annual Platform Fee of \$150 per account. For certain Managers, the minimum annual Platform Fee may be higher. The client will be advised of any higher minimum Platform Fee.

We will not open a new account when the annual minimum Advisory Fee or Platform Fee is expected to exceed the actual amount of Advisory Fees or Platform Fee, unless you acknowledge the risk of such excess of the minimum annual fees over the actual Advisory Fees or Platform Fees. However, we do not generally close an account previously opened because the minimum Advisory Fee or Platform Fee exceeds the actual Advisory Fee or Platform Fee. You may terminate the account at any time according to the terms of the Advisory Agreement.

Annual minimum fees are expressed as annual amounts, but are determined and assessed based on the quarterly Program Asset values used in determining Advisory Fees. For example, if an account has a \$2500 minimum annual Advisory Fee, it will be assessed a minimum fee of approximately \$625 every quarter. Therefore, if a client has large asset inflows or outflows during the year, depending on the timing of such transactions, it is possible

for the account to be assessed a minimum fee for a particular quarter even if the account's average balance for the entire year is above the minimum asset value threshold.

#### OUR CLIENTS

We provide investment advisory services for the following types of clients:

- individuals, including high net worth individuals;
- pension and profit sharing plans;
- trusts, estates, and charitable organizations;
- corporations and other businesses

### ITEM 6: PORTFOLIO MANAGER SELECTION & EVALUATION

#### A. Selection & Review of Portfolio Managers

Item 6.A asks us to describe our process for selecting and reviewing portfolio managers and our criteria for recommending or replacing the managers, including whether we refer to any industry standards to calculate portfolio manager performance, whether we review the portfolio manager's performance information to verify its accuracy, and if applicable, whether the information is calculated on a uniform and consistent basis.

We rely on the research and performance information provided by Envestnet through the Managed Account Solutions platform in reaching our decisions to recommend, select, and replace portfolio managers. Envestnet conducts research with respect to the Managers. Envestnet is responsible for identifying and selecting the Managers that will participate in the programs. Envestnet provides information to us regarding each Manager's investment discipline and approach.

Below, we describe the processes that Envestnet has represented to us that it follows in the selection and review of the Managers. We have not independently verified these procedures.

Envestnet provides access to two types of SMA strategies, Third Party Models, and mutual funds, unit investment trusts, real estate investment trusts, and ETFs (collectively referred to as "Funds"): "Approved" and "Available."

#### APPROVED STRATEGIES, MODELS AND FUNDS

For the Approved SMA strategies, Third Party Models, and Funds, Envestnet has represented that it follows proprietary screening and evaluation processes that focus on quantitative factors such as historical performance and

volatility, as well as factors such as a manager's reputation and approach to investing. Envestnet conducts periodic evaluations of the Managers. Envestnet has represented that it verifies the information provided by the Managers by comparing it to other data from publicly available sources, as well as through proprietary technical, quantitative, and qualitative analyses, including attribution analysis and risk analysis. Envestnet maintains full discretionary authority to hire and fire the Managers.

We do not audit, verify, or guarantee the accuracy, completeness, or methods of calculation of any historic or future performance or other information provided by Envestnet or any Manager. There can be no assurance that the performance information from Envestnet, any Manager, or other source is or will be calculated on any uniform or consistent basis, or has been or will be calculated according to or based on any industry or other standards.

Envestnet evaluates managers specializing in each of the asset categories listed, including equities (both domestic and foreign); corporate debt; commercial paper; certificates of deposit; municipal securities; mutual funds; real estate investment trusts; government securities; options; and futures. The investment professionals at the investment management firms are a primary source of information to Envestnet providing quantitative and qualitative information. In addition, Envestnet employs several publicly available databases from independent sources. These databases are used to verify the information provided by the managers. However, Envestnet does not independently review the performance calculations of asset managers and performance information of the managers may not be calculated on a uniform basis.

#### MANAGER REVIEW AND APPROVAL

The manager approval process differs for SMAs, mutual funds, and ETFs. Both SMAs and mutual funds are reviewed using Envestnet's proprietary research methodology. This process uses the PMC Quantitative Risk/Return Ranking Model with three or five (depending on Envestnet's peer group) years of actual monthly performance to select managers that perform at the top of their peer group. Any manager and mutual fund available on the Envestnet platform that ranks in the top 40% of its peer group as measured against all managers in the appropriate set of Morningstar categories is added to the Approved universe. Approved managers and mutual funds that fall below the top 50% list are removed from the Approved list and revert to the Available list unless overridden by the PMC Manager Research team and

approved by Envestnet's "PMC Investment Committee." ETFs have their own approval process described in a section below.

Envestnet's approach combines the following three sources of information in an optimal approach to benchmark analysis: Morningstar peer grouping analysis, statistical search for potentially better-fitting benchmarks, and the manager's self-declared benchmark.

PMC's proprietary Quantitative Risk/Return Ranking Model uses the following key characteristics based on historical returns: (i) Consistent Active Value – Portfolios that have consistently beaten their benchmark over time; (ii) Effective and Consistent Risk Control – Portfolios that have consistently tracked their respective benchmark over time (iii) An Efficient Risk/Return Profile – Portfolios that have generated meaningful active returns relative to the risk taken.

In addition to this quantitative-based approval process, the Envestnet research analysts work to provide additional insight across this approved universe by strategically performing additional analytics, including but not limited to: (i) manager interviews to gain a clearer understanding of the investment process; (ii) holdings-based analysis using a factor model to calculate performance attribution; (iii) finding statistically significant alpha scores using a custom Returns-Based Style Analysis (RBSA) process and advanced statistical techniques (based on "Monte Carlo simulation") to calculate the confidence intervals for the manager's alpha. PMC research analysts contact managers they determine should be examined and conduct interviews to help evaluate if the factors pertinent to a successful investment organization and strategy are changing. Some of the topics that may be covered include: (i) organizational stability; (ii) investment personnel tenure and experience (iii) an understanding of the financial economics employed in the investment selection process that creates consistent active value; (iv) an understanding of the benchmark risk control philosophy and methods (v) systems and trading capabilities.

#### EXCEPTIONS AND CONFLICT OF INTERESTS

PMC may make exceptions for managers on the Approved list. For these exceptions, Envestnet analysts use the qualitative and quantitative tools listed described above to make the determination that while the manager does not make the 50% cut-off list described above, the manager otherwise warrants to remain on the Approved list. For example, the SMA strategy may not have a track record of sufficient length, but the portfolio manager has a proven track record. Envestnet's "PMC Investment Committee"

approves or disapproves all exceptions and can remove managers from the Approved list at any time within its sole discretion.

Manager's that have a significant affiliation with a client of Envestnet or are a direct client of Envestnet must be reviewed as exceptions and must be approved by the PMC Investment Committee to ensure that Envestnet has confidence in recommending these managers as "Approved." Like any other exception, the PMC Investment Committee can remove managers from the Approved list at any time within its sole discretion.

Envestnet acts as portfolio manager for several of the strategies in the program and other investment programs that are available through the Managed Account Solutions platform. There is an conflict because Envestnet's affiliated PMC Investment Committee has rated as "Approved" investment strategies and products, including investments in the PMC mutual funds in which Envestnet or one of its affiliates is the portfolio manager or otherwise materially interested.

Envestnet believes the conflict of rating a PMC or Sigma proprietary strategy as "Approved" is mitigated because these products are based on a "manager-of-managers" approach. In this regard, this type of strategy combines underlying asset managers and/or Funds and are not acting as traditional "stock-pickers." Should the PMC Investment Committee lose confidence in one of the underlying asset managers or Funds, that asset manager or Fund is replaced with one that better complements the overall portfolio. We draw our clients' attention to the fact that this argument does not necessarily address the conflict of interest to recommend or approve a PMC product that would indirectly benefit an indirect affiliate of Envestnet.

#### AVAILABLE STRATEGIES, MODELS AND FUNDS

For the "Available" SMA strategies, Third-Party Models and Funds, Envestnet has not performed due diligence and has not reviewed the investment strategy. Envestnet makes no recommendations concerning the use of them. Instead, the Firm is responsible for determining that whether we have sufficient information about SMA strategies, Third-Party Models and Funds to select them for use with clients.

While Envestnet provides us with recommendations with respect to "Approved" products and investment strategies, we are responsible for determining whether any particular "Available" Fund, product, or investment strategy is suitable for use with a particular client.

We do not expect to use the SMA strategies, Third Party Models, or Funds that are listed as “Available” unless we already have a relationship or knowledge of those products.

#### **B. Related Persons Acting As Portfolio Managers**

Item 6.B asks if we or any of our related persons acts as a portfolio manager for any program. If so, we are required to disclose whether they are subject to the same selection and review process as the other portfolio managers that participate in the programs.

We do not have any related persons who participate as portfolio managers for the Wrap Fee Programs. Our services with respect to the programs focus initially on assisting the client to identify the investment objective for the account and then utilizing the portfolio management tools available through Envestnet Managed Account Solutions platform to accept or modify any initial asset allocation proposed by Envestnet for the account’s assets.

Depending on which program the client selects, we then assist the client with the initial designation of one or more SMA Program Managers, or with customization of the client’s UMA portfolio. On an on-going basis, we will monitor the account and will have continuing responsibility and discretion to hire, fire, and replace any Managers, as we deem appropriate, and the discretion to direct a change in the account’s allocation. However, except in the limited circumstances where Envestnet or current Managers fail to perform their obligations, we will not place orders or otherwise provide portfolio management services where we participate directly in purchases or sales of securities for the account.

#### **C. Supervised Persons Acting As Portfolio Managers**

If we answered “yes” to Item 6.B, we would be required to provide further information with respect to our advisory business.

However, our response to Item 6.B is “no,” consequently, we are not required to disclose any information in Item 6.C.

#### **ITEM 7: CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Item 7 asks us to describe the information about clients that we communicate to the portfolio managers, and how

often or under what circumstances we provide updated information.

At the opening of the account, the Representative collects the Suitability Information, which includes information about your personal situation, and the account’s investment objective, tolerance for risk, and investment time horizon, among other characteristics. This information is provided to Envestnet, which is responsible for making it available to the Managers. We update any changes in this information, as we receive it from you, using the NFS Streetscape electronic system.

Envestnet provides clients with quarterly reports that detail account holdings, transactions, and performance, and market commentary. Representatives will typically contact their Envestnet clients on a quarterly basis, but at least annually, to review the account and inquire about changes in the client’s financial information or investment objectives.

Clients are responsible for notifying us and their Representative if there have been any changes their personal situation or in the account’s financial situation or investment objectives, liquidity needs, or risk tolerance, or if the client wishes to impose or modify any reasonable account restrictions.

#### **ITEM 8: CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Item 8 asks us to explain any restrictions placed on your ability to contact and consult with their portfolio managers.

Your primary contact with respect to the programs and the account will be your Representative. The Representative will be available to answer questions about the administration of the account and its investments. If a client has questions which the Representative cannot answer, clients are encouraged to contact Envestnet directly, at the address or telephone number shown in the Envestnet program documentation. Knowledgeable personnel are available to answer client questions.

However, should the client request a direct consultation, Envestnet and Manager personnel who are knowledgeable about the client’s account and its management will be made reasonably available for consultation. For orderly processing, requests for consultations should be made through the client’s Representative.

## ITEM 9: ADDITIONAL INFORMATION

### A. Disciplinary Information

We are required to disclose in Item 9 information about legal or disciplinary events involving the Firm or our management that may be material to evaluation of our advisory business or the integrity of our management.

- Regulator: KS SECURITIES COMMISSIONER
- Date: 06/12/2002
- Employee: Thomas Hoover
- Description: On 11/3/2008, Mr. Hoover was found to have not properly supervised an ex-employee and was required to pay a monetary fine in the amount \$10,000

### B. Other Financial Industry Activities & Affiliations

#### DISCLOSURES REGARDING REGULATORY REGISTRATIONS

We are required to disclose if the Firm is registered as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor, or if our managers are registered as a representative of such a firm. We must also disclose pending registrations and registrations by our management as representatives of any such businesses.

The Firm is not registered in any other capacity other than as an investment adviser with the Securities and Exchange Commission. As disclosed in Item 4, our sister company, CTHB, is registered as a broker-dealer and all of our investment adviser representatives are also registered as registered representatives of CTHB. All of our officers and directors are also officers and directors of CTHB, although not all have the same position in both companies.

#### RELATIONSHIPS OR ARRANGEMENTS MATERIAL TO OUR ADVISORY BUSINESS

We are required to disclose relationships or arrangements with certain categories of related parties that are material to our advisory business or clients; and if there are any; we must identify the related person, the nature of the conflict, and how we address it.

As disclosed above, each of our Representatives is registered as a registered representative of our affiliated broker-dealer, which is owned by our parent company, CTHB Investments, Inc. When transacting separate purchases or sales of securities or insurance products, our

affiliated broker-dealer and the Representative will receive customary sales charges, commissions, and other transaction-related compensation. When you purchase mutual funds and variable annuities outside of the programs, they will also receive 12b-1 Fees and other asset-based compensation, as described in the prospectuses for those products (not all mutual funds pay 12b-1 Fees).

For accounts managed through the Wrap Fee Programs, clients are not charged commissions or other direct transaction-related fees for the purchases and sales of securities in their Program accounts (except for transactions executed through non-program brokers); consequently, neither our Firm nor our Representatives will have an incentive to select strategies or Managers that involve a high level of trading in the client's account.

Envestnet may have an incentive to select investment managers who tend to keep trading at relatively low levels because Envestnet is responsible for paying such costs out of the Program Fee (except for costs for transactions through non-program brokers) and the lower such costs are kept, the more Envestnet is able to retain of the Program Fee.

As part of our fiduciary obligation to put the interests of our clients ahead of our own, we have adopted the following steps to address these conflicts of interests:

- we disclose to you the existence of these conflicts of interest;
- we disclose to that you are not obligated to purchase any securities, insurance, or other investment products or services from our Representatives or our affiliated broker-dealer (outside of the Programs);
- we request that you keep updated the information you have provided regarding your personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the Program account that will be managed by us, and let us know of any reasonable investment restrictions you wish to impose on the Managed Account, and we conduct regular reviews of account investments;
- we require that our employees seek prior approval of outside employment so that we may detect conflicts of interests and ensure such conflicts are properly addressed;

- we periodically ask employees to certify information regarding their disclosed outside employment activities; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

#### RECOMMENDATION OR SELECTION OF OTHER ADVISERS

We are required to disclose if we recommend or select other investment advisers for our clients and if so, whether we receive any compensation that creates a material conflict of interest. We must also disclose if we have other business relationships with those advisers that create material conflicts of interest, and describe the conflicts and how we address them.

We do not recommend or select other advisers, except in connection with the various Envestnet programs. We do not receive any direct compensation from Envestnet (or NFS) or any of the Managers we recommend to our clients in connection with the programs. All direct compensation is paid in the form of the Advisory Fees paid by the client.

Nonetheless, through the Envestnet programs, we are allowed access to the various research and portfolio modeling tools that are part of the Envestnet Managed Account Solutions platform, which tools we would not have access to if we did not refer clients to the Envestnet programs.

Consequently, to the extent we value the use of the Envestnet tools and research, there is a conflict for us to act in our own economic best interest by recommending Envestnet and its roster of advisers so we continue to have access to the Envestnet tools and research and do not have to arrange or pay for these services from our separate funds.

We address this conflict of interest by disclosing it in this Brochure. We also monitor our accounts and evaluate the quality and costs of the services provided by Envestnet and the third-party Managers who provide portfolio management services for our clients to determine whether our recommendation or selection of them continues to meet our fiduciary obligations.

Although we continue to believe that our selection of Envestnet and the third-party Managers meets our fiduciary obligations and is in the best interests of our clients, it is possible that our judgment could be materially

affected by our desire to continue using the Envestnet services.

## C. Code of Ethics & Personal Trading

### DESCRIPTION OF OUR CODE OF ETHICS

We have adopted a Code of Ethics expressing our commitment to ethical conduct. Our Code of Ethics describes our fiduciary responsibilities to our clients, and our procedures in supervising the personal securities transactions of our supervised persons who have access to information regarding client recommendations or transactions ("access persons").

A copy of our Code of Ethics is available to our clients and prospective clients. You may request our Code of Ethics by email [customerservice@cthb.net](mailto:customerservice@cthb.net) or by calling us at (800) 397-2220.

We owe a duty of loyalty, fairness, and good faith towards our clients and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of our access persons' quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement, and recordkeeping provisions.

Our Chief Compliance Officer may grant exceptions to certain provisions contained in the Code where we reasonably believe the interests of our clients will not be materially adversely affected or compromised. Doubts arising in connection with personal securities trading should be resolved in favor of the client even at the personal expense of our employees.

Our Code of Ethics prohibits the misuse of material non-public information. While we do not believe that we have any particular access to material non-public information regarding publicly traded companies that would be subject to misuse, all employees are reminded that any such information may not be used in a personal or professional capacity.

The Firm and its principals, officers, affiliates, employees and Representatives may act as investment adviser for others, may manage funds or capital for others, may have,

make and maintain investments in its or their own names, or may serve as an officer, director, consultant, partner or stockholder of one or more investment partnerships or other businesses, subject to compliance with the Firm's Code of Ethics. In doing so, the Firm or such persons may give advice, take action, and refrain from taking action, any of which may differ from advice given, action taken or not, or the timing of any action, for any particular client.

Neither the Firm nor any Representative has any obligation to purchase or sell, or to recommend for purchase or sale, any security which the Firm or any principal, officer, employee or Representative purchases or sells for his own account or for the accounts of other clients, unless such conduct is a fiduciary obligation.

#### CONFIDENTIALITY OF CLIENT INFORMATION

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Protecting the confidentiality of our customers' nonpublic information is paramount for the Firm. As such, we have instituted policies and procedures to ensure that nonpublic customer information is kept confidential. We do not disclose nonpublic personal information about our clients or former clients to any nonaffiliated third parties, except as provided pursuant to our privacy policies or as required by or permitted by law.

In the course of servicing a client's account, the Firm may share client information with service providers, such as transfer agents, custodians, broker-dealers, accountants, and attorneys. The Firm and our affiliated broker-dealer will share information about the client, the client's account, and account activity, and each has agreed to keep such information confidential.

#### RECOMMENDATIONS INVOLVING SECURITIES IN WHICH WE HAVE A FINANCIAL INTEREST

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We are required to disclose if the Firm or any of our related persons recommends or buys or sells for client accounts securities in which the Firm or our related persons has a material financial interest.

Neither the Firm nor its related persons recommends to clients or purchases for client accounts securities in which any of them has a material financial interest.

#### INVESTMENTS IN SECURITIES WE RECOMMEND TO CLIENTS

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We are required to disclose if the Firm or any of our related persons invests in the same or related securities for their own accounts as the securities they recommend to clients; and if they do make such investments, we must

disclose the conflicts of interest this presents and how we address these conflicts.

The Firm and its employees are permitted to trade for their own accounts side-by-side with clients in the same securities at or around the same time as clients on the same trading day, and are permitted to participate in aggregated trades for their personal accounts with trades for client accounts. We have adopted the procedures described below to address the conflicts of interest arising from our policies described in this Item.

#### PROCEDURES TO ADDRESS CONFLICTS DESCRIBED ABOVE

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To address the conflicts of interest described above, we have adopted a Code of Ethics that provides the following measures:

- the Firm prohibits employees from purchasing or selling securities (other than mutual funds or other securities that are not treated as "reportable securities") immediately prior to client transactions, in order to prevent employees from benefitting from transactions placed on behalf of advisory accounts;
- no director, officer, or employee of the Firm shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry;
- no director, officer, or employee of the Firm shall knowingly prefer his or her own interest to that of an advisory client;
- the Firm maintains records of securities held by the Firm and its access persons. These holdings are reviewed on a regular basis by the Investment Committee;
- the Firm emphasizes the unrestricted right of the client to decline to implement any advice it has rendered (except where the Firm has entered an order pursuant to its exercise of discretionary authority);
- the Firm requires all employees to act in accordance with all applicable Federal and State laws and regulations governing registered investment advisory practices; and
- any individual not in observance of the above may be subject to discipline, including termination.

## D. Review of Accounts

### ACCOUNT REVIEWS

Program accounts are reviewed regularly by the Representative assigned to the account and at least quarterly by the Investment Committee (or a senior manager of the Firm). The accounts are reviewed at least quarterly by the Representative to evaluate consistency of the account with current investment objectives, and at least semi-annually by the Investment Committee (or Senior Manager) for consistency with the account's stated objectives and the strategy and portfolio structured by the Representative.

At least annually, the client will be contacted to ask if there have been any changes in the account's financial situation or investment objectives, or if the client wishes to impose or modify any reasonable account restrictions.

More frequent reviews can be triggered by significant market or economic factors, or if the client notifies the Representative of changes in the client's financial situation, large withdrawals or significant deposits, or changes in the account investment objectives, liquidity needs, or risk tolerance. The Investment Committee will be responsible for overseeing all reviews.

### CLIENT REPORTS

The Custodian will provide at least quarterly account statements, and Envestnet will provide quarterly reports that detail account holdings, transactions, and performance, and market commentary, as specifically stated in the terms and conditions of their Managed Account Solutions Terms and Conditions. Clients will not receive any reports from us.

## E. Client Referrals & Compensation

### ARRANGEMENTS WITH THIRD PARTIES

Our affiliated broker-dealer and its clearing firm provide many services on which we depend in offering advisory services to our clients in an efficient and cost-effective manner. While there is no direct linkage between the investment advice we give and the programs sponsored by these brokers, it is likely we would no longer have access to these services if we did not select these brokers for our discretionary accounts or recommend their services to our non-discretionary accounts. Consequently, we have an incentive to act in our own economic best interest, rather than in the best interest of our clients, by recommending and selecting these firms so we do not

have to arrange or pay for these services from our separate funds.

To address this conflict of interest by disclosing this conflict of interest in this Brochure. We also monitor our accounts and evaluate the quality and costs of the services provided by our affiliated broker-dealer and its clearing firm to determine whether our selection of them for our client accounts continues to meet our fiduciary obligations. Although we continue to believe that our selection of our affiliated broker-dealer and its clearing is appropriate for our clients, our judgment may be materially affected by our dependence on the services and referrals provided by our affiliated broker-dealer, its registered representatives, and its clearing firm.

Additionally, please refer to Item 10 for information regarding the research and investment tools made available to us as a consequence of referring clients to the Envestnet Managed Account Solutions Program, the conflict of interest we have to continue to have access to such research and tools which we would otherwise be required to pay for out-of-pocket, and the steps we have taken to address this conflict of interest and place the interests of our clients ahead of our own.

### REFERRAL ARRANGEMENTS WITH THIRD PARTIES

We do not refer clients to third-party advisers, except as described in Item 10 in connection with the Envestnet Managed Account Solutions Program. Please refer to the discussion under "Recommendation or Selection of Other Advisers."

## F. Financial Information

### PREPAYMENT OF \$1,200 SIX MONTHS OR MORE IN ADVANCE

Investment advisers who accept fees of more than \$1,200 per client, six months or more in advance are required to provide their clients an audited balance sheet.

Because we do not accept pre-paid fees exceeding \$1,200 per client, six months or more in advance, we have not provided a balance sheet.

### DISCLOSURE OF FINANCIAL CONDITIONS

SEC-registered investment advisers who have custody or discretion over client funds or securities, or who require prepayment of fees exceeding \$1,200 six months or more in advance must disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients.

There is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

#### BANKRUPTCY WITHIN PAST TEN YEARS

Advisers who have been the subject of a bankruptcy petition during the past ten years must disclose certain information about the matter.

We have never been the subject of bankruptcy.

#### **AGREEMENT TO RECEIVE MANAGER BROCHURES**

Clients have the right to receive the disclosure document, Form ADV Part 2A ("Manager Brochure") for any Manager who manages their Program account. A Manager Brochure provides information similar to the types of information in this Brochure, such as

- the types of services the Manager provides,
- any important conflicts of interest the Manager has with its clients and how the Manager deals with those conflicts,
- the types of strategies the Manager follows, its methods of analysis, and the types of investments it generally uses,
- whether it manages other accounts or funds that might receive preferential treatment in the allocation of investment opportunities,
- any prior disciplinary history of the Manager or its management personnel,
- how it votes proxies and deals with any conflicts of interest that arise when voting proxies,
- the basic terms of its Code of Ethics, and
- its general trading practices,

among many other matters.

The Manager's Brochure is an important document that Clients are encouraged to read. The right to receive the Manager's Brochure should not be given up without careful consideration.

At the time you sign the Advisory Agreement, you will have the option (but not the obligation) to appoint the Firm as your agent to receive and maintain the Brochure for any Manager who manages your Program account.

If you do not choose this option, you will continue to receive any Manager Brochures, as required under current regulations. Even if you choose to exercise this option,

you will still be notified of the identity of any Manager for your account.

At any time, you will have the right to cancel this option and receive a Manager's Brochure, without charge. To cancel the option, you must notify the Firm in writing, care of our President or Chief Compliance Officer, 8080 E. Central Ave., Wichita, Kansas 67206. You may contact us at (800) 397-2220, but the cancelation must be in writing.

Separately, you should be aware that at any time, you may receive a copy of a Manager's Brochure through the SEC's public Investment Adviser Public Disclosure website simply by searching the Manager's name and scrolling down the menu to find the link to the Manager's last filed "Part 2 Brochure:" [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## EXHIBIT A - FEE SCHEDULES & MINIMUM ANNUAL FEES

### SEPARATELY MANAGED ACCOUNT PROGRAM

### UNIFIED MANAGED ACCOUNT PROGRAM

*(Terms have the same meanings as provided in the Advisory Agreement to which these Fee Schedules are an exhibit.)*

#### Separately Managed Account Program Fee Schedule

(Combined Advisory Fees and Program Fees)

Asset Value Tier	Equity/Balanced Portfolios	Fixed Income Portfolios
Up to \$250,000	2.50%	1.75%
\$250,001 - \$500,000	2.25%	1.75%
\$500,001 - \$1,000,000	2.00%	1.50%
\$1,000,001 - \$2,000,000	1.75%	1.25%
\$2,000,001 - \$5,000,000	1.50%	1.00%
Over \$5,000,000	1.00%	1.00%

Equity/Balanced Portfolios have a minimum account size of \$100,000; Fixed Income Portfolios have a minimum account size of \$250,000.

#### Unified Managed Account Fee Schedule

(Combined Advisory Fees and Program Fees)

Asset Value Tier	Fee Rate
Up to \$500,000	2.50%
\$500,001 - \$1,000,000	2.50%
\$1,000,001 - \$2,000,000	2.00%
\$2,000,001 - \$5,000,000	1.75%
\$5,000,001 - \$15,000,000	1.50%
Over \$15,000,000	1.00%

Unified Managed Account Portfolios are subject to a minimum account size of \$150,000.

In addition to the Advisory Fees and Program Fees, Clients will also incur other costs, such as the indirect expenses that mutual funds, ETFs and other investment companies and alternative investments charge to their investors (such as 12b-1 fees). Please see the prospectus or disclosure document for these investments for information regarding their fees. Envestnet or its broker-dealer may receive 12b-1 fees from mutual funds in which Clients invest. Clients will incur other costs incidental to participation in a Program, which are described in the Wrap Fee Brochures.

## MINIMUM ANNUAL FEES

We charge the following minimum annual Advisory Fee per account. Envestnet charges the following minimum annual Platform Fee.

Minimum Annual Advisory Fees		Minimum Annual Platform Fees	
SMA Program	UMA Program	SMA Program	UMA Program
\$2,500 equity strategies	\$3,750	\$150	\$150
\$4,375 fixed income strategies			

The minimum fees are expressed as annual amounts, but are determined and assessed quarterly. An account may be assessed a minimum fee for a particular quarter even if the account's average balance for the entire year is above the minimum asset value.