



*a Johnson Financial Group Company*

## Brochure

Form ADV Part 2A ■ June 30, 2016

*This brochure provides information about the qualifications and business practices of Cleary Gull Advisors Inc. (Cleary Gull Advisors). If you have questions about the contents of this brochure, please contact Cleary Gull Advisors at the telephone number listed below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.*

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

*Please note that registration of an investment adviser with the SEC does not imply a certain level of skill or training.*

## Item 2 - Material Changes

The following is a summary of material changes since the last Cleary Gull Advisors brochure dated March 30, 2016:

### **Item 4 – Advisory Business**

This item was updated to reflect the purchase of Cleary Gull Advisors Inc. (Cleary Gull Advisors) by Johnson Financial Group, Inc. (Johnson Financial Group) from Cleary Gull Holdings Inc. (the “Transaction”). As part of the Transaction, Cleary Gull Advisors acquired the investment advisory business of Cleary Gull Inc. (Cleary Gull), which was a dually-registered investment adviser and broker-dealer and an affiliate of Cleary Gull Advisors. The broker-dealer division of Cleary Gull, including investment banking, now operates as a separate entity and is no longer affiliated with Cleary Gull Advisors. Johnson Financial Group also owns Johnson Bank and Johnson Insurance Services, LLC (“Johnson Insurance”).

Services provided were updated to reflect the fact that Cleary Gull Advisors no longer provides research, subadvisory and investment policy guidance to Cleary Gull and it is now intended that these services will be provided to Johnson Bank.

Services provided were further updated to include pre-retirement planning services, including discretionary account management, rendered to airline pilots and other individuals within their employer’s 401(k) plan.

The section on assets under management was updated to include the investment advisory business formerly part of Cleary Gull resulting in approximately \$1.7 billion of client assets managed on a discretionary basis, an increase of approximately \$1 billion.

### **Item 5 – Fees and Compensation**

This item was updated with the following changes:

- The current standard fee schedule applicable to individual clients was inserted reflecting the following tiered schedule:

| <b>Assets Under Management</b> | <b>Advisory Fee</b> |
|--------------------------------|---------------------|
| \$500,000 to \$1,499,999       | 0.95%               |
| \$1,500,000 to \$2,499,999     | 0.85%               |
| \$2,500,000 to \$3,999,999     | 0.75%               |
| \$4,000,000 to \$5,999,999     | 0.65%               |
| \$6,000,000 and above          | negotiable          |

- A statement was included indicating that Cleary Gull Advisors may modify its fee schedule from time to time; therefore, some clients may pay fees that are higher or lower than those shown in the standard fee schedules.

#### **Item 7 – Types of Clients**

This item was updated to remove language regarding certain services provided to Cleary Gull. Cleary Gull Advisors does not provide services such as research, subadvisory and investment policy guidance to Cleary Gull, as the investment advisory business of Cleary Gull is now part of Cleary Gull Advisors as a result of the Transaction. It is intended that Cleary Gull Advisors will provide services such as research, model allocation, subadvisory and investment policy guidance to Johnson Bank. Cleary Gull Advisors also provides pre-retirement planning services to airline pilots and other individuals within their 401k plans that may include, among other things, risk tolerance profiling, asset allocation design, pension benefits review, retirement timing and transition consultation. As a result of the Transaction, Cleary Gull Advisors no longer manages proprietary accounts.

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

This item was updated as follows:

- Other activities related to Cleary Gull were revised as follows:
  - Cleary Gull Advisors does not have employees who are registered representatives of Cleary Gull.
  - Staff of Cleary Gull Advisors and/or Johnson Bank may provide certain administrative services for Cleary Gull subject to the Transition Services Agreement.
- Affiliations with Cleary Gull and Cleary Gull Holdings Inc. were removed due to the Transaction.
- Current affiliations were updated to reflect the affiliation with Johnson Financial Group and its two financial-industry subsidiaries, Johnson Bank, including its wealth management services, and Johnson Insurance and the fact that client referrals may be made between Cleary Gull Advisors and

these entities. We believe the services our affiliates provide are appropriate and we disclose these affiliations to our clients. The Code of Ethics also defines our fiduciary responsibility to act solely in the best interest of our clients.

- Cleary Gull Advisors no longer provides investment research, asset allocation recommendations, model portfolios or subadvisory services to Cleary Gull; however, it is intended that Cleary Gull Advisors will provide these services to Johnson Bank, including model portfolios which Johnson Bank will use to invest its wealth management clients' portfolios. Cleary Gull Advisors maintains policies and procedures relating to investment decisions and trade allocations to ensure that clients are treated fairly and equitably.
- Cleary Gull Advisors and Johnson Financial Group, and/or its affiliates, may share staff and office space. Referral fees and/or other compensation may be paid to employees of Cleary Gull Advisors and/or Johnson Bank, or its affiliates, for making client referrals between the affiliated entities. We believe the services our affiliates provide are appropriate and we disclose these affiliations to our clients. Certain officers of Cleary Gull Advisors may also serve as an officer of Johnson Financial Group and/or its affiliates. Conflicts of interest are created in performing dual roles; however, Cleary Gull Advisors maintains policies, procedures and controls to routinely monitor such conflicts and does not believe it results in unfair treatment of its clients.
- Language regarding dual roles for the Chief Financial Officer and Chief Compliance Officer is no longer applicable and was removed.

**Item 11 – Code of Ethics, Participation or Interest In Client Transactions, and Personal Trading**

This item was updated to remove reference to the potential conflict of interest due to Cleary Gull's possible receipt of 12b-1 fees and commissions because Cleary Gull Advisors is not affiliated with Cleary Gull and Cleary Gull does not act as broker-dealer for Cleary Gull Advisors' clients' accounts.

Disclosure was added with regard to Johnson Bank using investment allocation models provided by Cleary Gull Advisors to invest its wealth management clients' portfolios. Cleary Gull Advisors maintains policies and procedures relating to the investment process and trade allocation to ensure that clients are treated fairly and equitably.

This item was further updated to reflect that certain employees and officers of Cleary Gull Advisors, as well as dual employees and shared employees of

Cleary Gull Advisors and Johnson Bank who may have access to investment product research and investment strategy and allocation recommendations ("Access Persons") may buy or sell investments that are also recommended to clients. These investments may create a conflict of interest; however, all Access Persons are subject to Cleary Gull Advisors' Code of Ethics which requires individuals to place clients' interests ahead of their own. Trade allocation policies and procedures are also maintained to ensure that clients are treated fairly and equitably.

There are currently no employee accounts that are considered proprietary accounts due to the Transaction.

#### **Item 12 – Brokerage Practices**

This item was updated to remove reference to Cleary Gull Advisors' ability to use Cleary Gull Inc. as introducing broker to execute trades in client accounts, thus eliminating that potential conflict of interest.

This item was further updated to indicate that Cleary Gull Advisors generally executes mutual fund trades through the client's broker-dealer custodian, if consistent with its best execution obligations. This is typically the case for individual-type accounts and certain institutional relationships. Mutual fund trades for accounts held at a custodian other than a broker-dealer, which is the case for most institutional accounts, are submitted to the custodian who is responsible for executing the trade either through a broker of its choice or directly through the fund company. Cleary Gull Advisors also utilizes a network of third party brokerage firms to execute fixed income trades as well as some equity, primarily ETFs, trades.

Cleary Gull Advisors has a "soft-dollar" arrangement with RBC Advisor Services, a division of RBC Capital Markets, LLC ("RBC") whereby RBC provides certain research in exchange for commission payments. This arrangement creates a potential conflict of interest whereby Cleary Gull Advisors has an incentive to place trades through RBC to receive research services. Cleary Gull Advisors has committees to provide oversight of our business practices including trading, soft dollar arrangements and broker commissions, to provide reasonable assurance these conflicts are mitigated.

Language regarding clients executing a prime brokerage agreement with RBC to facilitate aggregation and execution of fixed income trades was deleted and the paragraph regarding cross transactions was updated to remove reference to cross transactions arranged by Cleary Gull. These no longer apply as

Cleary Gull Advisors is not affiliated with Cleary Gull and Cleary Gull does not act as broker-dealer for Cleary Gull Advisors' clients' accounts due to the Transaction.

Reference to proprietary accounts trading alongside client accounts was removed as it no longer applies due to the Transaction.

**Item 14 – Client Referrals and Other Compensation**

This item was updated to disclose referral fees and/or other compensation that may be paid to employees of Cleary Gull Advisors and/or Johnson Bank, or its affiliates, for making client referrals between the affiliated entities. Cleary Gull Advisors believes the services our affiliates provide are appropriate and we disclose these affiliations to our clients. Cleary Gull Advisors also has a fiduciary duty to act in the best interest of our clients, as defined in the Code of Ethics.

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## Item 4 - Advisory Business

Cleary Gull Advisors is an investment advisory firm registered with the SEC under the Investment Advisers Act of 1940 (Advisers Act). Cleary Gull Advisors provides investment advisory and consulting services to not-for-profit hospitals and senior living organizations, public and private

foundations and endowments, high net worth families, individuals, trusts and other business entities. Cleary Gull Advisors and its predecessor firms have served clients nationwide since 1987.

As of June 1, 2016, Cleary Gull Advisors was purchased by Johnson Financial Group from Cleary Gull Holdings Inc. (the "Transaction"). As part of the Transaction, Cleary Gull Advisors acquired the investment advisory business of Cleary Gull Inc. (Cleary Gull), which was a dually-registered investment adviser and broker-dealer and an affiliate of Cleary Gull Advisors. The broker-dealer division of Cleary Gull, including investment banking, now operates as a separate entity and is no longer affiliated with Cleary Gull Advisors. Cleary Gull Advisors is a wholly-owned subsidiary of Johnson Financial Group, a privately held, multi-generational, family-owned organization. Johnson Financial Group also owns Johnson Bank and Johnson Insurance Services, LLC ("Johnson Insurance").

### **Investment Advisory Services**

Cleary Gull Advisors believes the investment advisory business should be approached with an underlying sense of purpose. With decades of experience, Cleary Gull Advisors combines a unique blend of investing acumen, independence, and objectivity to assist clients in creating custom portfolios designed to address both short- and long-term goals. Advisory services are tailored to the individual needs of each client based on factors such as the client's objectives, income tax status, and size of the account. Cleary Gull Advisors' focus is on delivering specialized investment advice aligned directly with the underlying purpose of a client's assets. Identifying how a client's assets will be used in the future begins Cleary Gull Advisors' process of identifying objectives and guidelines. These factors and others help form the basis of well-designed and effective investment strategies tailored for each client. While solutions may have wide applicability, each client's situation is unique.

Cleary Gull Advisors' investment advisory services include, but are not limited to:

- Analysis of objectives including customized risk budgeting
- Asset allocation and portfolio construction
- Investment policy development
- Investment research
- Evaluation and selection of investment managers (Managers)
- Responsible investing



- Custodian reviews
- Trustee and Board education

Prior to engaging Cleary Gull Advisors, clients enter into a written agreement that sets the terms and conditions under which Cleary Gull Advisors renders its services. A client may negotiate for specific advisory services designed to achieve the client's policy and investment objectives. Clients may impose restrictions on investing in certain securities or types of securities. Cleary Gull Advisors also works with clients' other professional advisors, including other Managers clients may separately engage, to provide clients with an integrated approach.

### **Discretionary and Non-Discretionary Advisory Services**

Cleary Gull Advisors manages client accounts on either a discretionary or non-discretionary basis. Investment decisions are guided by the client's investment policy statement. If a client's account is managed on a discretionary basis, Cleary Gull Advisors will generally execute all investment selections that are determined to be appropriate to implement the client's policy without further consultation with the client. Cleary Gull Advisors provides discretionary investment advice primarily with respect to mutual funds, exchange traded funds (ETFs), fixed income securities, and non-traditional (complementary or alternative) investment vehicles, such as registered mutual funds and ETFs that have alternative strategies, hedge funds, private equity, real estate investment trusts and closed-end funds. Cleary Gull Advisors' discretionary authority also includes the ability to retain and terminate Managers to perform subadvisory services for client accounts. Cleary Gull Advisors generally selects Managers that are on the platform of a third party service provider that it retains (Program Administrator). Such Managers enter into a subadvisory agreement directly with the Program Administrator. Cleary Gull Advisors may also retain Managers through a subadvisory agreement between Cleary Gull Advisors and the Manager. In other cases, Managers may enter into an advisory agreement directly with the client.

If a client's account is managed on a non-discretionary basis, the client may receive different execution prices (higher or lower) on securities bought or sold and may receive different transaction charges than if the account was managed on a discretionary basis.

### **Other Services**

It is intended that Cleary Gull Advisors will provide broad investment trends analysis, investment policy direction, asset allocation modeling, and analysis of investment management organizations and their investment process to Johnson Bank, including Manager and fund due diligence, recommendation and selection, fixed income strategy and analysis, portfolio construction advice, and model portfolios which Johnson Bank will use to invest portfolios of its wealth management clients. Johnson Bank may also retain Cleary Gull Advisors to perform subadvisory services.

### **Pre-Retirement Planning and Pilot Program**

Cleary Gull Advisors offers ClearWealth™ pre-retirement planning services to airline pilots and their families under the firm's Pilot Program that include, among other things, risk tolerance profiling, asset allocation design, pension benefits review, retirement timing and transition consultation. As part of Cleary Gull Advisors' ClearWealth™ planning services, Cleary Gull Advisors provides discretionary account management through the participant's 401(k) self-directed brokerage account. Investments are limited to the investments available through the participant's 401(k) plan's self-directed brokerage account. Cleary Gull Advisors also offers similar pre-retirement services to other individuals through their employer's 401(k) plan.

### **Assets Under Management**

As of the start of business on June 1, 2016, Cleary Gull Advisors advised on approximately \$1.7 billion of client assets on a discretionary basis and approximately \$334 million of client assets on a non-discretionary basis.

## **Item 5 - Fees and Compensation**

Cleary Gull Advisors offers investment advisory services for a negotiable fee based upon the amount and type of assets in client accounts, the level of service provided, and the complexity and scope of the assignment. Fees may be asset, retainer, or project based and may be subject to an annual minimum. Fees are generally paid quarterly in advance in accordance with a fee schedule set forth in each client's advisory agreement and are generally directly deducted from the client's account, unless the client requests to be billed. Cleary Gull Advisors and the client have the right to terminate the advisory agreement by written notice. If the agreement is terminated, the client will either receive a pro rata refund of unearned advisory fees or pay

any advisory fees and expenses yet due. A client may cancel an advisory agreement without fees within five (5) business days after it is signed.

Cleary Gull Advisors' current standard advisory fee schedule applicable to individual clients is as follows:

| <b>Assets Under Management</b> | <b>Advisory Fee</b> |
|--------------------------------|---------------------|
| \$500,000 to \$1,499,999       | 0.95%               |
| \$1,500,000 to \$2,499,999     | 0.85%               |
| \$2,500,000 to \$3,999,999     | 0.75%               |
| \$4,000,000 to \$5,999,999     | 0.65%               |
| \$6,000,000 and above          | negotiable          |

Following is the standard fee schedule for institutional clients:

| <b>Total Assets Under Management</b> | <b>Breakpoints</b> | <b>Annual Fee Rate</b> |
|--------------------------------------|--------------------|------------------------|
| Institutional < \$5 million          | Total Market Value | 1.50%                  |
|                                      |                    |                        |
| Institutional \$5 to \$15 million    | First \$5,000,000  | 0.65%                  |
|                                      | Over \$5,000,000   | 0.55%                  |
|                                      |                    |                        |
| Institutional > \$15 million         | First \$10,000,000 | 0.45%                  |
|                                      | Next \$10,000,000  | 0.35%                  |
|                                      | Next \$10,000,000  | 0.25%                  |

Cleary Gull Advisors may modify its fee schedule from time to time. Therefore, some clients may pay fees that are higher or lower than the standard fee schedules shown above. Clients pay a separate fee to each Manager retained to manage the client's account, which is generally deducted from the client's account.

Clients with assets invested in mutual funds or exchange-traded funds (ETFs) (collectively, a "fund" or "funds") will indirectly pay a proportionate share of the funds' expenses, including the investment management fees to the funds' investment advisers. More information about each fund's fees and expenses is available in the fund's prospectus. Investments in private investment vehicles, such as hedge funds and other collective investment funds, may involve additional fees directly or indirectly paid at the fund level.

Clients are responsible for all fees and charges imposed by third parties, including clearing and other transaction charges, brokerage commissions, custodian fees, dealer spreads and transfer fees and taxes. Please see Item 12 for a discussion of brokerage practices.

Cleary Gull Advisors' fees for certain projects are billed and payable at project completion, unless otherwise agreed. Cleary Gull Advisors may request, in advance and with approval of the client, reimbursement of travel expenses and/or special costs incurred at the request of the client.

### **Other Fees**

Cleary Gull Advisors utilizes a third party service provider to provide class action litigation monitoring and securities claim filing administration involving securities held or previously held in existing client accounts. The service provider currently charges a contingency fee of 20% of the amount of each claim settlement award, which is deducted from the client's award at the time of payment. There are no minimum fees or other fees deducted from an account related to this service.

### **Account Valuation Practices**

Cleary Gull Advisors generally relies on its Program Administrator to value client portfolios in order to calculate investment performance and client fees, where applicable. In instances where the Program Administrator is unable to determine a price for a security or if Cleary Gull Advisors determines a price received from the Program Administrator is not reflective of fair market value, Cleary Gull Advisors will determine a fair value for that security according to the methodology outlined in Cleary Gull Advisors' Valuations of Securities Policy.

There are inherent conflicts of interest when Cleary Gull Advisors values client accounts, as higher security prices increase market values, thereby enhancing performance results and increasing fees. In addition, because clients pay different fees based on differing fee schedules or the size of the account, Cleary Gull Advisors has an incentive to favor those accounts where it earns the highest fees. Cleary Gull Advisors maintains investment, trade allocation and account valuation (including fair valuation) policies and procedures to address such conflicts of interest.

## Item 6 - Performance-Based Fees

Cleary Gull Advisors does not manage any accounts for a fee based on performance.

## Item 7 - Types of Clients

Cleary Gull Advisors provides investment advisory and consulting services to not-for-profit hospitals and senior living organizations, public and private foundations and endowments, high net worth families, individuals, trusts, and other business entities.

As described in Item 4, it is intended that Cleary Gull Advisors will provide investment strategy, model asset allocation, research and other services to Johnson Bank. Johnson Bank may also retain Cleary Gull Advisors to perform subadvisory services.

Cleary Gull Advisors also provides pre-retirement planning services to airline pilots and other individuals within their 401k plans that may include, among other things, risk tolerance profiling, asset allocation design, pension benefits review, retirement timing and transition consultation.

Cleary Gull Advisors manages accounts on behalf of certain employees. Employee accounts are managed alongside client accounts, which may create an incentive for Cleary Gull Advisors to put the interests of the employees ahead of clients. Our Code of Ethics requires employees to put clients' interests ahead of their own, or the firm's, as well as to report personal trades and holdings.

### **Conditions for Managing Accounts**

Clients are responsible for notifying Cleary Gull Advisors of any changes in their financial situation, investment objectives, or account restrictions. Cleary Gull Advisors recommends clients have \$1,000,000 in investable assets to allow for diversification of Managers and assets but generally does not require a minimum amount to be invested. Cleary Gull Advisors generally requires a minimum account size of \$200,000 per Manager; however, individual Managers may impose a higher minimum. Cleary Gull Advisors

may impose minimum fees for certain investment advisory and consulting services.

## Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss

### **Methods of Analysis**

Cleary Gull Advisors' methods of analysis for funds and Managers include the following:

- Screening of Managers and funds using both qualitative and quantitative factors. Qualitatively, Cleary Gull Advisors considers the Manager's or fund's structure, ownership, history, personnel, risk management, and decision-making process. Quantitative factors considered include total return, risk as measured by standard deviation, relative volatility and absolute decline over various historical periods, portfolio turnover, and consistency of results. These quantitative factors are analyzed absolutely and in comparison to appropriate peer groups.
- Cleary Gull Advisors selects Managers and funds that it believes have demonstrated adherence to a clearly defined investment strategy and process. Cleary Gull Advisors also considers Managers' and funds' fees, account size requirements, and client servicing capabilities. Thus, Cleary Gull Advisors will not necessarily recommend a Manager or fund based solely on the best historical performance or the lowest possible fees.
- Because Cleary Gull Advisors believes turnover is expensive, it considers transaction volume during its analysis.

Cleary Gull Advisors' methods of analysis relating to fixed income portfolio management may include, but are not limited to, sector selection, maturity or yield curve positioning, credit quality, relative value and security selection. Fundamental credit analysis may be used for individual credits or structures and will generally include an assessment of the issuer's business and strategy, balance sheet, income statement, and cash flow analysis. Credit research is generally conducted using sources such as Bloomberg, broker and independent research, rating company reports, company filings and conference calls, official statements, the Municipal Securities Rulemaking

Board's (MSRB) Electronic Municipal Market Access (EMMA) system, conversations with trading desks, and news sources.

Other methods of analysis and sources used by Cleary Gull Advisors related to Managers, funds and fixed income securities also include, but are not limited to:

- Fundamental and technical analysis
- Research services and products of the Program Administrator and other third party providers, including statistical data, due diligence, and access to a database of Managers, mutual funds, ETFs, and other investment vehicles
- Financial newspapers and magazines
- Manager interviews, conference calls or on-site visits
- Research materials prepared by independent services, such as Morningstar
- Rating services
- Annual reports, prospectuses, and other filings with the SEC and MSRB
- Company press releases
- Portfolio modeling tools

### **Investment Strategies**

Cleary Gull Advisors focuses on the purpose of the client's assets in developing investment strategies. Cleary Gull Advisors primarily uses an investment approach that is long-term in focus and centered on asset allocation.

### **Risk of Loss**

Investing in securities involves risk of loss which clients should be prepared to bear. Past performance is no guarantee of future results; therefore, clients should not assume that future performance of any specific investment, investment strategy or objective will be profitable. Clients could sustain a loss of some or all of their investment. Risks to which client accounts may be subject include, but are not limited to, the following:

- *Management Risk.* With respect to discretionary accounts, Cleary Gull Advisors and Managers are delegated the authority to buy and sell securities on behalf of clients who must rely upon their abilities, judgment, and investment abilities. There is no guarantee that the investment techniques of Cleary Gull Advisors or a Manager will be successful.
- *Allocation Risk.* The performance of client accounts will depend in part on Cleary Gull Advisors' decisions as to strategic asset allocation and tactical adjustments made to the asset allocation. At times or for extended periods,



asset classes or the investment markets in general may not perform as Cleary Gull Advisors expected.

- *Equity Security Risk.* Common stocks and other equity securities generally increase or decrease in value based on the earnings of the issuer and on general industry and market conditions. The value of a company's share price may decline for many reasons including, but not limited to, poor decisions made by management, lower demand for the company's services or products, or if the company's revenues fall short of expectations. There are also risks associated with the stock market, which may experience periods of turbulence and instability.
- *Fixed Income Security Risk.* The market value of fixed income securities is affected significantly by changes in interest rates – generally, when interest rates rise, the market value of fixed income securities declines and when interest rates decline, their market value rises. Generally, fixed income securities with longer maturities entail greater interest rate risk but have a higher yield. Conversely, fixed income securities with shorter maturities generally entail less interest rate risk but have a lower yield. The value of a fixed income security may also be affected by changes in its credit quality rating or the issuer's financial condition, which may result in credit or default risk.
- *Mutual Fund and ETF Risk.* Mutual funds and ETFs are subject to investment advisory, transactional, operating, and other expenses. Each fund is subject to specific risks, depending on its investments. The value of a fund's investments and the net asset value of the fund's shares will fluctuate for many reasons including, but not limited to, responses to changes in market and economic conditions, as well as the financial condition and/or performance of the securities held within the fund. The performance of each fund will also depend on whether the fund's investment adviser is successful in pursuing the fund's investment strategy. ETFs may trade at a discount or premium to net asset value and are subject to trading and commission costs.
- *Complementary (Alternative) Investments Risk.* Complementary investments present different and potentially magnified risks compared to other more conventional asset classes, such as those resulting from the use of leverage, complicated tax consequences, difficulty in illiquid markets and general volatility in pricing/valuation, among others.



- *Foreign Investment Risk.* Investments in companies and markets other than the U.S. carry a number of economic, financial and political considerations that are not associated with the U.S. markets and that could unfavorably affect performance. Among those risks are greater price volatility; weak supervision and regulation of securities exchanges, brokers and issuers; higher brokerage costs; fluctuations in foreign currency exchange rates and related conversion costs; adverse tax consequences; and settlement delays.
- *Liquidity Risk.* Liquidity risk is the risk that securities may be difficult or impossible to sell at the desired time and price. The liquidity of a particular security depends in part on the continued functioning of the market for the security, for example the willingness of broker-dealers to make a market in the security, and the demand for the security in the market. Liquidity risk may be heightened for certain securities, such as fixed income securities, particularly those that are purchased in small lots, and non-traditional (complementary or alternative) investments, such as hedge funds, private equity, and other private investments.

## Item 9 - Disciplinary Information

Cleary Gull Advisors has no disciplinary events to disclose.

## Item 10 - Other Financial Industry Activities and Affiliations

### **Other Financial Industry Activities**

Cleary Gull Advisors' staff and/or shared staff of Cleary Gull Advisors and Johnson Bank provide certain administrative services to Cleary Gull Inc., as provided for in the terms of the Transition Services Agreement entered into as of May 31, 2016, as part of the Transaction. Such administrative services include, but are not limited to, accounting, employee benefits, information technology, reception and record-keeping. The Transition Services Agreement will terminate on June 30, 2019, unless previously terminated by written agreement.

## **Affiliations**

Cleary Gull Advisors is a wholly owned subsidiary of Johnson Financial Group, a privately-held, multi-generational, family-owned organization. As discussed in Item 4, Johnson Financial Group also owns Johnson Bank and Johnson Insurance. Johnson Bank provides a full line of financial services including wealth management, mortgage, leasing, consumer and commercial banking. Johnson Insurance is an independent insurance agency providing a wide array of personal and commercial insurance to its clients. Cleary Gull Advisors, Johnson Bank and Johnson Insurance may refer clients to each other in order to offer a full range of financial services to our clients. It is intended that no compensation will be provided at the firm level for these referrals. Employees of Cleary Gull Advisors and/or Johnson Bank, or its affiliates, may receive referral fees and/or compensation for referring clients between the affiliated entities. We understand this creates a conflict of interest; however, we believe the services our affiliates provide are appropriate and we disclose these affiliations to our clients.

It is anticipated that Cleary Gull Advisors will provide broad investment trends analysis, investment policy direction, asset allocation modeling and analysis of investment management organizations and their investment process to Johnson Bank, including Manager and fund due diligence, recommendation and selection, fixed income strategy, analysis and portfolio construction advice, and model portfolios which Johnson Bank will use to invest portfolios of its wealth management clients. Johnson Bank may also retain Cleary Gull Advisors as a Manager to perform subadvisory services. These arrangements create a potential conflict of interest with regard to providing preferential treatment of one group of clients over another; however, Cleary Gull Advisors maintains policies and procedures relating to investment decisions and trade allocations to ensure that clients are treated fairly and equitably.

Cleary Gull Advisors and Johnson Financial Group, and/or its affiliates, share office space and personnel.

Cleary Gull Advisors has a fiduciary duty to act in the best interest of our clients, as defined in the Code of Ethics which is further discussed in Item 11.

## **Dual Roles**

It is anticipated that certain officers and employees of Johnson Financial Group, and/or its affiliates, will also have roles with Cleary Gull Advisors which creates a conflict of interest in performing the dual roles. Cleary Gull

Advisors maintains policies, procedures and controls to routinely monitor such conflicts, and does not believe it results in unfair treatment of its clients.

#### **Administrative and Non-Discretionary Services**

Cleary Gull Advisors also provides administrative and non-discretionary services such as account reporting, portfolio accounting, performance calculation and trade order entry for accounts that may not be part of an advisory relationship. Cleary Gull Advisors does not have investment discretion over these accounts and does not believe these services create a conflict of interest for its existing clients.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading**

#### **Code of Ethics**

Cleary Gull Advisors has adopted a Code of Ethics to assist employees in carrying out its duties as a fiduciary to its clients. The Code of Ethics is based upon the principle that Cleary Gull Advisors and its employees owe a fiduciary duty to clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid: (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. Cleary Gull Advisors has made efforts to disclose and minimize potential conflicts of interest and has policies, procedures and controls in place to monitor areas where potential conflicts exist. The Code of Ethics is designed to maintain Cleary Gull Advisors' high ethical standards. The purpose of the Code of Ethics is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct and to provide guidelines to employees related to charitable and/or political contributions, giving and accepting gifts/entertainment, serving as a director or trustee for an external organization, and engaging in outside business activities. Existing or prospective clients may contact Cleary Gull Advisors for a full copy of the Code of Ethics.

### **Participation or Interest in Client Transactions**

As discussed in Items 4 and 10, Johnson Bank may invest its wealth management clients' portfolios using models provided by Cleary Gull Advisors. This creates a potential conflict of interest with regard to providing preferential treatment of one group of clients over another; however, Cleary Gull Advisors maintains policies and procedures relating to investment decisions and trade allocations to ensure that clients are treated fairly and equitably.

Employees and officers of Cleary Gull Advisors, as well as dual employees and shared employees of Cleary Gull Advisors and Johnson Bank who may have access to investment product research and investment strategy recommendations ("Access Persons") may buy or sell investments that are also recommended to clients. These investments may present a conflict of interest because Cleary Gull Advisors, its affiliates, or related persons may have an economic incentive in making recommendations to clients. Cleary Gull Advisors maintains the Code of Ethics, to which all Access Persons are subject, and trade allocation policies and procedures to ensure that clients are treated fairly and equitably. Also see Personal Trading below.

### **Personal Trading**

Certain officers, directors and employees of Cleary Gull Advisors may also be clients, in which case they are invested in the same strategies as clients, and trade alongside client accounts. Trading alongside client accounts may create an incentive for the firm to put officer, director and employee interests ahead of clients' interests. Cleary Gull Advisors has adopted the Code of Ethics which includes trading rules for personal/related accounts of its employees. These rules, among other restrictions, require clients' interests to be placed ahead of employees, officers and directors and prohibit trading ahead of or in competition with client orders. Employees are also required to pre-clear certain trades and to report personal trades and personal holdings on a regular basis. Cleary Gull Advisors' compliance department reviews personal trades to help ensure that client interests are placed first.

## **Item 12 - Brokerage Practices**

### **Broker/Dealer Selection**

If so authorized by the client, Cleary Gull Advisors executes the purchase and/or sale of securities through brokers or dealers it selects. Cleary Gull

Advisors uses its best efforts to have transactions executed at prices that are advantageous to clients and at commission rates that are reasonable in relation to the benefits received. If an account is held in custody at a broker-dealer, Cleary Gull Advisors will generally execute mutual fund trades through that broker-dealer, if consistent with its best execution obligations. This is typically the case for individual-type accounts and certain institutional relationships. Mutual fund trades for accounts held at a custodian other than a broker-dealer, which is the case for most institutional accounts, are submitted to the custodian who is responsible for executing the trade either through a broker of its choice or directly through the fund company. Cleary Gull Advisors also utilizes a network of third party brokerage firms to execute fixed income trades as well as some equity, primarily ETFs, trades.

Cleary Gull Advisors endeavors to obtain “best execution”, as defined by securities regulations, in transactions of securities for client accounts. In evaluating which broker or dealer will provide best execution, Cleary Gull Advisors considers the full range and quality of broker’s or dealer’s services, including among other things, the value of research provided as well as execution capability, financial responsibility and responsiveness. Managers used in client accounts decide upon broker-dealers and commissions paid on trades they direct.

Certain broker-dealers who provide best execution may also furnish research and brokerage services to Cleary Gull Advisors or a Manager. Commission payments in exchange for research and brokerage services are commonly referred to as “soft dollars.” Cleary Gull Advisors has entered into a formal soft dollar agreement with RBC Advisor Services, a division of RBC Capital Markets, LLC (“RBC”), and may also receive research materials on an informal basis from other brokers. Managers may also use soft dollars. In accordance with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, clients may pay higher than the lowest commission rates available in return for such services. However, we will only engage in such a transaction when we determine the commission paid is reasonable in relation to the value of the research services provided by the broker-dealer. Research and brokerage services received will not be used solely for the accounts that generated the brokerage commission, but will generally be used in managing all of our client accounts. Soft dollar arrangements provide a benefit to Cleary Gull Advisors because we do not have to produce or pay for research or brokerage services received from brokers with whom we transact. Cleary Gull Advisors has committees to provide oversight of our business practices including trading, soft dollar

arrangements and broker commissions, to provide reasonable assurance these conflicts are mitigated.

### **Brokerage Options**

Cleary Gull Advisors has entered into agreements with certain broker-dealers ("Select Broker(s)"), including RBC, for the provision of brokerage services for our clients' accounts. These services include, but are not limited to, trade execution, statements and confirmations, collection of investment advisor fees and maintenance of books and records. Cleary Gull Advisors may also benefit from operating efficiencies such as daily electronic trade files, electronic fee payments and website access to account information. Assets held in accounts opened through a Select Broker are held in custody by that broker-dealer. Cleary Gull Advisors may present one or more Select Brokers for a client's consideration. For certain accounts, such as accounts managed within a 401k plan, the broker/custodian may be mandated.

### **Directed Brokerage**

Clients may direct Cleary Gull Advisors to effect transactions through particular brokers or dealers. In such cases, Cleary Gull Advisors may be unable to achieve most favorable execution of client transactions. Directed brokerage clients may receive commission rates that are different from what might be attained through other brokers and may not receive volume discounts on bunched/aggregated orders, which could result in a less advantageous price and/or greater trading costs.

### **Aggregation and Allocation of Trades**

From time to time, Cleary Gull Advisors may aggregate trades of clients, primarily in an attempt to gain greater leverage and obtain favorable execution. Cleary Gull Advisors will not aggregate transactions unless it believes that the aggregation is consistent with its duty to seek best execution and in each client's best interest. Each client that participates in an aggregated order participates at an average execution price. Clients participating in an aggregated order may, however, be charged different commission rates and/or transaction costs than other clients included in the order as a result of various factors. Commissions and/or transaction costs for clients participating in aggregated orders are generally billed separately based on the client relationship and are not shared. Accounts of officers, directors and employees of Cleary Gull Advisors may be included in aggregated orders provided that they do not receive more favorable treatment than other clients participating in the order. Officer, director and

employee accounts trade alongside client accounts, but as noted above, do not receive more favorable treatment than other participants.

If an aggregated order is filled in its entirety, it will be allocated in accordance with written instructions prepared by Cleary Gull Advisors in advance of placing the order, which will specify the participating client accounts and how it intends to allocate the order among those clients. If an order is partially filled, it will be allocated on an equitable basis as determined by Cleary Gull Advisors. When Cleary Gull Advisors allocates a partially filled order, allocations will normally be made on a random selection or “lottery” basis. At times it may not be possible to purchase or sell a sufficient quantity of a security at a particular time to allocate among all clients that have comparable investment objectives and positions due to market conditions, trading volume, minimum trade or position size, and/or other factors. In such a case, it may be desirable to allocate trades to a particular client or group of clients in order to accumulate or dispose of a position and otherwise respond to market conditions. Officers, directors and employees of Cleary Gull Advisors participating in an aggregated order will not receive allocations in the case of a partially filled order, if the method of allocation deviates from normal allocation procedures.

Cleary Gull Advisors has committees to provide oversight of our business practices including trade aggregation and allocation, to provide reasonable assurance that clients are treated fairly and potential or actual conflicts are mitigated.

### **Cross Transactions**

Cleary Gull Advisors may enter into cross transactions between client accounts when, in Cleary Gull Advisors’ judgment, it is in the best interest of each client participating in the transaction, no client is disadvantaged by the transaction and Cleary Gull Advisors believes it can achieve best execution. Note, however, that Cleary Gull Advisors will not engage in cross trades with its ERISA clients.

### **Trade Errors**

During the course of client transactions, trade errors may inadvertently occur. Cleary Gull Advisors takes steps to correct any such error as soon as practicable. If a trade error occurs in a client account as a fault of Cleary Gull Advisors, Cleary Gull Advisors will make the client account “whole,” meaning that in correcting the error, the client’s account will be restored to the position the account should have been in had the trade error not occurred



and the client's account will not incur any losses or gains as a result of the trade error. Depending on the circumstances, in certain situations a gain resulting from a trade error may be retained by the client. If a trade error occurs in a client's account due to the action or failure to act by a third party, Cleary Gull Advisors generally assists to ensure the client's account is made whole by such party and may seek, or assist in seeking, reimbursement or contribution from such party.

## Item 13 - Review of Accounts

Client portfolios are reviewed by portfolio management and/or client advisory personnel at least quarterly for conformity to investment policy and guidelines. Client reviews are generally conducted by advisory representatives and are performed in conjunction with the preparation of quarterly client reports.

Account reviews may be triggered by the client's investment policy, market conditions, and changes in client circumstances and risk tolerance. All clients are encouraged to discuss their needs, goals and objectives with their Cleary Gull Advisors representative and to keep Cleary Gull Advisors informed of any changes.

Clients generally receive account statements including holdings and transaction listings from the custodian. For accounts at certain custodians, statements are also available online via secured account access through a link to the custodian's website provided on Cleary Gull Advisors' website.

For continuous relationships, clients receive a report from Cleary Gull Advisors on a periodic basis, generally quarterly, that may include relevant account and/or market-related information such as account holdings, investment performance, statistical review, account analysis, and future strategy. Clients under a consulting relationship generally receive a written and/or oral presentation on a periodic basis as agreed to with the client or at the completion of the project.



## Item 14 - Client Referrals and Other Compensation

Cleary Gull Advisors pays compensation to solicitors for new business in accordance with Rule 206(4)-3 under the Advisers Act. Persons introducing new client accounts to Cleary Gull Advisors may receive a portion of fees earned by Cleary Gull Advisors or other compensation. Cleary Gull Advisors compensates its employees who attract additional managed assets to the firm.

As also disclosed in Item 10, employees of Cleary Gull Advisors and/or Johnson Bank, or its affiliates, may receive referral fees and/or compensation for referring clients between the affiliated entities. We understand this creates a conflict of interest; however, we believe the services our affiliates provide are appropriate and we disclose these affiliations to our clients. Cleary Gull Advisors also has a fiduciary duty to act in the best interest of our clients, as defined in the Code of Ethics which is further discussed in Item 11.

Cleary Gull Advisors may refer clients to Select Brokers. See also Item 12 – Brokerage Practices – Brokerage Options.

## Item 15 - Custody

Client accounts are held at a qualified custodian chosen by the client. The custodian maintains possession of all funds and securities in the account. Assets held in accounts opened through a Select Broker are held in custody by that broker-dealer. For certain accounts, such as accounts managed within a 401k plan, the broker/custodian may be mandated. See also Item 12 – Brokerage Practices – Brokerage Options.

Cleary Gull Advisors is considered to have custody of client assets for purposes of the Advisers Act due to our ability to withdraw fees from client accounts. In addition, Cleary Gull Advisors is deemed to have custody of client assets as a result of our ability to direct client requests for the transfer of funds from certain custodial accounts. This creates a potential conflict of interest because it is possible for Cleary Gull Advisors to instruct certain custodians to make a payment to a third party from a client account which has not been authorized by the client. Cleary Gull Advisors has adopted the

Code of Ethics, which requires employees to act solely in the best interest of the client. Additionally, policies and procedures, and dual controls for the safeguarding of clients' assets are maintained to avoid unauthorized distributions. Cleary Gull Advisors is also required to engage an independent public accountant to conduct an annual surprise examination of the client assets over which we have custody. In addition to receiving periodic reports from Cleary Gull Advisors, clients will receive account statements from the custodian that maintains their assets. Clients should carefully review the account statements they receive from the custodian. Cleary Gull Advisors strongly urges clients to compare the reports they receive from Cleary Gull Advisors to the account statements they receive from the custodian. Comparing statements will allow clients to confirm that account transactions, including deductions to pay advisory fees, are proper.

## Item 16 - Investment Discretion

Cleary Gull Advisors manages client advisory accounts on either a discretionary or a non-discretionary basis. Each client enters into an advisory agreement with Cleary Gull Advisors whereby the client authorizes Cleary Gull Advisors to manage the client's investment account on a discretionary or non-discretionary basis. The advisory agreement with respect to discretionary advisory services includes a trading authorization giving Cleary Gull Advisors and each Manager authority to exercise discretion over the account.

## Item 17 - Voting Client Securities

Unless otherwise agreed to in writing, Cleary Gull Advisors does not have authority to vote proxies. Clients (or the plan fiduciary in the case of an account subject to the provisions of ERISA) expressly retain the authority for voting proxies solicited by, or with respect to, securities held in client accounts that are recommended and advised on by Cleary Gull Advisors. In the event Cleary Gull Advisors receives written authority from the client to vote proxies, Cleary Gull Advisors follows two basic standards in its proxy voting policy: (i) decisions are based on the best interests of clients; and (ii) decisions are based on the potential economic impact of a specific issue for a company or fund and its shareholders. Where applicable, a client may obtain

a copy of Cleary Gull Advisors' proxy voting policies and procedures, or a copy of the specific voting record for the account, upon request to Cleary Gull Advisors.

Managers generally assume the responsibility for voting proxies solicited by, or with respect to, securities held in client accounts that are managed by Managers, unless the client expressly indicates in writing their preference to retain this responsibility.

## Item 18 - Financial Information

Cleary Gull Advisors has no material financial condition that would reasonably impair its ability to meet contractual commitments to clients.