

## **ASSOCIATED INVESTMENT SERVICES, INC.**

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<https://www.associatedbank.com/pdf/ADVPart2A.pdf>

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**This brochure provides information about the qualifications and business practices of Associated Investment Services, Inc. If you have any questions about the contents of this brochure, please contact us at (800) 595-7722. The information in this brochure has not been approved or verified by the U. S. Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about Associated Investment Services, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Associated Investment Services, Inc. is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide information to use in determining to hire or retain an Adviser.

## **Item 2 – Material Changes**

Updated Item 10, Other Financial Industry Activities and Affiliations, to reflect Concourse Financial Group Agency, an insurance brokerage general agent AIS utilizes to offer unaffiliated insurance products, has been acquired by Simplicity Group Holdings, Inc.

You may request a copy of this brochure free of charge at any time by contacting us at (800) 595-7722 or view it on our website at <https://www.associatedbank.com/pdf/ADVPart2A.pdf>. In addition, you may view the current brochure online at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 – Advisory Business**

### **1. About Our Company**

Associated Investment Services, Inc. (“the Firm,” “AIS,” “we,” “our”), is an indirect wholly-owned non-bank affiliate of Associated Banc-Corp (“AB-C”), a bank holding company. AB-C is a diversified bank/financial services holding company headquartered in Green Bay, Wisconsin.

AIS traces its history as a broker-dealer back to 1923 through its predecessor firm. AIS began its advisory business in 2004. In July 2010, AIS became a federally-registered investment adviser with the SEC. The Firm also is registered with the SEC and 50 states as a broker-dealer, is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), and is an insurance agency. As a broker-dealer and an insurance agency, the Firm receives compensation through commissions/sales charges on transactions.

Associated Bank, N.A. (“ABNA”), a nationally chartered bank, Associated Trust Company, N.A. (“ATC”), a nationally chartered trust company, and Kellogg Asset Management LLC (“KAM”), a federally registered investment adviser, are affiliated with AIS. All are under the common control of AB-C. By agreement with ABNA, AIS provides its brokerage and advisory services to ABNA customers and the public on and through ABNA branch offices. All Financial Advisors are licensed insurance agents of AIS, and Senior Financial Advisors also are officers of ATC. Insurance products are the obligations of the issuing insurance companies.

ABNA and AB-C provide administrative and operational support to AIS that is material to AIS’s advisory business. Support includes office space and equipment, financial, audit and accounting services, executive management, marketing, and legal and compliance services.

### **2. Types of Advisory Services We Offer**

We want clients to understand the role of AIS in their advisory accounts and to understand how their accounts work. The following summary is intended to help provide that understanding.

#### **(a) Introduction and General Information**

AIS offers advisory account programs developed by BlackRock Investment Management, LLC or one of its affiliates (collectively, “BlackRock”), Envestnet Asset Management, Inc. or one of its affiliates (collectively, “Envestnet”), Fidelity Institutional Wealth Adviser LLC or one of its affiliates (collectively, “Fidelity”), Innealta Capital, LLC (“Innealta”), KAM, Pacific Investment Management Company LLC (“Pimco”), Russell Investment Management Company (“Russell”), Vanguard Advisers, Inc. (“Vanguard”), and Wilshire Associates Incorporated (“Wilshire”), all of which are delivered through National Financial Services LLC, an affiliate of Fidelity (“NFS”). Those programs are each referred to herein as “Advisory Programs,” and AIS is the Program Sponsor.

In addition to offering advisory account programs, Envestnet also provides a technology and service platform more fully described below that is integrated with NFS’s platform. Collectively, these are referred to as the “Program” throughout this document.

Fees paid to Envestnet and NFS for operating the Program are included in the Program fees described below. Envestnet initiates a deduction of the fee from the client’s Advisory Program account from the cash position maintained in the account to meet this requirement. If the cash position is insufficient at the time the fees are deducted from the account, assets will be liquidated to cover the fee and a fee deduction will be made after the

liquidated shares are settled. Envestnet then pays AIS, NFS, and any program manager utilized as part of one of the programs per agreements with each party.

NFS has a technology service agreement with Envestnet to access the Envestnet platform via its managed accounts solution interface. AIS has a master clearing agreement with NFS. AIS has a tri-party agreement for its managed accounts solution with NFS and Envestnet. Separately, BlackRock, Fidelity, KAM, Pimco, Russell, Vanguard, and Wilshire each has an agreement with Envestnet to make their models available on the Envestnet platform. In addition, AIS and KAM have an intercompany service agreement that, among other things, enables AIS to offer the ASAP Program to its clients.

AIS's advisory relationship begins when the client meets with an AIS Financial Advisor. The client and the Financial Advisor gather the client's personal and financial information and determine which type of Advisory Program, if any, is appropriate for the client. Utilizing the Envestnet platform tools, the Financial Advisor recommends an appropriate investment strategy based on the client's needs, objectives, investment time horizon, risk tolerance, and any other pertinent factors.

After an account is approved, BlackRock, Envestnet, Fidelity, Innealta, KAM, Pimco, Russell, Vanguard, or Wilshire, as the case may be, manage their models as they deem appropriate. They do not provide individualized investment advice for any particular client. Each Advisory Program option is described below.

#### **(b) Description of Associated Select Advisor Portfolio (ASAP) Program**

The ASAP program is managed by KAM, an affiliate of AIS. KAM uses third-party mutual funds to build diversified portfolios that can meet a variety of investment objectives and risk tolerances. The ASAP program offers six investment strategies that range from aggressive growth to conservative balanced, as described below.

KAM considers a number of factors when evaluating the mutual funds included in the ASAP portfolios, including evaluating fund managers' relative performance in the context of their respective styles. Other factors that are considered when selecting funds for inclusion in the ASAP models are as follows: quality and length of portfolio managers' experience, as well as confidence that the current manager will remain in place; a consistently applied investment methodology; demonstrated success as a result of employing this methodology; analysis of current fund performance within the context of ongoing market dynamics; the compatibility of the fund's asset size with its objective; consistency is favored over "hit or miss" results; and reasonable expenses.

There is a \$50,000 account minimum for the ASAP Program.

#### **(c) Description of the Russell Strategist Models**

The Russell Strategist Models are managed by Russell Investment Management Company and distributed by Russell Financial Services, Inc. (collectively "Russell"), and both are subsidiaries of Frank Russell Company. The Russell Strategist Models are a series of broadly diversified multi-asset portfolios delivered through Envestnet as multi-manager mutual fund portfolios. The portfolio model strategies span the risk return spectrum including a conservative, moderate, balanced, growth, and equity growth models in core and tax managed versions, depending on investor needs.

Each portfolio is constructed as a diversified portfolio of Russell funds with Russell acting as an overlay manager and distributor of each. Russell evaluates and selects from a global group of portfolio managers to

manage discrete portions of each of the funds in the portfolio. Russell itself directly manages one or more of the discrete portions if appropriate. Russell emphasizes broad manager diversification and will select from managers globally in each asset class and sub-class.

There is a \$50,000 account minimum for the Russell Strategist Model Program.

**(d) Description of Vanguard Strategist Models**

The Vanguard Strategist Models are managed by Vanguard Advisers, Inc. ("Vanguard"). Vanguard produces model portfolios (the "Vanguard Portfolios") comprised of Vanguard mutual funds ("Vanguard Funds") or exchange traded funds ("Vanguard ETFs"). The Vanguard Portfolios are designed and balanced to help ensure that their returns are in line with those of the respective benchmarks chosen for the Vanguard Portfolios. Vanguard administers the Vanguard Portfolios in accordance with pre-determined allocations that may be adjusted from time to time.

The investment strategies offered through the Vanguard Portfolios are limited to allocations in Vanguard Funds and Vanguard ETFs. Vanguard does not manage assets on behalf of individual financial advisors or individual clients and does not tailor the Vanguard Portfolios to meet the needs of individual clients.

There is a \$50,000 account minimum for the Vanguard Core Strategist Model Program.

**(e) Description of Wilshire Strategist Models**

The Wilshire Strategist Models are managed by Wilshire Associates Incorporated ("Wilshire"). Wilshire is a privately held firm that uses a combination of actuarial science and investment principles to design portfolios. The Wilshire Strategist Models are several multi-asset portfolios designed around total allocation, diversified alternatives, global ETF strategies, income, and tax-free themes.

Each portfolio is constructed as a diversified portfolio with Wilshire acting as the portfolio manager and distributor of each. Wilshire has the discretion to hire and terminate investment managers and rebalance portfolio assets as deemed necessary. Delegate consulting may be used at Wilshire's direction to adjust asset allocations to meet ranges determined by the specific strategic model.

There is a \$50,000 account minimum for the Wilshire Strategist Model Program.

**(f) Description of the Innealta Dynamic ETF Portfolios**

The Innealta Dynamic ETF Portfolios are a series of ETF portfolios that are constructed using a quantitatively driven, tactical asset allocation approach, making tactical shifts in allocation to try to capitalize on performance expectations of the various investment options. The Innealta Dynamic ETF Portfolios are managed by Innealta Portfolio Advisors, LLC, a quantitative consulting and advisory firm located in Charlottesville, VA. The portfolios are actively traded based on macroeconomic, fundamental risk, and technical variables caused by market movements to take advantage of long-term market imbalances relative to fixed income levels. The Innealta Dynamic ETF Portfolios offering includes "Tactical Core" balanced (equity/fixed income) portfolios, a Tactical Fixed Income portfolio, a Sector Core Rotation portfolio, and a Country Core Rotation portfolio.

There is a \$100,000 account minimum for the Innealta Dynamic ETF Portfolios.



**(g) Description of Envestnet Programs**

AIS offers several Advisory Programs made available through Envestnet (collectively, “Envestnet Advisory Programs”), as described in the detail below. All of Envestnet’s Advisory Programs, except for the Envestnet SMA Program, are managed by Envestnet PMC (“PMC”), a registered investment adviser and division of Envestnet.

**(i) American Funds PMC Active Core Portfolios**

PMC and American Funds have strategically constructed a set of mutual fund portfolios designed to combine the legacy of investment management at American Funds with the research, portfolio consulting, and management experience of PMC. The Active Core Portfolios emphasize selecting active managers that have both higher manager ownership and lower expense ratios. They are built primarily with an active management core of American Funds. They also can include other active managers that rank within the top percentiles versus their style group peers in terms of investing in their own funds and expense ratios. The portfolio types cover the risk/return and risk tolerance spectrum: capital preservation, conservative, conservative growth, moderate, moderate growth, growth, and aggressive.

There is a \$50,000 account minimum for the American Funds PMC Active Core Program.

**(ii) Envestnet SMA Program**

For the Envestnet SMA Program (aka “Manager Select”), the Financial Advisor uses Envestnet platform tools to assist the client in establishing an investment advisory account. Unlike a mutual fund, where the funds are commingled, a separately managed account is a portfolio of individually-owned securities that can be tailored to fit the client’s investing preferences. The client is offered access to a manager of an actively-managed investment portfolio chosen from a variety of disciplines (each a “sub-manager”). Envestnet retains the sub-managers for portfolio management services in connection with the Envestnet SMA Program through separate agreements entered into between Envestnet and the sub-manager on terms and conditions that Envestnet deems appropriate.

For certain sub-managers, Envestnet has entered into a licensing agreement with the sub-manager whereby Envestnet performs administrative and/or trade order implementation duties pursuant to the direction of the sub-manager. In such situations, the sub-manager is acting in the role of a model provider whereby the sub-manager constructs an asset allocation and selects the underlying investments for each portfolio. Envestnet performs overlay management of the third-party models by implementing trade orders and periodically updating and rebalancing each 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 any particular model providers.

There is a \$100,000 account minimum for the Envestnet SMA Program. Each sub-manager has a minimum as well, some as high as \$500,000.

**(iii) Envestnet SIGMA Program**

The SIGMA portfolios provide a disciplined and diversified approach to investing for the long-term. Choose from 7 levels of risk to design an appropriate balance of risk vs. potential return. PMC seeks top managers among all

asset classes and fashions a strategic mix with institutional access and pricing for cost-effective portfolio management.

There is a \$50,000 account minimum for the SIGMA Program.

(iv) PMC Strategic ETF Portfolios

The PMC Strategic ETF Portfolios are discretionary strategy models constructed using ETFs. The portfolio strategies span the risk/return spectrum for investors who have risk profiles that vary from capital preservation to aggressive. The objective of the PMC Strategic ETF Portfolios is to provide clients with a long-term and diversified beta exposure through a series of low-cost and highly-liquid ETF portfolios.

There is a \$50,000 account minimum for the PMC Strategic ETF Portfolios.

(h) **Description of the BlackRock Models**

BlackRock develops and maintains model portfolios that are typically (often exclusively) comprised of BlackRock-affiliated mutual funds and/or ETFs. The models also may include mutual funds and/or ETFs that are not affiliated with BlackRock but do pay fees to BlackRock for providing management, administrative, or other services.

The BlackRock ETF Target Allocation Portfolios incorporate an actively managed approach from one of the most well-known asset managers in the industry. Their target allocation portfolios offer 11 different models with equity/fixed income exposure available in 10% increments.

There is a \$50,000 account minimum for the BlackRock Model Program.

(i) **Description of the Pimco Models**

Pimco develops and maintains model portfolios that are typically (often exclusively) comprised of Pimco-affiliated mutual funds and/or ETFs. The model portfolios aim to provide exposure to investment strategies that collectively reflect Pimco's investment outlook.

The Pimco Fixed Income Portfolios are mutual fund portfolios that offer 3 taxable and 3 tax-aware strategies from one of the leaders in the fixed income space.

There is a \$50,000 account minimum for the Pimco Model Program.

(j) **Description of the Associated Wealth Builder Offerings**

The Associated Wealth Builder Offerings are generally available through the AIS Guidance Center to investors with up to \$50,000 to invest. It includes portfolios across the risk spectrum from Fidelity's Target Allocation Index Focused portfolios.

There is a \$5,000 account minimum for the Associated Wealth Builder Offerings.

**(k) Information on Services and Fees in Advisory Programs Offered by AIS**

**(i) AIS Services and Client Meetings**

Each account is opened and initially funded based on the client's needs, goals, time horizon, risk tolerance, and other factors, as discussed between the client and the Financial Advisor. For each Advisory Program, the Financial Advisor has the authority to recommend, and the client may agree, to invest in a portfolio model that is one level above, in terms of risk and investment objective, the model suggested through the system. There are no restrictions on how many levels below, in terms of risk and investment objective, that a Financial Advisor can recommend.

Envestnet has limited discretion to develop and revise the various models and model portfolios and to select investment managers for inclusion in their programs. In the Envestnet SMA Program, day-to-day portfolio management is exercised by the particular investment sub-managers clients select.

Clients are encouraged to contact their Financial Advisor whenever they have a question, periodically as part of a regular communication plan, or in the event of any material changes to their investment objectives or financial circumstances. Each client is expected to review such circumstances and their advisory account with their Financial Advisor at least annually. In support of this, the Financial Advisor will contact the client at least annually to conduct an account review.

Clients may impose specific, reasonable restrictions concerning the types of securities that may be purchased for their account when an Advisory Program is chosen, during an account review, or at any other time. In addition, clients may make changes to their account(s) at any time in consultation with their Financial Advisor.

**(ii) General Information on Fees and Client Assets**

AIS receives a portion of the total fees billed and collected directly from the account, as a percent of the client's assets under management. Client assets under management include all assets within an Advisory Program.

The base fee for AIS services is set forth below in "Item 5 – Fees and Compensation." Item 5 also includes information on the timing of fee calculations and payments. Fee discounting is available and is subject to senior management approval.

**(iii) AIS Assets Under Management**

AIS's regulatory assets under management are calculated at approximately \$862,552,767 as of December 31, 2023, all of which is managed on a nondiscretionary basis.

**(l) Financial Planning**

AIS began offering financial planning services in 2010 through Financial Advisors chosen by AIS in its discretion. Currently, there are no separate charges or fees for such financial planning services. AIS, however, may determine at any time to begin charging fees for its financial planning services. Such fees will be in amounts separately agreed to by the client and AIS.

Financial planning services are delivered using software obtained through a vendor selected as the corporate standard for AB-C.

## Item 5 – Fees and Compensation

### 1. Program Fees

Fees for the Advisory Programs offered by AIS are bundled. It includes the following services: advisory, sponsor, technology platform, administrative, custody, execution, and clearing, as well as portfolio management and advisory fees payable to the third-party model provider and sub-managers (collectively, “Program Fee”).

AIS provides advisory and sponsor services. Envestnet provides technology platform and administrative services, and NFS provides custody, execution, and clearing services. The third-party model provider and sub-managers provide portfolio management services.

Envestnet separately negotiates agreements with the various sub-managers and model providers, including fees paid, on terms and conditions that it deems acceptable. Envestnet routinely renegotiates the pricing terms with individual sub-managers and model providers, whereby Envestnet, sub-manager or model provider may receive a greater or lesser percentage of the fees received by Envestnet than the current percentage at the time the client selected a particular Advisory Program. This reapportionment by Envestnet often does not increase the Program Fee a client pays. In the unusual case where the fee negotiations result in a need to increase the Program Fee, the client will be notified in advance of any such increase, with full opportunity to select another Advisory Program or otherwise change their account.

Set forth below are the general Program Fee schedules. Please note, the Program Fee is comprised of multiple components, and the rate charged for each component is not the same for each Advisory Program. As a result, the rate at which AIS receives revenue from each Advisory Program is not the same. The Program Fee, however, is negotiable. Accordingly, the specific Program Fee that will be applied to a client’s account is set forth in the Statement of Investment Selection (“SIS”). Clients also will be charged or incur fees and expenses not covered by the Program Fee. See “Other Fees” below.

#### (a) ASAP

Assets Under Management	Program Fee
First \$175,000	1.80%
Next \$75,000 (\$175,001 to \$250,000)	1.70%
Next \$100,000 (\$250,001 to \$350,000)	1.67%
Next \$150,000 (\$350,001 to \$500,000)	1.62%
Next \$250,000 (\$500,001 to \$750,000)	1.58%
Next \$250,000 (\$750,001 to \$1,000,000)	1.43%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.41%
Next \$500,000 (\$1,500,001 to \$2,000,000)	1.28%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	1.27%
Above the first \$5,000,000	0.93%

Account Minimum: \$50,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$75 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$57,692 will incur a rate higher than listed above.

\*\* The custody fee component of the Program Fee is subject to a minimum annual fee of \$60 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$50,000 will incur a rate higher than listed above.

**(b) Russell Strategist Models**

<b>Assets Under Management</b>	<b>Program Fee</b>
First \$175,000	1.52%
Next \$75,000 (\$175,001 to \$250,000)	1.42%
Next \$100,000 (\$250,001 to \$350,000)	1.39%
Next \$150,000 (\$350,001 to \$500,000)	1.34%
Next \$250,000 (\$500,001 to \$750,000)	1.29%
Next \$250,000 (\$750,001 to \$1,000,000)	1.14%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.12%
Next \$500,000 (\$1,500,001 to \$2,000,000)	0.99%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	0.98%
Above the first \$5,000,000	0.65%

Account Minimum: \$50,000

\*The firm fee component of the Program Fee is subject to a minimum annual fee of \$125 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$62,500 will incur a rate higher than listed above.

**(c) Vanguard Strategist Model Program**

<b>Assets Under Management</b>	<b>Program Fee</b>
First \$175,000	1.52%
Next \$75,000 (\$175,001 - \$250,000)	1.42%
Next \$100,000 (\$250,001 - \$350,000)	1.39%
Next \$150,000 (\$350,001 - \$500,000)	1.34%
Next \$250,000 (\$500,001 - \$750,000)	1.29%
Next \$250,000 (\$750,001 - \$1,000,000)	1.14%
Next \$500,000 (\$1,000,001 - \$1,500,000)	1.12%
Next \$500,000 (\$1,500,001 - \$2,000,000)	0.99%
Next \$3,000,000 (\$2,000,001 - \$5,000,000)	0.98%
Above the first \$5,000,000	0.65%

Account Minimum: \$50,000

\*The firm fee component of the Program Fee is subject to a minimum annual fee of \$125 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$62,500 will incur a rate higher than listed above.

**(d) Wilshire Strategist Models**

**(i) Wilshire Premier + Allocation Portfolio**

<b>Assets Under Management</b>	<b>Program Fee</b>
First \$175,000	1.52%
Next \$75,000 (\$175,001 to \$250,000)	1.42%
Next \$100,000 (\$250,001 to \$350,000)	1.39%
Next \$150,000 (\$350,001 to \$500,000)	1.34%
Next \$250,000 (\$500,001 to \$750,000)	1.29%
Next \$250,000 (\$750,001 to \$1,000,000)	1.14%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.12%
Next \$500,000 (\$1,500,001 to \$2,000,000)	0.99%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	0.98%
Above the first \$5,000,000	0.65%

Account Minimum: \$50,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$125 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$62,500 will incur a rate higher than listed above.

(ii) Wilshire Active Income

<u>Assets Under Management</u>	<u>Program Fee</u>
First \$175,000	1.72%
Next \$75,000 (\$175,001 to \$250,000)	1.62%
Next \$100,000 (\$250,001 to \$350,000)	1.59%
Next \$150,000 (\$350,001 to \$500,000)	1.54%
Next \$250,000 (\$500,001 to \$750,000)	1.49%
Next \$250,000 (\$750,001 to \$1,000,000)	1.34%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.32%
Next \$500,000 (\$1,500,001 to \$2,000,000)	1.19%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	1.18%
Above the first \$5,000,000	0.85%
Account Minimum: \$50,000	

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$125 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$62,500 will incur a rate higher than listed above.

(iii) Wilshire ETF

<u>Assets Under Management</u>	<u>Program Fee</u>
First \$175,000	1.67%
Next \$75,000 (\$175,001 to \$250,000)	1.57%
Next \$100,000 (\$250,001 to \$350,000)	1.54%
Next \$150,000 (\$350,001 to \$500,000)	1.49%
Next \$250,000 (\$500,001 to \$750,000)	1.44%
Next \$250,000 (\$750,001 to \$1,000,000)	1.29%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.27%
Next \$500,000 (\$1,500,001 to \$2,000,000)	1.14%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	1.13%
Above the first \$5,000,000	0.80%

Account Minimum: \$50,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$125 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$62,500 will incur a rate higher than listed above.

(e) **American Funds PMC Active Core Portfolios**

<u>Assets Under Management</u>	<u>Program Fee</u>
First \$175,000	1.60%
Next \$75,000 (\$175,001 to \$250,000)	1.50%
Next \$100,000 (\$250,001 to \$350,000)	1.47%
Next \$150,000 (\$350,001 to \$500,000)	1.42%
Next \$250,000 (\$500,001 to \$750,000)	1.36%
Next \$250,000 (\$750,001 to \$1,000,000)	1.21%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.18%
Next \$500,000 (\$1,500,001 to \$2,000,000)	1.05%

Next \$3,000,000 (\$2,000,001 to \$5,000,000)	1.04%
Above the first \$5,000,000	0.71%

Account Minimum: \$50,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$125 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$62,500 will incur a rate higher than listed above.

**(f) Equity and Balanced SMA**

<b>Assets Under Management</b>	<b>Program Fee</b>
First \$175,000	2.07% to 2.12%
Next \$75,000 (\$175,001 to \$250,000)	1.97% to 2.02%
Next \$100,000 (\$250,001 to \$350,000)	1.90% to 1.93%
Next \$150,000 (\$350,001 to \$500,000)	1.85% to 1.88%
Next \$250,000 (\$500,001 to \$750,000)	1.76% to 1.85%
Next \$250,000 (\$750,001 to \$1,000,000)	1.61% to 1.70%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.52% to 1.67%
Next \$500,000 (\$1,500,001 to \$2,000,000)	1.39% to 1.54%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	1.36% to 1.51%
Above the first \$5,000,000	1.01% to 1.16%

Account Minimum: \$100,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$150 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$83,333 will incur a rate higher than listed above.

\*\* The custody fee component of the Program Fee is subject to a minimum annual fee of \$100 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$83,333 will incur a rate higher than listed above.

**(g) Fixed Income SMA**

<b>Assets Under Management</b>	<b>Program Fee</b>
First \$175,000	1.74% to 1.94%
Next \$75,000 (\$175,001 to \$250,000)	1.64% to 1.84%
Next \$100,000 (\$250,001 to \$350,000)	1.57% to 1.77%
Next \$150,000 (\$350,001 to \$500,000)	1.52% to 1.72%
Next \$250,000 (\$500,001 to \$750,000)	1.48% to 1.68%
Next \$250,000 (\$750,001 to \$1,000,000)	1.33% to 1.53%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.31% to 1.51%
Next \$500,000 (\$1,500,001 to \$2,000,000)	1.18% to 1.38%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	1.16% to 1.36%
Above the first \$5,000,000	0.81% to 1.01%

Account Minimum: \$100,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$150 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$100,000 will incur a rate higher than listed above.

\*\* The custody fee component of the Program Fee is subject to a minimum annual fee of \$100 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$83,333 will incur a rate higher than listed above.

**(h) SIGMA Portfolio Program**

<b>Assets Under Management</b>	<b>Program Fee</b>
First \$175,000	1.60%
Next \$75,000 (\$175,001 to \$250,000)	1.50%
Next \$100,000 (\$250,001 to \$350,000)	1.47%
Next \$150,000 (\$350,001 to \$500,000)	1.42%
Next \$250,000 (\$500,001 to \$750,000)	1.37%
Next \$250,000 (\$750,001 to \$1,000,000)	1.22%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.18%
Next \$500,000 (\$1,500,001 to \$2,000,000)	1.05%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	1.01%
Above the first \$5,000,000	0.66%

Account Minimum: \$50,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$150 that is prorated and billed monthly. As a result, accounts less than \$75,000 will incur a rate higher than listed above.

**(i) PMC Strategic ETF Portfolios**

<b>Assets Under Management</b>	<b>Program Fee</b>
First \$175,000	1.59%
Next \$75,000 (\$175,001 to \$250,000)	1.49%
Next \$100,000 (\$250,001 to \$350,000)	1.46%
Next \$150,000 (\$350,001 to \$500,000)	1.41%
Next \$250,000 (\$500,001 to \$750,000)	1.35%
Next \$250,000 (\$750,001 to \$1,000,000)	1.20%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.17%
Next \$500,000 (\$1,500,001 to \$2,000,000)	1.04%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	1.02%
Above the first \$5,000,000	0.68%

Account Minimum: \$50,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$150. This will increase the Program Fee for accounts whose billable value is less than \$75,000 to a rate higher than listed above.

\*\* The custody fee component of the Program Fee is subject to a minimum annual fee of \$100. As a result, accounts whose billable value is less than \$111,111 will incur a rate higher than listed above.

**(j) Innealta Dynamic ETF Portfolios**

<b>Assets Under Management</b>	<b>Program Fee</b>
First \$175,000	1.81%
Next \$75,000 (\$175,001 to \$250,000)	1.71%
Next \$100,000 (\$250,001 to \$350,000)	1.68%
Next \$150,000 (\$350,001 to \$500,000)	1.63%
Next \$250,000 (\$500,001 to \$750,000)	1.61%
Next \$250,000 (\$750,001 to \$1,000,000)	1.46%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.42%
Next \$500,000 (\$1,500,001 to \$2,000,000)	1.29%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	1.28%
Above the first \$5,000,000	0.91%

Account Minimum: \$100,000



\* The custody fee component of the Program Fee is subject to a minimum annual fee of \$100 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$111,111 will incur a rate higher than listed above.

**(k) BlackRock Model Program**

<u>Assets Under Management</u>	<u>Program Fee</u>
First \$175,000	1.61%
Next \$75,000 (\$175,001 - \$250,000)	1.51%
Next \$100,000 (\$250,001 - \$350,000)	1.48%
Next \$150,000 (\$350,001 - \$500,000)	1.43%
Next \$250,000 (\$500,001 - \$750,000)	1.37%
Next \$250,000 (\$750,001 - \$1,000,000)	1.22%
Next \$500,000 (\$1,000,001 - \$1,500,000)	1.19%
Next \$500,000 (\$1,500,001 - \$2,000,000)	1.06%
Next \$3,000,000 (\$2,000,001 - \$5,000,000)	1.04%
Above the first \$5,000,000	0.70%

Account Minimum: \$50,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$150 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$75,000 will incur a rate higher than listed above.

\*\* The custody fee component of the Program Fee is subject to a minimum annual fee of \$100 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$111,111 will incur a rate higher than listed above.

**(l) Pimco Model Program**

<u>Assets Under Management</u>	<u>Program Fee</u>
First \$175,000	1.52%
Next \$75,000 (\$175,001 - \$250,000)	1.42%
Next \$100,000 (\$250,001 - \$350,000)	1.39%
Next \$150,000 (\$350,001 - \$500,000)	1.34%
Next \$250,000 (\$500,001 - \$750,000)	1.29%
Next \$250,000 (\$750,001 - \$1,000,000)	1.14%
Next \$500,000 (\$1,000,001 - \$1,500,000)	1.12%
Next \$500,000 (\$1,500,001 - \$2,000,000)	0.99%
Next \$3,000,000 (\$2,000,001 - \$5,000,000)	0.98%
Above the first \$5,000,000	0.65%

Account Minimum: \$50,000

\* The firm fee component of the Program Fee is subject to a minimum annual fee of \$125 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$62,500 will incur a rate higher than listed above.

**(m) Associated Wealth Builder Offerings**

**(i) Fidelity Target Allocation Index Focused Portfolios**

<u>Assets Under Management</u>	<u>Program Fee</u>
First \$175,000	1.42%
Next \$75,000 (\$175,001 to \$250,000)	1.32%
Next \$100,000 (\$250,001 to \$350,000)	1.29%
Next \$150,000 (\$350,001 to \$500,000)	1.24%
Next \$250,000 (\$500,001 to \$750,000)	1.23%

Next \$250,000 (\$750,001 to \$1,000,000)	1.08%
Next \$500,000 (\$1,000,001 to \$1,500,000)	1.08%
Next \$500,000 (\$1,500,001 to \$2,000,000)	0.95%
Next \$3,000,000 (\$2,000,001 to \$5,000,000)	0.95%
Above the first \$5,000,000	0.63%

Account Minimum: \$5,000

\* The platform fee component of the Program Fee is subject to a minimum annual fee of \$10 that is prorated and billed monthly. As a result, accounts whose billable value is less than \$10,000 will incur a rate higher than listed above.

## 2. Calculation and Payment of the Program Fee

The valuation of account assets used to compute the Program Fee is calculated at the individual account level, unless otherwise agreed in writing, and is determined by pricing services used by Envestnet's portfolio accounting platform in its usual and customary practices. Any such valuation should not be considered a guarantee of any kind with respect to the value of assets. Short market positions in account assets are valued by determining the equivalent long market position (for instance, the number of shares sold short and the price per share).

Envestnet, acting as billing service provider, deducts the Program Fee directly from the client's account and pays the applicable parties for their respective services. Clients authorize AIS to receive fees through a debit to their account. Fee payments are reflected on account statements sent to clients by NFS. Clients should carefully review the fees reflected on their NFS account statements and notify their Financial Advisor as soon as possible if they do not understand the fees reflected or if they believe the fees are not correct.

The Program Fee will be collected from a client's account monthly in advance. It is deducted from accounts on approximately the 10<sup>th</sup> day of the month, based on the billable value of account assets as of the end of the preceding month, including interest and dividends earned. At inception, a prorated fee will be billed from the date the account is activated (*i.e.*, released to the Advisory Program or appropriate investment vehicle for trading) through the end of that calendar month. An additional fee calculation will be conducted for any account where contributions or withdrawals are made during a given month, and an adjustment will appear on the client's statement the following month.

Clients may terminate the account agreement, if any, or close their account without penalty, fees, or other compensation to AIS within five days of acceptance of the account opening documents. Clients, however, still would be responsible for any change in market value or transactions executed during that time period. Thereafter, clients may terminate their accounts at any time. Any portion of the Program Fee paid in advance but not yet earned or due will be refunded after an account is terminated.

Clients should be aware the advisory services provided through the Advisory Programs may be more or less than if the services were purchased separately or purchased at another financial firm. A client could purchase services similar to the Advisory Programs separately from other financial services providers. When determining the cost of purchasing services separately, clients should evaluate the costs of brokerage commissions charged, the volume of trading activity in the account, transaction fees, wire fees, trade-away fees, retirement account termination fees, custody charges, fees charged for investment management services, fees for performance reporting, and internal costs of the assets purchased (*e.g.*, mutual fund and ETF internal expenses).

AIS receives compensation from Envestnet based on the amount of client assets invested in the Advisory Programs. Accordingly, AIS has an incentive to increase the balances in the Advisory Programs, both through investment gains and additional client investments.

### **3. Other Fees**

Certain fees are not included in the Program Fee. They include certain fees charged by a broker or custodian for ancillary or extraordinary services as described in a brokerage fee schedule or as agreed to in writing by the client. The Program Fee includes assumed brokerage, clearing and custody fees based on a percentage of the client's assets held in the Envestnet programs. The Program Fee, however, does not include a per transaction Mutual Fund Surcharge Fee charged by NFS on those funds that do not provide NFS with shareholder support payments to offset the costs associated with providing those services. As a result, clients are responsible for any applicable Mutual Fund Surcharge Fees.

The Program Fee also does not cover certain other charges associated with securities transactions in the Advisory Programs, including: (i) dealer markups, markdowns, or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; and (iv) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed in connection with the liquidation of "in-kind assets" that are transferred into an Advisory Program account. Initial "in-kind" asset transfers will be liquidated and invested into the agreed upon Advisory Program(s) when an account's funding level is within 80% to 110% of the anticipated funding level indicated during the account opening process, and clients may incur a brokerage commission or other charge, including a CDSC, as a result. Subsequent in-kind transfers are subject to immediate liquidation. Clients also may be subject to taxes when these assets are liquidated. Clients should consult with their tax advisor before transferring in-kind assets into an Advisory Program account.

The internal charges and fees imposed by collective investment vehicles, such as mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts ("Collective Investment Vehicles"), are charged to shareholders of the Collective Investment Vehicles and are therefore borne by clients whose Advisory Programs are invested in such Collective Investment Vehicles. Such expenses typically include fund operating expenses, management fees, 12b-1 fees, and other fees and expenses. In addition, some mutual funds assess redemption fees on investors in connection with short-term sales of their funds. Depending on the particular mutual fund, clients may incur a redemption fee when a fund is sold for rebalancing purposes or if the investment manager determines that it is in a client's overall interest to divest from certain fund holdings prior to the expiration of the minimum holding period. All such fees and expenses are separate from and are not included in the Program Fee. AIS sometimes receives such marketing and distribution fees as are passed through to AIS from the funds through the Advisory Programs. AIS, however, rebates such 12b-1 fees to its clients, and Financial Advisors do not receive credit for those marketing and distribution fees in order to mitigate any conflict for a Financial Advisor to recommend one Advisory Program over another. Further information regarding charges and fees assessed on or by Collective Investment Vehicles is set forth in the Collective Investment Vehicle's prospectus, offering document, or other regulatory filing.

The Program Fee does not include certain fees that may be charged by the custodian. A custodian may charge a minimum account fee. Clients also will be charged for specific account services they choose to use, such as ACAT transfers, electronic fund and wire transfer charges, and other optional services. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement

accounts (such as IRAs) or fees to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes, stock exchange fees, or other fees mandated by law. Such fees are the client's responsibility and are set forth in separate schedules of fees and charges, as applicable.

Accounts invested in Advisory Programs trading equity or debt securities through NFS will receive securities pricing reflecting NFS's mark-up or mark-down or its execution of trades as a principal or in a market making capacity.

The Program Fee and other fees and charges may be more or less than the charges and fees a client would pay if a client separately purchased the advisory services, brokerage services, and the custody services. The cost of an Advisory Program account compared to the cost of an alternate investment program varies based on a number of factors including account size, trading activity, types of securities included, and the variety of services provided.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

AIS does not charge performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 – Types of Clients**

The vast majority of the Firm's advisory account clients are individuals. AIS also provides advisory services to small corporations, trusts, estates, charitable institutions or other businesses and institutions.

To maintain an account, clients in any Advisory Program offered by AIS are expected to inform their Financial Advisor whenever their investment objectives, financial, or family circumstances materially change. This will help the client and the Financial Advisor review the account for timely consideration of appropriate changes. Clients are also expected to meet with their Financial Advisor not less frequently than annually to review their accounts.

The minimum initial account sizes under the Advisory Programs are set forth in the table below. AIS recommends that a client not withdraw assets from their existing account if doing so would reduce the balance below the "Right to Liquidate Level" set forth in the table below. If a client's account balance falls below that level, AIS has the right to liquidate the client's account and distribute the remaining cash balance to the client.

<b>Program</b>	<b>Minimum Investment</b>	<b>Right to Liquidate Level</b>
Fidelity Target Allocation Index Focused Portfolios	\$5,000	\$2,500
Vanguard Core Strategist Models	\$50,000	\$25,000
American Funds PMC Active Core Portfolios	\$50,000	\$25,000
ASAP	\$50,000	\$25,000
Russell Strategist Models	\$50,000	\$25,000
Wilshire Strategist Models	\$50,000	\$25,000
PMC SIGMA Mutual Fund Solution	\$50,000	\$25,000

<b>Program</b>	<b>Minimum Investment</b>	<b>Right to Liquidate Level</b>
PMC Strategic ETF Portfolio	\$50,000	\$25,000
BlackRock Models	\$50,000	\$25,000
Pimco Models	\$50,000	\$25,000
Innealta Dynamic ETF Portfolio	\$100,000	\$50,000
Separately Managed Accounts	\$100,000	Not Applicable

Accounts must be funded with cash or cash equivalents. Other marketable assets may, at the discretion of AIS, be considered acceptable if subject to immediate sale.

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

### **1. Advisory Programs**

AIS does not guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of return of other investment advisers, market indices, or investment products. Clients may experience a loss of value in their investments. Past performance does not guarantee future results, and there is no guarantee that a client's investment objectives will be achieved.

The main advisory services of AIS and its Financial Advisors are the following:

- helping clients select an Advisory Program and/or program options appropriate for their needs and circumstances;
- within an Advisory Program, working with the client to select appropriate models and program options; and
- reviewing, selecting, and conducting due diligence on the Advisory Programs appropriate for managed account clients.

In forming recommendations, Financial Advisors most often analyze securities or markets using a fundamental analysis approach. This means that the basic values and growth prospects of securities are emphasized, rather than charts, technical analysis, or theories based upon market cycles.

Financial Advisors may utilize various sources of information when working with clients. These include the financial press, third-party research, corporate rating services, annual reports, prospectuses and SEC filings, and company press releases. Financial Advisors also have access to a monthly briefing on the markets and the economy delivered by investment managers of affiliated money management firms.

The AIS investment philosophy is oriented towards long-term purchases. Accordingly, AIS and its Financial Advisors do not recommend clients participate in market timing, short sale strategies, or rapid trading programs; however, Financial Advisors may recommend goal modifications that result in purchases and sales within a year's time where appropriate.

## **2. ASAP Program**

ASAP portfolios are invested in mutual funds in accordance with one of six model investment strategies. These strategies are set by KAM, which is affiliated with AIS. The decision to hire or replace a fund is based in part on its portfolio manager's tenure, changes in ownership structure, changes made to investment process, and performance not compatible with expectations.

KAM's asset allocation strategy strives to select world-class managers in each asset class. It has been KAM's strategy to eliminate potential conflicts of interest by having the independence to select managers from the entire universe of funds. It is also KAM's goal to utilize institutional share classes when possible in order to keep internal management fees low. Selection of third-party mutual funds is based in part, but not limited to, management style, manager experience, consistent application of a philosophy, and long-term performance.

KAM's focus is on both quantitative and qualitative aspects of the investment process. KAM's asset allocation managers understand that a period of short-term underperformance is inevitable. It is their goal to understand the market environment and how/why a fund has outperformed or underperformed.

The ASAP Advisory Program's six current model investment strategies are as follows:

- Aggressive Growth
- Growth
- Conservative Growth
- Growth Balanced
- Balanced
- Conservative Balanced

## **3. Russell Strategist Model Program**

Russell evaluates and selects from a global group of portfolio managers to manage discrete portions of each portfolio. It focuses much of its research on the process, organization, portfolio structure, and performance of investment advisers, using both qualitative and quantitative methods in evaluating and selecting investment advisers.

Additionally, each investment adviser must operate within more specific constraints developed from time to time by Russell. Russell develops such constraints for each investment adviser based on its assessment of the investment adviser's expertise and investment style and how these factors contribute to client investment objectives. By assigning more specific constraints to each investment adviser, Russell attempts to capitalize on the strengths of each investment adviser and to combine their investment activities in a complementary fashion. Although the investment advisers' activities are subject to general oversight by Russell, neither Russell nor its affiliates evaluate the investment merits of an investment adviser's individual security selections. Russell's multimanager advice generally relates to the overall structuring of each fund's portfolios, monitoring the performance of the investment advisers, and monitoring their portfolio security selections for compliance with the applicable investment objectives, policies, and restrictions.

Russell exercises investment discretion over the portion of a portfolio not allocated to other investment advisers. Russell selects the individual securities for that portion of the portfolio's assets (including, but not limited to, newly invested assets and assets transitioning between investment advisers) and for each portfolio's cash reserves. Cash reserves are invested in short-term investments. In addition to investing in such short-term

investments, Russell uses a hedging strategy for the funds' cash reserves to achieve a strategy of a portfolio being fully invested through exposure to the appropriate markets by purchasing equity or fixed income securities and/or derivatives. This is intended to cause the funds to perform as though their cash reserves were actually invested in those markets.

Russell uses quantitative methods to analyze the portfolio structure and performance of investment advisers. Russell employs a proprietary database facility that contains the investment results and portfolio characteristics of institutional investment advisers. This database also includes the results of bank collective investment funds and hundreds of accounts managed by the investment advisers. This information is not generally reported publicly.

Additionally, Russell utilizes research and statistical materials prepared by others such as the portfolio evaluation systems of BARRA, Axioma, Mellon Analytical Solutions, and Blackrock Analytics to analyze portfolio investments and composition, and on-line pricing and research information of Bloomberg Financial Markets to analyze money market investments. Publicly available information contained in financial newspapers and magazines and manager-prepared information is also used. Using these research processes, Russell ranks the managers into categories that represent its confidence in the manager. Russell looks at that ranking, along with the investment style of investment managers, when constructing portfolios, reallocating assets of an existing portfolio or changing investment managers in a portfolio.

#### **4. Vanguard Strategist Model Program**

Vanguard relies on information from a wide variety of sources, both public and private, regarding short-term and long-term economic and financial market characteristics and trends. The Vanguard Portfolios provide broad asset class exposure to U.S. and international stocks, and global investment-grade bonds in a strategic, index-centric framework. To ensure broad diversification within each asset class, the model portfolios are comprised of funds that track broad-market indexes. Each index is capitalization-weighted, meaning that its components are weighted according to their market capitalization and reflect the makeup of the market it tracks.

The Vanguard Portfolios maintain a strategic asset allocation and, therefore, do not typically make tactical allocation adjustments throughout the year. Also, some of the Vanguard Portfolios use multiple Vanguard Funds or Vanguard ETFs to capture the beta of a single asset class (e.g., U.S. equities as represented by the CRSP US Total Market Index). However, the risk and return characteristics should not meaningfully deviate from those of the asset-class benchmarks.

#### **5. Wilshire Strategist Model Program**

Wilshire uses the integrated asset/liability modeling techniques, risk management, and portfolio optimization to create optimal portfolios based on specific needs. Investment strategies are developed based on objectives stated in the investment policy statement. Wilshire generally does not perform security selection for investment portfolios. However, for clients where Wilshire has investment discretion, Wilshire delegates responsibility for security selection and day-to-day portfolio management and continues to monitor and oversee those delegates. Wilshire's selection and monitoring of investment managers is based on certain criteria, including, investment performance, risk management, investment philosophy, organizational structure, experience and commitment.

Wilshire's investment approach is to mitigate risk and ensure clients are compensated for the levels of risk taken. The level of risk varies according to portfolio policies, procedures, goals, guidelines, and stated risk

tolerance. Portfolios will consider interest-rate risk, market risk, inflation risk, currency risk, reinvestment risk, business risk, liquidity risk and financial risk.

## **6. Innealta Dynamic ETF Portfolios**

The Innealta Dynamic ETF Portfolios employ a quantitatively driven, tactical asset allocation approach, making tactical shifts in allocations to capitalize on performance expectations of the various investment options. The quantitative model utilizes inputs from multiple market indicators from four key areas 1) macroeconomic indicators 2) market segment fundamentals 3) risk metrics and 4) technical market indicators. The portfolios shift between equities and fixed income based on this quantitative model that reviews these indicators and generates signals. These signals are used to adjust asset class exposures opportunistically.

## **7. Investnet Advisory Programs**

### **(a) SMA Program/Manager Select Program**

For its SMA Program (aka “Manager Select”), Investnet employs a multi-phase approach in its evaluation. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. It 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 Investnet, providing quantitative and qualitative information. In addition, Investnet employs several publicly available databases from independent sources. These databases are used to verify the information provided by the managers. However, Investnet does not independently review the performance calculations of asset managers, and the performance information of all the managers may not be calculated on a uniform basis.

### **(b) SIGMA Program**

The SIGMA portfolios provide a disciplined and diversified approach to investing for the long-term. Choose from 7 levels of risk to design an appropriate balance of risk vs. potential return. PMC seeks top managers among all asset classes and fashions a strategic mix with institutional access and pricing for cost-effective portfolio management.

### **(c) American Funds PMC Active Core Portfolios**

PMC and American Funds have strategically constructed a set of mutual fund portfolios designed to combine the legacy of investment management at American Funds with the research, portfolio consulting and management experience of PMC. The Active Core Portfolios emphasize selecting active managers that have both higher manager ownership and lower expense ratios. They are built with an active management core of American Funds and other active managers that rank within the top percentiles versus their style group peers in terms of investing in their own funds and expense ratios. PMC regularly monitors the managers' adherence to these principals. The portfolio types cover the risk/return and risk tolerance spectrum: capital preservation, conservative, conservative growth, moderate, moderate growth, growth, and aggressive.

### **(d) PMC Strategic ETF Portfolios**

The PMC Strategic ETF Portfolios are comprised of ETFs that represent diversified baskets of securities that are designed to mimic the performance of an established index. The ETFs can offer strategic broad market or



market segment exposure. The equity portion of each portfolio model within the series maintains a similar, fairly static allocation to each market sector and/or geographic region based on PMC's recommended allocation which utilizes their most current thinking on expected capital market return expectations. The ETFs used are typically developed for a particular equity style, geographic region, currency or commodity offering precision in investing in particular market sectors. ETFs also offer a relatively low cost to participate in diversified market segments compared to actively managed mutual funds because custodial and trading expenses tend to be very low for these funds, and they generally have fewer security positions and limited trading. The ETFs are automatically rebalanced when positions within the funds drift outside of program parameters. The ETFs are amply diversified within the index it is designed to track and generally own several hundred securities tied to the specific index.

## **8. BlackRock Model Program**

A risk-controlled, systematic process is utilized for model-based portfolio construction and alpha generation. Alpha sources include security selection, duration and yield curve positioning, industry rotation, asset allocation, and currency positioning. In seeking to achieve long-term investment performance consistent with the models' objectives and policies, BlackRock seeks to establish a continuous and comprehensive understanding of the investment risks in each portfolio, as well as those risks inherent in the increasingly complex global capital markets. Accordingly, BlackRock generally utilizes proprietary investment technology developed by BlackRock. BlackRock believes this technology provides both a high degree of automation in trade processing and compliance, as well as highly sophisticated securities and portfolio analytics that permit a continuous, thorough understanding of the risks taken, or proposed to be taken, relative to each applicable benchmark or on an absolute basis (without reference to a benchmark), as appropriate. In addition, BlackRock's senior risk management professionals work closely with portfolio managers to ensure that models reflect market conditions, identify and assess risks, and develop strategies to manage such risks.

## **9. Pimco Model Program**

Pimco's model portfolio allocations are based on what Pimco believes to be generally accepted investment theory. A variety of factors influence the inclusion or exclusion of an underlying investment in a model portfolio. In adjusting model portfolios, Pimco considers, among other things, the results of quantitative modeling. Such quantitative modeling is designed to optimize each model portfolio's allocation and align with the model portfolio's investment objective and internal Pimco guidelines and takes into account various factors or "inputs" determined by Pimco, including third party data, to generate a suggested allocation for the model portfolios. Pimco's investment team then reviews the quantitative output and adjusts the output to reflect variables, which may include, among other things, the anticipated trade size, target total expense ratio for the model portfolio, and qualitative investment insights. Pimco's model allocations are ultimately subject to the discretion of Pimco's investment team.

## **10. Associated Wealth Builder Offerings**

The Associated Wealth Builder Offerings are comprised of the Fidelity Target Allocation Index Focused portfolios. These portfolios are designed to provide risk-adjusted total return across the risk spectrum. They seek to minimize cost and tracking error and primarily invest in passive Fidelity mutual funds. Fidelity uses various methodologies, including fundamental and quantitative analysis.

## 11. Risk of Loss

All investment programs have certain risks that are borne by the investor. The risk for each client varies in accordance with its policies, procedures, goals, guidelines, investments, and stated risk tolerance. In addition, all clients will encounter general market risks. There is no guarantee that the Advisory Programs will meet their objectives and may underperform their respective benchmarks. The Advisory Programs are not FDIC insured, have no bank guarantee, and may lose value.

The risks include, but are not limited to:

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying value or the company's circumstances. For example, political, economic, and social conditions may trigger market events. By this we mean that, to the extent the client is invested in stocks, bonds, mutual funds, or exchange traded funds through the Advisory Program accounts, the value of the account may decline in times when those asset classes decline generally. Conversely, if the client is mainly "out of the market"—that is, if the account is not invested in a portfolio of securities—the client bears the risk that the account will not appreciate as much as a fully invested account during times when securities are generally increasing in value.

**Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

**Currency Risk:** Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** Future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This risk primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil companies are subject to the vagaries of both broadly fluctuating demand and, accordingly, the price for their product. They carry a higher degree of risk of loss in comparison to an electric company, which has a more predictable demand for its product at a regulated price.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, treasury bills are highly liquid, while real estate properties are not, given the lengthy process to sell real estate. Investments in an illiquid (difficult to trade) security can often be restricted in their ability to be disposed of in a timely fashion or at an advantageous price.

**Financial Risk:** Financial risk represents a broad spectrum of risk associated with a company's financings, including loans and the risk of default. Excessive borrowing to finance a business's operations may limit profitability because the company must meet the terms of its obligations in good times and in bad. During periods of financial stress, the inability to meet loan obligations may result in a declining market value and even bankruptcy.

**Diversification Risk:** Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments, including the potential for greater volatility. The Advisory Programs are generally designed to provide clients with an adequately diversified portfolio to insulate the account from sharp declines in particular market sectors, individual securities, or to hedge against some of the risks described above. Diversification, however, does not ensure a profit or guarantee against a loss.

**Additional Risks associated with ETF Portfolios:** Exchange Traded Funds (ETFs) are subject to risks similar to those of stocks or bonds, such as market risk. Investing in ETFs may bear indirect fees and expenses charged by ETFs in addition to its direct fees and expenses, as well as indirectly bearing the principal risks of those ETFs. ETFs may trade at a discount to their net asset value and are subject to the market fluctuations of their underlying investments. Income (bond) ETFs are subject to interest rate risk which is the risk that debt securities in a portfolio will decline in value because of increases in market interest rates.

**Fixed Income Risks:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk, and market risk, which could reduce an investor's portfolio yield. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.

**High-Yield Fixed-Income Securities Risk:** Investments in high-yielding, noninvestment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these securities.

**Small/Mid Cap Risk:** Stocks of small or mid-sized emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

**Foreign and Emerging Markets Risks:** Investments in securities of foreign and emerging markets issuers involve different investment risks from those affecting obligations of U.S. issuers. Public information may be limited with respect to foreign and emerging markets issuers and foreign and emerging markets issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. There may also be less government supervision and regulation of foreign and emerging markets' securities exchanges, and they may be less liquid and more volatile than securities of comparable domestic issuers. Brokerage commissions and other transaction costs on foreign and emerging markets securities exchanges are generally higher than in the U.S. Dividends and interest paid by foreign and emerging markets issuers may be subject to withholding and other foreign taxes, which may decrease the net return on foreign investments as compared to dividends and interest paid by U.S. companies. Such markets often have different clearance and settlement procedures for securities transactions. Additional risks include future political and economic developments, the possibility that a foreign jurisdiction might impose or change withholding taxes on income payable with respect to foreign and emerging markets securities, and the possible adoption of foreign governmental restrictions such as exchange controls. Since the securities purchased in a foreign or emerging markets portfolio can be denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the portfolio.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of AIS or the integrity of the Firm's management. AIS has no information applicable to this Item.

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

AIS is separately registered as a broker-dealer and an insurance agency. Executive, operational, sales, financial, and compliance management persons are registered representatives of the broker-dealer. AIS provides a broad array of financial services in addition to the investment advisory services described in this brochure. Dating back to 1923, as a broker-dealer, AIS has offered traditional stock, bond, and municipal securities brokerage recommendations. Over the years, the product line has been expanded to include third-party mutual funds, equity options, variable annuities, and other securities services such as margin and option account activity. In addition, Financial Advisors are licensed to provide individuals with various insurance products suited to their financial and risk-management needs, including fixed annuities, long-term care insurance, and traditional life insurance. Although the range of financial products and services provided by AIS has grown over the years, serving as an introducing broker-dealer receiving compensation from transaction commissions/sales charges continues to be a part of AIS's business.

As a general matter, AIS does not execute securities transactions for advisory clients for separate commission compensation. Advisory clients, however, may also have separate, non-advisory brokerage or insurance accounts with AIS in which Financial Advisors recommend securities, annuity, or insurance transactions which, if executed, result in transaction-based compensation for AIS and the Financial Advisor. For those account relationships, AIS and the Financial Advisor act solely in their broker-dealer capacity and not as investment advisers. Clients are encouraged to ask their Financial Advisor whether the Financial Advisor is acting as a broker or investment adviser in connection with any particular account, recommendation, or transaction.

ABNA, a nationally chartered bank, KAM, a federally registered investment adviser, and ATC, a nationally chartered trust company, are affiliated with AIS. All are under the common control of AB-C. By agreement with the ABNA, AIS provides its brokerage and advisory services to ABNA customers and the public on and through ABNA branch offices. KAM serves as the investment adviser for the ASAP models. Financial Advisors are licensed insurance agents of AIS. AIS has contracted with Simplicity Group Holdings, Inc. and/or its affiliates (collectively, "Simplicity"), an insurance brokerage general agent to offer unaffiliated insurance products. ABNA and AB-C provide certain administrative and operational support services to AIS that are material to AIS's advisory business. See also Item 4 above, under "About Our Company."

Where appropriate, AIS and its Financial Advisors in their capacity as licensed insurance agents of AIS may recommend insurance products offered through Simplicity to individuals who are also advisory clients. Such recommendations are made by the Financial Advisors in their insurance agent capacity and not their investment adviser capacity. Such recommendations do not generate additional advisory account fees, but AIS and the Financial Advisor do receive compensation for any such sales. Client decisions whether to purchase any such insurance products are independent of participation in an advisory account.

AIS Financial Advisors may recommend banking, investment, or trust products and services offered through ABNA or another affiliate, ATC, in which those affiliates have a financial interest. Such recommendations will not generate additional advisory account fees; however, AIS Financial Advisors will receive referral fees in connection with such recommendations. In addition, Senior Financial Advisors also are officers of ATC. As such, when they recommend investment or trust products and services offered through ATC, they receive more compensation in connection with such recommendations. Therefore, Senior Financial Advisors have an increased incentive to recommend such products and services. Client decisions whether to purchase any such banking, investment, or trust products and services are independent of participation in an advisory account.

Currently, all Advisory Programs offered by AIS are programs developed by BlackRock, Envestnet, Fidelity, KAM, Pimco, Russell, Vanguard, and Wilshire, each of which is registered with the SEC as an investment adviser. Programs are offered and serviced through the systems and securities trading capabilities of Envestnet and NFS. See Item 4 above for further discussion and description.

AIS and KAM are affiliates because they are both indirect, wholly-owned subsidiaries of AB-C. AB-C is a bank holding company that offers a broad spectrum of banking products and financial services to consumers, small businesses, and commercial clients. As an affiliate of AB-C, AIS is under common ownership and control with several financial institutions with which we have a business relationship (referred to collectively as the "Related Companies"). A list of these affiliated entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.A. (Part 1 of our Form ADV can be accessed by following the directions on the Cover Page of this Brochure.) Our decision to offer KAM's ASAP program was influenced by our relationship with KAM. It is possible other managers could charge less than KAM for comparable products and services. Where appropriate, AIS and our employees may recommend KAM's ASAP program to our advisory clients. There also are arrangements between AIS and other Related Companies where AIS and/or the Related Companies and their employees receive payment in exchange for client referrals. No AIS client is obligated to use the services of any of the Related Companies. Clients should be aware that the receipt of additional compensation by AIS and its related affiliates, including KAM, creates a conflict of interest that may impair the objectivity of the Firm and its employees when making advisory recommendations. In connection with our duty to put our clients' interests first, we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for AIS and its related affiliates to earn compensation from advisory clients in addition to the Firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or Related Companies;
- we collect, maintain, and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- a principal independent of the sales function verifies the recommendations made to clients are consistent with the client's documented needs and circumstances; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable basis for the investment advice provided to clients.

AIS works with Envestnet to provide AIS clients with various Advisory Programs. AIS selected Envestnet based in part on its technology Platform and integration with NFS's brokerage and custody systems. As part of Envestnet's contractual relationship with AIS, Envestnet provides certain advisory and operational services without charge to AIS. Such services include the following:

- the documentation and platform for opening accounts in the various Advisory Programs;
- software and systems for suitability analysis of client financial and personal data;
- screening and selection of third-party investment managers included by Envestnet in the SMA Advisory Program;
- development and selection of models or model portfolios in the Advisory Programs; and
- client fee calculation and billing services for all managed accounts.

Our decision to use Envestnet is also influenced by our introducing broker/clearing broker relationship with NFS. All AIS trading activity is executed through NFS because NFS is our clearing broker. It is possible other clearing brokers could charge less. Although there are no express agreements between the parties on this subject, it is possible AIS receives better service and support from NFS, as a clearing broker, because AIS uses Envestnet's Advisory Programs than it would receive if we used a different Advisory Program provider. AIS reviews the Advisory Programs we offer at least annually to ensure they are sufficient and appropriate for the needs of AIS and our advisory clients. Given the nature of AIS's advisory business and activities, however, it is unlikely AIS would offer Advisory Programs not vetted and hosted through Envestnet. AIS's conflicts, however, are reduced by virtue of its policy that Financial Advisors are to offer only a suitable Advisory Program to an advisory client. Other investment advisers offer a wider choice of Advisory Programs sponsored by multiple different providers such as Envestnet and may not have the same conflicts.

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

AIS has adopted and will maintain and enforce a Code of Ethics (the "Code"). The Code is designed to set forth standards of conduct expected of employees and requires compliance with the federal securities laws and the Firm's fiduciary duties. Included are duties to put client interests first and to maintain the confidentiality of client information.

The Code also addresses the personal securities trading activities of advisory personnel, in an effort to detect and prevent illegal or improper personal securities transactions. The Code requires initial and annual holdings reports, as well as quarterly personal securities transaction reports from advisory personnel. To mitigate the potential for conflicts of interest, the Code contains a number of restrictions related to the activities of employees (e.g., preclearance of participation in initial public offerings and private placement transactions). Also, AIS has adopted policies that limit the extent to which Financial Advisors may give or receive gifts and entertainment to or from third parties and restrict their non-AIS business activities. Finally, the Code provides that all employees are to certify their ongoing compliance with the Code.

AIS does not trade securities for its own account. AIS advisory personnel are permitted to engage in personal securities transactions involving securities that may be recommended for advisory client accounts. Such transactions are subject to the requirements of the Code, as described above. Because AIS permits such personal trading, a potential conflict exists in that advisory personnel could use their knowledge of pending client transactions in an attempt to benefit their own personal transactions. For example, if an advisory person owns a security the person knows AIS will be recommending clients sell from their accounts, the person could sell the personal holding ahead of time in an effort to obtain a higher price than might exist when the client account holdings are ultimately sold. Given the nature of AIS's advisory services and AIS's assessment of the remote likelihood of any market impact caused by client securities transactions, AIS believes the risk presented by its advisory personnel's personal securities trading is very low. As stated above, however, the Code does require advisory personnel generally to report personal securities transactions and AIS's compliance personnel to review such reports for indications of improper trading activity.

A copy of the Code is available upon written request to AIS at P. O. Box 640, Green Bay, WI 54305-0640, or by telephone request to AIS at 1-800-595-7722.

All AIS employees also are subject to the AB-C Code of Business Conduct and Ethics. This corporate-wide policy includes provisions reasonably designed to prevent conflicts of interest, insider trading, and other inappropriate activity that might breach the fiduciary duty owed to advisory clients.

AIS and its Financial Advisors are prohibited from recommending to advisory clients the stock of, or other securities issued by, AB-C (ticker symbol: ASB).

See Item 10 “Other Financial Industry Activities and Affiliations” for additional information on non-securities related recommendations Financial Advisors may make outside of the context of advisory account services.

## **Item 12 – Brokerage Practices**

As described in Item 4 and Item 10, all Advisory Programs offered by AIS use the Platform and NFS’s trade execution systems. Financial Advisors receive access to information about securities through the NFS system in their capacity as broker-dealer registered representatives. Financial Advisors working with advisory clients also have access to information through the Envestnet system specific to investment managers included in the SMA Advisory Program and concerning mutual funds and exchange traded funds within the models. Financial Advisors also have access to information about model portfolios on Envestnet including fund and ETF products in the Advisory Programs. However, AIS and its Financial Advisors do not receive other research or other benefits in connection with client transactions in any of the Advisory Programs described in this brochure. For a description and discussion of factors considered by AIS in selecting the Advisory Programs and trade execution services, please also see Item 10, “Business Relationships with Other Advisors.”

In opening an advisory account, clients agree that all trade executions for their account will occur through the Envestnet Platform and NFS. Clients are not permitted to direct their trades to other broker-dealer firms. It is possible that if clients could direct trades to another broker-dealer that transaction costs within their advisory account would be lower. However, it is also possible that brokerage transactions directed by the client to other broker-dealer firms would result in higher brokerage commissions.

AIS has selected NFS as the sole firm to provide clearing and custody services for its clients’ brokerage and managed accounts. The pricing AIS has negotiated with NFS for clearing and custody services is based on AIS maintaining certain asset levels in certain types of accounts and trading volumes on the NFS platform, including but not limited to, margin debit and money market fund balances. In return, NFS currently provides financial assistance to AIS in the form of a monthly correspondent clearing credit of \$66,667. This credit is used by AIS to reduce the fees and charges billed to AIS under its clearing agreement with NFS. The receipt of the correspondent clearing credit creates a financial incentive for AIS to continue to use NFS to provide clearing and custody services for client accounts. As a result, AIS’s selection and ongoing evaluation of NFS is based, in part, on the benefit to AIS of the correspondent clearing credit. AIS has determined that the nature, cost, and quality of custody and brokerage services provided by NFS continues to be appropriate for clients, notwithstanding the associated conflicts of interest.

AIS does not aggregate trades in Advisory Programs. Trades in the SMA Advisory Program are placed by the investment manager who has discretionary authority over the account. Therefore, AIS cannot aggregate trades for accounts in these programs. AIS refers clients to BlackRock’s, Envestnet’s, Fidelity’s, KAM’s, Pimco’s, Russell’s, Vanguard’s, and Wilshire’s brochures and documentation (as applicable) for a description of their trade aggregation practices.

*Minimum transaction size.* The Advisory Programs have a minimum transaction size for various reasons, including promoting the ease of trading for appropriate portfolio allocation. As a result, if the available cash in an account is below the minimum transaction size, the cash will not be invested, and instead, it will continue to accumulate in the account until it exceeds the minimum transaction size. This can result in an account experiencing some performance dispersion as compared to the model portfolio’s composite returns.

*Products and services available to us from NFS.* NFS provides AIS and our clients with access to their brokerage services (trading, custody, reporting, and related services). NFS also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. NFS support services are generally available on an unsolicited basis (we do not have to request them) and at no charge to us. Following is a more detailed description of NFS support services:

*Services that benefit you.* NFS brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through NFS include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. NFS's services described in this paragraph generally benefit you and your account.

*Services that may not directly benefit you.* NFS also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both NFS's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts. In addition to investment research, NFS also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, record keeping, and client reporting

*Services that generally benefit only us.* NFS also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management

NFS may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. NFS may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. NFS may also provide us with other benefits, such as occasional gifts and business entertainment of our personnel.

AIS personnel regularly participate in the educational conferences and events. AIS has periodically received consulting services from NFS's affiliate, Fidelity, regarding technology and industry changes. This generally has been limited to significant changes that impact all firms such as regulatory changes.

## **Item 13 – Review of Accounts**

### **1. Account Review Procedures**

A principal of AIS's Principal Review Desk reviews each Advisory Program account before it is opened. The client's investment profile is reviewed to confirm the recommended investments and asset allocation align with the client's time horizon, risk tolerance, and investment objectives.



Clients also will be contacted at least once per calendar year by their Financial Advisor. Clients are encouraged to discuss any changes to their financial situation and stated investment objectives or if they wish to impose any reasonable investment restrictions on the management of the assets in the account. Accounts may be reviewed more frequently or upon request of the client at any time. Examples of circumstances under which an account might be reviewed more frequently than annually include the following:

- if/when Envestnet removes a third-party manager who had investment management responsibility for an account in the SMA Advisory Program;
- whenever a client informs their Financial Advisor or AIS that the client would like to impose one or more reasonable restrictions on an account or a third-party manager's investment discretion; and
- whenever a client informs AIS or their Financial Advisor of a material change to the investment objectives or other circumstances of the client.

## **2. Statements & Reports**

NFS, as the custodian for the Advisory Program accounts, will provide clients with an account statement showing positions and account activity, including purchases, sales, income, gains/losses, contributions to and fees/expenses deducted from the account. Clients will receive an account statement each month in which one or more transactions have occurred in the account. Clients will not receive a statement during any month in which there was no account activity; however, they will receive a statement at least quarterly, regardless of whether there has been any activity in the account.

Clients do not receive a trade confirmation for each transaction in their account unless they specifically instruct AIS they would like to receive such confirmations from NFS. Statements and trade confirmations are delivered to clients by NFS, the custodian of the account.

Clients also will receive a Quarterly Performance Report (QPR). The QPR provides a market analysis, as well as comparisons of the account's performance to certain benchmarks. AIS does not independently verify the accuracy of the information provided by Envestnet in the QPRs.

Clients should promptly and carefully review and compare these statements and reports and notify AIS immediately if they believe there are any discrepancies.

## **3. Financial Planning Clients**

For clients who receive a financial plan from AIS or a Financial Advisor, the financial plan will be considered as part of the periodic account review described above. For clients who receive a financial plan from AIS or their Financial Advisor but do not open an account and invest in an Advisory Program, neither AIS nor its Financial Advisors will review the financial plan after it is given to the client.

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

As an affiliate of AB-C, AIS participates in a corporate-wide referral program. Certain employees of other AB-C affiliates who refer prospective clients to AIS are eligible to receive one-time, nominal compensation for their referral activity (e.g., retail bankers). Such compensation is paid for the referral regardless of whether the

prospective client becomes an advisory client of AIS. AIS does not pay any referral fees to unaffiliated third parties for advisory accounts.

See Item 10 for a discussion of economic benefits we receive related to our use of the Advisory Programs.

### **Item 15 – Custody**

NFS serves as the qualified custodian for all advisory accounts offered by AIS. As the qualified custodian, NFS retains custody of all assets in the accounts of AIS advisory clients.

Under terms applicable to all advisory accounts offered by AIS and our agreement with NFS, clients will receive account statements at least quarterly from NFS. AIS urges clients to carefully review such statements. AIS does not independently create account statements to send to clients. The terms of all advisory accounts include authorization for NFS to pay AIS its fees directly from client accounts as described in Item 5 above.

### **Item 16 – Investment Discretion**

AIS does not accept investment discretion. Instead, Envestnet has discretion to manage all of the client accounts in the Advisory Programs.

### **Item 17 – Voting Client Securities**

As a matter of policy and practice, AIS does not vote shareholder proxies in any of its advisory account relationships or in any other capacity. Advisory Program clients can instruct their Financial Advisor whether they want to vote proxies or defer to the policy of the third-party adviser for the Advisory Program. Absent a specific instruction from the client, the default approach is to defer to the policy of the third-party adviser for the Advisory Program. The third-party adviser's documentation will indicate whether that adviser will vote shareholder proxies. Clients for whom neither AIS nor any other third-party adviser will vote proxies should ensure they receive proxies and other solicitations from the custodian.

### **Item 18 – Financial Information**

AIS has no financial commitment that impairs its ability to meet its contractual and fiduciary commitments to clients, and it has not been the subject of a bankruptcy proceeding.