



# CUSO FINANCIAL SERVICES, LP

## Form ADV Firm Brochure

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**October 31, 2024**

This Brochure provides information about the qualifications and business practices of CUSO Financial Services, LP ("CFS"). If you have any questions about the contents of this Brochure, please contact us at 858-530-4400. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

CFS is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

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

## **Item 2 – Material Changes**

This section summarizes changes to our Brochure since CFS's last annual update on March 28, 2024. For additional details, please see the item in this Brochure referred to in the summary below.

### **Item 4 – Advisory Business:**

- Updated disclosures to reflect that Atria Wealth Solutions, Inc. is wholly owned by LPL Holdings, Inc., which is owned 100% by LPL Financial Holdings Inc., a publicly held company.

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

- Updated to include new financial industry affiliations due to the change in ownership.

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#### Item 4 – Advisory Business

CUSO Financial Services, LP ("CFS," "we," or "us") was formed in 1996 and is a California limited partnership. CFS's sole general partner is AWS 1, LLC, a Delaware corporation and wholly owned subsidiary of Atria Wealth Solutions, Inc., a Delaware corporation, which is in turn wholly owned by LPL Holdings, Inc., which is owned 100% by LPL Financial Holdings Inc., a publicly held company. CFS's sole limited partner is AWS 3, LLC, a Delaware limited liability company, which is wholly owned by AWS 1, LLC.

CFS is registered as a broker-dealer and investment adviser with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and Securities Investor Protection Corporation ("SIPC"). CFS offers insurance products and services to its clients through its affiliate NEXT Financial Insurance Services Company (NFISCO), an insurance agency.

Our principal business is providing a full line of services as a registered securities broker-dealer and investment adviser. In our capacity as a broker-dealer, we are involved in the sale of securities of various types including stocks, bonds, mutual funds, alternative investments, unit investment trusts ("UITs"), and variable annuities. We do not sell proprietary products.

As of December 31, 2023, CFS had regulatory assets under management of \$4,664,869,848. Of that amount, \$1,871,003,283 was managed on a non-discretionary basis and \$2,793,866,565 was managed on a discretionary basis.

Our investment advisory services ("Advisory Services") are made available to clients through individuals associated with CFS as Investment Adviser Representatives ("IARs"). Many IARs are dually licensed (i.e., they are licensed both as IARs and as registered representatives and offer both investment advisory and brokerage services), which, in addition to Advisory Services, allows them to offer commission-based products. Your IAR will disclose to you whether he or she is dually licensed and if there are any limitations on services offered due to registrations and qualifications.

Our Advisory Services consist of programs sponsored by us, as well as advisory programs available through unaffiliated third-party investment advisers ("TPIA"). Our Advisory Services are designed to accommodate a wide range of investment philosophies and objectives. This allows our IARs to select the programs that they believe are best suited to meet each client's individual needs and circumstances. We do not hold ourselves out as specializing in a particular type of advisory service. However, some IARs focus on certain types of advisory services over others.

IARs, subject to CFS's supervision, can develop their own investment philosophies and strategies. Investment philosophies and strategies can differ considerably between and among IARs even with investment philosophies and strategies that carry the same or a substantially similar name. There is no guarantee, stated or implied, that a strategy or client's investment goals or objectives will be achieved.

Clients have access to a wide range of securities products, including common and preferred stocks; municipal, corporate, and government fixed income securities; limited partnerships; mutual funds; exchange traded funds ("ETFs"), options, unit investment trusts ("UITs"), direct investment programs; and indexed,

registered index-linked, and variable annuity products, as well as a wide range of other products and services including asset allocation services. IARs offer advice on these and other types of investments based on the individual circumstances of each client. CFS is not a custodian of any accounts.

We offer the following advisory programs and services to our clients (“you” or “your”):

- Contour Platform
- CFS Asset Management Account program
- Third party investment adviser (“TPIA”) programs
- Consulting and financial planning services
- Retirement services
- Digital Investment Program

### The Contour Platform

CFS sponsors the Contour Platform (“Contour”), a wrap fee investment advisory program that provides IARs access to tools to provide individualized investment management services. Contour is administered through Envestnet Asset Management, Inc. (“Envestnet”), an investment adviser registered with the SEC. CFS has engaged Envestnet to provide various administrative services to Contour clients as described below.

Custody of a client’s Contour account assets is maintained by an unaffiliated custodian designated by the client after consultation with an IAR. Custodial options include Pershing LLC (“Pershing”) and any other custodian we choose to make available (hereinafter referred to as “Custodian”). Each Custodian is responsible for execution and clearing of transactions, custody of assets, and delivery of statements and confirmations for Contour accounts. Neither Envestnet nor Pershing is affiliated with CFS.

Contour is comprised of four program options: (1) Advisor as Portfolio Manager (“APM”), (2) Fund Strategist Portfolios (“FSP”), (3) Separately Managed Accounts (“SMA”), and (4) Unified Managed Accounts (“UMA”). Your IAR will confer with you to determine your financial needs and objectives and gather your client profile and risk tolerance information to complete a Statement of Investment Selection (“SIS”). The information gathered from the risk tolerance questionnaire (“RTQ”) or approved financial planning tool assists in determining the allocation of your assets into an asset allocation model fitting into one of seven investment profiles: Capital Preservation, Conservative, Conservative Growth, Moderate, Moderate Growth, Growth, or Aggressive. Your IAR will obtain your written consent to change your investment profile risk tolerance. Your IAR will assist you in selecting one of the four program options listed above.

Your IAR will create a proposal (“Proposal”) including your investment profile questionnaire responses, selected program option(s), and applicable fees. You, your IAR, and CFS will enter into a Contour Platform Account Agreement (“Contour Agreement”) outlining your participation in the Platform.

A client opening a Contour account will receive a copy of the Contour Wrap Fee Program Brochure or Form ADV Part 2A Appendix 1, which contains additional information concerning the Contour Platform, wrap fee programs in general, and a disclosure of fees payable by the client.

CFS makes available various mutual fund share classes in the Contour Program. The mutual fund share

classes include load-waived A shares, institutional class shares and adviser class shares. In some cases, a mutual fund may only offer load-waived A shares. However, another similar mutual fund may be available that offers institutional class shares or adviser class shares. In general, institutional class shares and adviser class shares are not subject to 12b-1 fees. As a result of the different expenses associated with the various mutual fund share classes, the fees may be greater in load-waived A shares versus institutional class shares or adviser class shares. To off-set these potentially higher fees, for any mutual fund position in your account that pays a 12b-1 fee, it will be credited to your account. For non- Contour APM program accounts, the Account Manager is responsible for determining which share class of a mutual fund to invest in and will follow their own share class selection practices.

#### CFS Asset Management Account Program

CFS offers the CFS Asset Management Account Program, an advisory program based on the individual needs of the client. The CFS IAR assists the client in completing an Investment Policy Guideline, based on the Client's stated financial information, investment goals, time horizon and risk tolerance. With this information, the IAR creates an asset allocation plan. Once the proper allocation is determined the IAR can present the client with a wide range of investment vehicles designed to achieve their risk and allocation parameters. These investment vehicles may include no-load and load-waived mutual funds, exchange traded funds ("ETFs"), individual stocks, bonds and UITs. Trades in mutual funds and ETFs are handled by the IAR on a discretionary basis, and all other trades are non-discretionary and must be authorized by the client.

Various mutual fund share classes are available for purchase in the CFS Asset Management Account. The mutual fund share classes include load-waived A shares, institutional class shares and adviser class shares. In some cases, a mutual fund may only offer load-waived A shares. However, another similar mutual fund may be available that offers institutional class shares or adviser class shares. In general, institutional class shares and adviser class shares are not subject to 12b-1 fees. As a result of the different expenses associated with the various mutual fund share classes, the fees may be higher in load-waived A shares versus institutional class shares or adviser class shares. To offset these potentially higher fees, for any mutual fund position in your account that pays a 12b-1 fee, it will be credited to your account.

The asset allocation plan, along with the client's investment objectives, will guide IAR in managing the client's account. IAR will provide, at a minimum, annual account reviews. Client will retain all rights of ownership on the account, including the right to withdraw securities or cash, vote proxies, and receive transaction confirmations.

#### Third Party Investment Adviser (TPIA) Programs

CFS provides its IARs and clients with access to a number of TPIA programs and platforms for use by IARs that provide clients the opportunity to receive the investment management expertise of a diverse set of advisers that specialize in different asset classes and investment styles and use different portfolio management techniques including asset allocation strategies, mutual fund and ETF models, separately managed account (SMA) programs, unified managed account (UMA) programs, wrap fee services, and other types of managed portfolios such as tax harvesting and tax efficiency strategies, risk management strategies, and dynamic and tactical portfolios. Some programs are more or less aggressive as compared to other programs. Some programs also have higher or lower fees and expenses than other programs. These

programs are sponsored by the TPIAs and are offered through co-adviser agreements, solicitor/referral arrangements, and other types of agreements between CFS and a TPIA. Many TPIAs sponsor a broad range of investment programs.

When acting in a co-advisory capacity, CFS and TPIA are jointly responsible for the ongoing management of your account. Depending on the agreement between CFS and a TPIA and based on the information provided by a client, an IAR will refer a client to or assist the client in selecting a TPIA who offers products and services that demonstrate an investment philosophy and style that appear to align with the needs of the client. A client is asked to provide detailed financial and other pertinent data to IAR. An IAR helps a client determine the client's risk tolerance, investment goals, and other relevant guidelines. Factors we consider in the selection of a particular TPIA include (a) our assessment of a TPIA, (b) your investment experience, risk tolerance, goals, objectives, and restrictions, and (c) the assets you have available to invest. There is no guarantee that a client's goals or investment objectives will be achieved by any specific program, please see Item 8 below for additional information on risks of loss.

After an IAR assists a client in selecting a suitable TPIA program, client assets are then either invested in the strategy or model or the TPIA begins to allocate the client's assets in the investment portfolio. The IAR provides initial and continuing education and information regarding the program selected. The IAR will also explain rebalancing guidelines utilized within the program and meet with a client periodically to discuss changes to the client's financial circumstances.

In certain circumstances an IAR acts purely in a solicitor or referral capacity when referring you to a TPIA. Under these arrangements, an IAR assists a client in identifying the client's objectives and refers the client to a TPIA according to the client's stated objectives. The client typically enters into an agreement directly with the TPIA and the client's funds are invested by the TPIA. The IAR monitors the performance of the TPIA and coordinates communication between the client and TPIA. An IAR does not actively participate in the execution of any securities transactions for a client's TPIA account and does not have authority to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, or the broker-dealer to be used for the purchase or sale of securities in the client's TPIA account. CFS and your IAR are compensated for referring you to the TPIA program. This compensation generally takes the form of the TPIA sharing a portion of the advisory fee you pay to the TPIA. When CFS acts as a solicitor for a TPIA program, you will receive a written solicitor disclosure statement describing the nature of our relationship with the TPIA program, if any; and the terms of our compensation arrangement with the TPIA program, including a description of the compensation that your IAR and CFS will receive for referring you to the TPIA program. For more information, please see Item 14 below.

Please consult the applicable TPIA's agreement for further information, including information on the capacity in which CFS acts for a particular program. Clients should refer to TPIA's Form ADV Part 2, or equivalent brochure, for a full description of the terms and conditions of their services and fees.

TPIAs are subject to our due diligence process for inclusion as a TPIA and are subject to future change from time to time. Please consult your IAR for information regarding available TPIAs.

The services of a number of SMA Managers, Sub-Managers, and Model Providers we make available can be accessed through different platforms and programs including programs sponsored by us such as Contour, as

well as through TPIAs programs. Your advisory fee will vary depending on the platform or program selected to access the SMA Manager, Sub-Manager, or Model Provider. We have a financial incentive to recommend programs that generate more fees for us. Most TPIA programs, as well as our sponsored program, Contour, are considered “wrap fee” programs. A wrap fee program is a type of investment program that provides clients with asset management and brokerage services for one all-inclusive fee. If you participate in our wrap fee programs, you will pay our firm a single fee, which includes money management fees, certain transaction costs, and certain custodial and administrative costs. Clients should refer to the client agreement, fee schedule, and TPIA brochure for their program for details on what the wrap fee covers.

The total fees you pay to access a particular SMA Manager, Sub-Manager, or Model Provider through the Contour platform can be more or less than the combined fees charged by the TPIA, CFS, and your IAR for a TPIA program that offers the same SMA Manager, Sub- Manager, or Model Provider through a co-advisory relationship. You should consider the aggregate fees charged on a particular platform and the services available when choosing a platform and investment manager and discuss with your IAR the platform and program pricing relative to a specific TPIA, SMA Manager, Sub-Manager, or Model Provider for additional details.

TPIAs have differing minimum account requirements and a variety of fee ranges. All securities are selected, and transactions are executed by the third-party money manager. Your IAR will contact you periodically to review your financial situation, objectives, and restrictions and communicate information to the TPIA; and assist you in understanding and evaluating the services provided by the money manager. Each TPIA maintains its own separate execution, clearing, and custodial relationships. CFS and IAR share in a portion of the fee paid to the TPIA for its services.

Since the TPIA services provided by each sponsor are unique, clients should request and carefully review the applicable disclosure brochure, client agreement, and other account paperwork for each TPIA for more detailed information about the services provided by a TPIA, including without limitation, a description of the TPIA’s background, investment strategies, fees, custody arrangements, conflicts of interest, and other relevant information regarding the TPIA’s services and business practices. Clients may obtain a copy of a TPIA’s disclosure brochure from their IAR or by visiting [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

A complete list of TPIAs available through CFS is available upon request.

#### Consulting / Financial Planning Services

CFS’s Consulting / Financial Planning Services (“Consulting Services”) allows an IAR to offer clients financial planning and/or consulting services for a fee. The nature of these services varies based upon an analysis of individual client needs. Areas addressed can include but are not limited to investment portfolio advice; business or estate planning; financial counseling and/or planning; and complex planning services. Complex planning services are either complex in nature and/or will require a significant amount of time to complete. Complex planning services must be outlined in a plan proposal providing a description of agreed upon services.

Consulting services does not include ongoing investment or asset management, asset rebalancing, asset



allocation, or the execution of securities transactions. A consulting agreement is not an investment management agreement and does not convey discretion to an IAR or CFS. The agreement terminates upon delivery of the services outlined in the agreement or within one year from the date the agreement is executed, whichever comes first.

## Retirement Services

### *Employer-Sponsored Retirement Plan Services*

CFS, through its IARs may provide investment advisory services to business owners, tax-exempt nonprofit organizations, and their employees with regard to their employer-sponsored retirement plans. These retirement plans may include but are not limited to the following: SEP & SIMPLE IRA, 401(k), 403(b), 457(b), 457(f), Profit Sharing, Cash Balance, Defined Benefit and Deferred Compensation plans. Investment advisory services are generally provided in tandem with bundled or unbundled third-party retirement plan providers who are unrelated to CFS and under separate contract with the employer.

The IAR accepts their responsibility as a Fiduciary with regard to the services and actions they perform that fall within the definition of “Retirement Investment Advice” as defined by the Department of Labor.

Services provided to business owners and tax-exempt nonprofit organization may include:

- Assist with securing administrative/ record-keeping services with the retirement plan provider of their choice.
- Assist with securing the services of a third-party 3(21) or 3(38) Investment Fiduciary for the selection and ongoing monitoring of Plan investments.
- Assist with the business owner’s or tax-exempt nonprofit organization’s periodic review of the Plan’s investments (performance and objectives). This may include assistance with interpreting and reviewing plan related reports and disclosures provided by third-party investment fiduciaries and/or retirement plan providers.
- Assist with employer-scheduled group employee plan enrollment, periodic re-enrollment (if applicable) and related activities when new employees are hired and/or become eligible to participant in the Plan.

Services provided to the business owner’s or tax-exempt nonprofit organization’s employees may include the following:

- Provide guidance and support with regard to increasing their level of retirement readiness with the goal of achieving a successful retirement outcome by participating in their employer-sponsored retirement plan.
- Conduct periodic group educational meetings to acquaint and reinforce the ideals and prudent practices of saving for retirement.
- Act as a resource. Be available on an ongoing basis to address investment and Plan related questions and concerns.
- Provide assistance with personal risk tolerance assessments and corresponding evaluation of available investment options for the purpose establishing an appropriate asset allocation.

Please note that Plan participants will self-direct their own investment accounts. Neither CFS nor IAR will have any discretionary trading authority and may not be involved in directing or placing any transactions on behalf of Plan participants.

Additionally, neither CFS nor the IAR, in the performance of the above noted services, will assume any responsibilities related to duties of the plan trustee, responsible plan fiduciary, plan sponsor, plan administrator or have any discretion over the operation of the plan or any responsibilities to interpret its provisions or definitions.

#### *Participant-Directed Retirement Accounts*

IARs may also provide investment advice to clients with respect to assets held within a participant-directed retirement account held on a third-party platform as well as to other investment accounts held away from CFS. The services are provided by the IAR on a non-discretionary basis and may include initial investment selection and asset allocation recommendations. In addition, IAR will meet periodically with the client to discuss whether the funds continue to meet the client's objectives and to recommend rebalancing transactions if necessary.

#### TIAA-CREF Investment Solutions IRA

CFS, through its IARs, offers investment advisory services to eligible clients provided through TIAA-CREF's Investment Solutions IRA platform. Traditional, Roth and SEP IRA contracts may be established. The CFS IAR completes an asset allocation questionnaire and a Financial Planning and Investment Advice Agreement/Traditional, Roth and SEP IRA Accounts. The IAR creates an asset allocation plan for the client. Once the proper allocation is determined, IARs can present the client with mutual funds (front-end load waived index funds), variable annuities and fixed annuities within the platform. All trades are handled on a non-discretionary basis.

#### Digital Investment Program

CFS offers an automated investment program (the "Program") through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds and mutual funds ("Funds") and a cash allocation. The client may instruct us to exclude up to three Funds from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co."). We use the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, "Schwab"). CFS, and not Schwab, is the client's investment adviser and primary point of contact with respect to the Program. CFS is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the "System").

The System includes an online questionnaire that can help us determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that, if we use the online questionnaire, we will recommend a portfolio via the System in response to the client's answers to the online questionnaire.

CFS charges clients a fee for our services as described below under Item 5 Fees and Compensation. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution. We do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at CS&Co. that are not enrolled in the Program. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with CS&Co.

#### IRA Rollover Considerations

If you decide to roll assets out of a retirement plan into a CFS advisory individual retirement account ("IRA"), CFS and your IAR will have a financial incentive to recommend that you invest those assets in one of our programs, because CFS and your IAR will be paid on those assets, for example, through advisory fees. You should be aware that such fees likely will be higher than those you pay through your plan, and there can be custodial and other maintenance fees.

The following fiduciary acknowledgement applies only when your IAR (i) provides investment advice to participants in or the fiduciaries of ERISA-covered retirement plans and to owners of IRAs, and (ii) recommends to participants in ERISA-covered retirement plans or owners of IRAs to make a rollover to an IRA.

When we provide investment advice to you regarding your retirement plan account or IRA, we are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. Fiduciary status for this purpose does not necessarily mean we are acting as fiduciaries for purposes of other applicable laws. This acknowledgement of fiduciary status does not confer contractual rights or obligations on you, CFS, or the IAR.

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

This section provides information concerning fees and compensation for investment advisory services and programs available through CFS. Additional information regarding fees and compensation for the Contour

wrap fee program offered by CFS can be found in the Contour Wrap Fee Program Brochure.

CFS and our IARs are compensated for our services by charging an advisory fee. Advisory fees are typically calculated as a percentage of assets under management. Fees vary based on the type of advisory service provided to a client. The actual fee is disclosed prior to the client signing the agreement. The advisory fee is shared between your IAR, the IAR's financial institution if applicable, and CFS. Although platform fees and third-party money manager fees are generally non-negotiable, your IAR can negotiate his or her advisory fee.

Specific program fees are discussed below. The fee charged can be higher or lower than a program's listed fees depending on the client's unique circumstances. The fee charged by CFS is established in the client's written agreement with CFS. Depending on the program selected, fees will be billed on a monthly or quarterly basis in advance or arrears. All fees are specified in the client agreement, which typically authorizes the custodian to directly deduct the advisory fees from a client's account.

Certain advisory programs offer the ability to "household" eligible accounts for a lower fee schedule. Householding involves aggregating your accounts for fee calculation purposes, which can help you qualify for a lower fee. A household is generally a group of accounts having the same address of record or same Social Security number. Households are established through the IAR and must be requested by the client. Neither CFS nor our IARs are responsible for identifying eligible accounts. The client is responsible for determining if they have eligible accounts and ensuring those accounts remain eligible. CFS and our IARs earn higher fees if clients elect not to household eligible accounts where available. Clients should discuss the program fee and any potential fee reduction available through householding with their IAR.

Advisory fees are charged to clients of CFS's various advisory platforms in exchange for account management, investment advice, consultation, and other advisory services offered under the platforms. Advisory fees are separate and distinct from fees and charges imposed on clients by custodians, brokers (including CFS), third party investment advisers, and other third parties, such as fees charged by managers, transaction fees, custodial maintenance fees, fees and taxes on brokerage accounts and securities transactions, and underlying mutual fund fees and expenses paid to mutual funds and other investment product companies. Some common transactions that include associated processing fees and charges include trading, transfers, distribution of funds, systematic investments and withdrawals, and mutual fund exchanges. Many different circumstances can cause fees and charges to vary account by account. Some of these circumstances include the type of security being traded and dollar amount and/or share quantity of the trade. Custodial fees vary between custodians and the type of account. For instance, some types of retirement accounts carry higher custodial maintenance fees than others.

Clients are charged fees for specific accounts custodied with Pershing including for: outgoing transfers, wired funds, stop payments, direct registration of securities, paper statements and confirms, margin extensions, and IRA maintenance and termination fees. See "Other Fees and Expenses" below.

The costs associated with an advisory account may be more than costs associated with a traditional brokerage account arrangement where the client pays a commission for each transaction but does not receive ongoing investment advice, this is particularly true for clients that intend to have a low number of

transactions or follow a buy-and-hold approach. If you intend to follow a buy-and-hold investment strategy or do not wish to receive ongoing investment advice or management services, you should consider opening a commission-based brokerage account rather than an advisory account.

In advisory accounts, a client is paying for ongoing investment advice from an IAR. An IAR recommending an advisory account to a client receives a portion of the advisory fee as a result of the client's participation in an advisory program. In some circumstances, this compensation will be more than what the IAR would receive if the client had a brokerage account through CFS. If compensation would be more in recommending an advisory account than a brokerage account, an IAR has a financial incentive to recommend advisory programs or services over brokerage programs or services. Notwithstanding that conflict of interest, CFS and our IARs take their responsibility to clients seriously and will recommend an advisory program or service to a client only if it is believed to be in the client's best interest.

The amount of compensation an IAR can receive varies between advisory programs and services, therefore, an IAR has a financial incentive to recommend one advisory program or service that permits the IAR to charge the higher compensation over another advisory program or service where the IAR's level of compensation is less. Recommendations for specific advisory programs and services are made based on the IARs best judgment based on the information a client provides to the IAR.

In most circumstances, IARs are also registered representatives with CFS and, as such, may act in a broker-dealer capacity. In such capacity, an IAR may sell securities through CFS and receive normal and customary commissions as a result of purchases and sales as well as 12b-1 fees from mutual funds held in client accounts. If an IAR recommends that a client invest in a security, which results in a commission being paid to the IAR in his or her capacity as a registered representative, and then recommends the security be moved to an advisory account, this represents a conflict of interest. CFS conducts reviews of IAR commissions and advisory fees in an effort to ensure suitability for source of funds for new advisory deposits.

#### Contour Platform Fees

Contour is a wrap fee program where no transaction charges apply, and a single fee is paid for all advisory services and transactions. The fees for participation in Contour are based on an annual percentage of your platform assets. The total fee is comprised of three components: (a) a program fee, (b) an advisory fee, and (c) if applicable, a manager(s) fee. The manager fee applies in the FSP, SMA, and UMA programs, but no manager fee is included in the APM program. The total fee is detailed in the SIS.

The total fee is billed and collected monthly in arrears based on the average daily balance of the aggregate client accounts during the preceding calendar month. For purposes of calculating the total fee the account month begins on the day on which the account is funded. The initial A total fee is due at the end of the calendar month following execution of the SIS and may include a prorated fee for the initial quarter. Subsequent total fee payments are due and assessed at the end of each month based on the average daily value of the assets under management as of the close of business on the last business day of that month as valued by an independent pricing service, where available, or otherwise in good faith reflected on the client's quarterly performance report.

Fees are automatically deducted from your account, or from another billable account as directed by you. The fees deducted, including the dates and amounts, are reflected on the statements sent by Custodian. You should review those statements and the fees deducted. Any questions on the fees deducted from your account should be directed to your IAR, or you may contact us at the number on the cover page of this Brochure.

The advisory fee compensates your IAR and the IAR's financial institution, if applicable, for assisting in the design, implementation, and ongoing monitoring of your investment plan. The advisory fee is negotiated between you and your IAR but will not exceed 2.25% in APM and 2.00% in FSP, SMA and UMA, except that in connection with fees for annuity subaccount management in APM, the advisory fee will not exceed 1%. The fee charged depends upon a number of factors including the amount of the assets under management, the nature and extent of other account relationships between you and your IAR, the nature and complexity of the model portfolios, and other factors that the IAR deems relevant. The fee you negotiate may be different than the fees your IAR negotiates with other clients or the fees other IARs negotiate with other clients for similar services.

The program fee includes execution, clearing, custody, and CFS, Envestnet, and Custodian fees. The program fee is assessed in each of the program options and is non-negotiable.

Manager fees apply in the FSP, SMA, and UMA. The manager fee in the SMA and UMA varies by the selected SMA Manager, Sub-Manager, or Model Provider and ranges between 0.00% and 0.75% of your platform assets. In the UMA, if your account has more than one Model Provider or Sub-Manager, the effective Manager Fee will be a blend of all Model Providers' and/or Sub-Managers' fees weighted by the dollar amount invested in each Model Portfolio. SMA Managers or Model Providers who charge no, or a nominal fee are typically compensated by advisory fees from the proprietary funds the SMA Managers or Model Providers include in their models. In the FSP, the Manager Fee ranges from 0% to 0.50% depending on the portfolio selected. Manager Fees are non-negotiable.

An additional charge of up to 10 basis points (0.10%) will be added to your program fee if you elect certain tax management services, ESG or socially responsible screening, or other portfolio customization described in the SIS. This charge is paid to the investment manager or the "overlay manager" that applies the tax screening to your investments.

For complete fee details including account fee schedule guidelines, please see the Contour Wrap Fee Program Brochure.

#### CFS Asset Management Account Program Fees

The maximum annual asset-based fee ("Program Fee") that can be charged for a CFS Asset Management Account is 1.50%, with a minimum annual program fee of \$125. The total fee is billed and collected monthly in arrears based on the value of eligible assets in the Account on the last business day of the month. The initial fee will be prorated as appropriate based on inception date. Accounts that terminate for any reason within a calendar month are billed in arrears on a pro-rata basis immediately upon termination.

Separate from the Program Fee above, the Account will incur certain transaction charges for all trades effected in the Account. The financial institution with whom your IAR is associated absorbs these transaction

fees from Pershing for trading activity conducted in the Account. Please note, Pershing does not charge a transaction fee for certain mutual fund (“No Transaction Fee Funds”). These transaction costs are separate and distinct from the Program Fee you pay your IAR for asset management services. The financial institution does not pass these costs along to your IAR.

#### Third Party Investment Adviser (TPIA) Programs

Compensation for TPIA programs is generally provided to CFS and an IAR in exchange for introducing clients to a TPIA. Compensation can also be in exchange for the initial and continuing education and information that CFS and the IAR provide regarding the TPIA program selected. Compensation is usually a fixed percentage of the fees charged by a TPIA to the clients introduced by CFS or the IAR. The fees paid by a client are based on assets under management. Additional fees for other services provided by a TPIA, such as custody and transaction fees, can be charged by a TPIA. Specific information about the services provided and the fees associated with the services is contained in TPIA’s Form ADV Part 2 or similar disclosure brochure and client agreement. A client should carefully review the TPIA’s Form ADV Part 2 or brochure to fully understand all services to be provided, as well as the fees and expenses that are associated with those services, to determine (1) if compensation is payable before a service is provided; (2) when compensation is payable; (3) how a client can get a refund; (4) what conflicts of interest exist with respect to a client’s participation in the program; (5) how a client can terminate an advisory contract before its expiration date; and (6) if fees are negotiable.

TPIAs can impose a minimum dollar value of assets or other conditions for starting or maintaining accounts. Minimum account sizes are determined by the TPIA, not CFS.

#### Consulting/Financial Planning Fees

Compensation for consulting services is structured as a fee that is negotiable at the discretion of your IAR depending upon a number of factors including, the amount of the assets being reviewed, the nature and extent of account relationships between CFS and its affiliates with you, the type and complexity of services requested, and other factors that your IAR deems relevant. Fee options include:

- Flat fee billing for one-time services, with or without an initial retainer;
- Recurring billing for ongoing services with fees collected monthly, quarterly or semi-annually in arrears or in advance; or
- Billing at an hourly rate collected upon completion of services.

The maximum hourly charge is \$500 per hour and the flat rate fee generally ranges from \$0 to \$20,000. In no event will CFS or the IAR collect a fee in advance exceeding \$1,200 when services cannot be completed within six (6) months of the effective date of the Consulting Services Agreement.

Payment for services is due according to the method and schedule in the Consulting Services Agreement. For services provided for a flat fee, or one-time only services, the Consulting Services Agreement will automatically terminate once the services have been completed by your IAR and you have paid for the services. In the case of recurring payments for ongoing services, the Consulting Services Agreement shall automatically terminate one year from the date of execution.

CFS, your IAR, or you can, upon written notice to the others, terminate the Consulting Services Agreement. In the event of termination, CFS and/or your IAR will decide the amount to be charged to you based upon the time and resources expended. Generally, you will be charged for the portion of work performed and any unearned fees will be refunded.

In the event you elect to implement any recommendation made by your IAR acting in your IAR's capacity as a registered representative of CFS, your IAR will receive additional commissions, markups, markdowns, or advisory fees if you choose to purchase a product or open an account with us.

CFS and your IAR receive compensation for the sale of securities or other investment products sold to you by your IAR following the provision of consulting services, including investment company securities (mutual funds), variable annuity products, or other assets. Additionally, these products have other internal expenses that you pay indirectly through the cost of the fund or product. This compensation is in addition to the consulting fee and will result in increased costs to you.

You have the option to purchase investments recommended by your IAR through other brokers or agents who are not affiliated with CFS.

#### Retirement Services Fees

##### *Employer-Sponsored Retirement Plan Services*

The IAR will be paid an advisory fee as agreed upon by the business owner or the tax-exempt nonprofit organization based upon the total assets in the retirement plan. Depending on the program, Advisory fees may be paid directly by the employer or deducted quarterly in advance or arrears from participant accounts on a pro-rata basis. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. If deducted from participant accounts, the third-party record-keeper would typically facilitate the deduction of those fees and remit those to CFS (RIA). The IARs advisory fee is based on an annualized percentage of total plan assets with a maximum fee of 1.00% per year as shown below.

<b>Total Plan Assets</b>	<b>Max Fee/Year</b>
\$0-\$500,000	1.00%
\$500,001-\$1,000,000	0.75%
Over \$1,000,000	0.50%

##### *Participant Directed Retirement Account Fees*

A quarterly fee on assets under management will be assessed by CFS to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter. The fee may be assessed to one account if multiple accounts exist.



The fees are based on a flat rate with a maximum Fee of 1.5% or on a sliding scale below:

<b>Account Balance</b>	<b>Max Fee</b>
\$0-\$500,000	1.50%
\$500,001-\$1,000,000	1.25%
Over \$1,000,000	1.00%

#### TIAA-CREF Investment Solutions IRA

A quarterly fee on assets under management will be assessed by CFS to the client's account(s) based on the Fee Schedule below. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter. The total fee for all assets under management may be charged to one account if multiple accounts exist.

The fees are based on a flat rate with a maximum Fee of 1.5% as referenced below:

<b>Account Balance</b>	<b>Max Fee</b>
\$0-\$500,000	1.50%
\$500,001-\$1,000,000	1.25%
Over \$1,000,000	1.00%

#### Digital Investment Program

The annual fee for management within the account is an asset-based fee of 0.10% (the "Fee"). The Fee is prorated and billed on a calendar quarter basis, in advance, based upon the account value on the last business day of the quarter. The initial Fee will be billed immediately based on the initial account value prorated for the remainder of the quarter. The Fee will be deducted directly from the Program account.

As described in Item 4 Advisory Business, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

Advisory programs offer varying pricing structures, which may or may not result in a higher fee to the client. For additional program information, please refer to Item 12 – Brokerage Practices.

#### Other Fees and Expenses

In addition to your advisory fee and transactions charges, you will pay individual retirement account (IRA) annual maintenance fees and tax-qualified retirement plan trustee fees, certain custodial fees, and other ancillary charges within an account, as applicable. You should expect to be charged for specific account services, such as account transfer fees, wire transfer charges, checking fees, paper statements and confirmations, and for other optional services elected by you on a per event basis. These fees are subject to the pricing schedule set by a Custodian and CFS. CFS receives a portion of certain of these fees for accounts in custody with Pershing, including where CFS marks up the fee charged by Pershing, which can be substantial. Please review Item 12 – Brokerage Practices of this Brochure for additional information.

Our receipt of custodial fees, including where we markup a fee, creates a conflict of interest for CFS because the fees constitute additional revenue to us. To mitigate this conflict, we do not share custodial fee revenues with your IAR, and we do not require or incentivize IARs to recommend advisory programs be custodied with any custodian. Brokerage and other transaction costs and certain administrative fees incurred in Contour accounts are included in the wrap fee.

Please refer to the Account Fee Schedule published in the disclosure section of our website for a detailed schedule of transaction fees and other brokerage costs ([cusonet.com/disclosures](http://cusonet.com/disclosures)) for a better understanding of where we receive additional compensation.

You can elect to receive communications and documents from Pershing, including confirmations and statements, electronically by authorizing electronic delivery in writing. Unless you authorize electronic delivery, If Pershing delivers communications and documents to you via U.S. mail a paper delivery surcharge is assessed.

Interest on all cash account delinquencies (Cash Due Interest) in a client account is charged directly to your account at the then current rate. Transfer agent servicing fees, if any, are passed through to you and can vary based upon the transfer agent and position.

For accounts in custody with Pershing, a \$10 mutual fund surcharge applies to purchases and redemptions of certain mutual funds that do not otherwise compensate Pershing for administration and operational accounting related to fund ownership. Neither CFS nor your IAR retain any portion of the mutual fund surcharge. A list of applicable funds is available upon request.

#### Additional Fees for Collective Investment Vehicles

For accounts that contain collective investment vehicles (“Collective Investment Vehicles”), such as mutual funds, closed-end funds, UITs, ETFs, annuities, structured products, or publicly traded real estate investment trusts (REITs), each Collective Investment Vehicle bears its own internal fees and expenses, such as fund operating expenses, management fees, deferred sales charges, redemption fees, other fees and expenses

or other regulatory fees, charges assessed by annuity issuers such as contract charges, contract maintenance charges, transfer charges, optional rider fees, subaccount management fees and administrative expenses, short-term trading fees, redemption fees, and other fees imposed by law. Collective Investment Vehicle fees and expenses are disclosed in the applicable prospectus, statement of additional information, or product description. None of these fees are shared with CFS or your IAR. This compensation is in addition to any advisory fee, resulting in increased costs to you.

Some mutual funds assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this can include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees. In addition, you can incur redemption fees, when a portfolio manager to an investment strategy determines that it is in your overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Collective Investment Vehicles prior to the expiration of the collective investment vehicle's minimum holding period. Depending on the length of the redemption period, the particular investment strategy, and/or market conditions, a portfolio manager may be able to minimize any redemption fees when, in the portfolio manager's discretion, it is reasonable to allow you to remain invested in a Collective Investment Vehicle until expiration of the minimum holding period.

#### Compensation Related to Mutual Funds and Other Investments

Your IAR, when acting in his/her separate capacity as a CFS registered representative (i.e., as a broker), earns commissions, including asset-based fees and sales charges, from the sale of mutual funds, annuities, ETFs, and other securities. This results in a conflict of interest because CFS and our IARs have an incentive to recommend investment products based on the compensation received rather than on a client's needs. You are under no obligation to purchase investment products through CFS or your IAR and you have the option to purchase the products we recommend through other financial services firms that are not affiliated with us.

After considering your overall needs and objectives along with your preferences, your IAR can recommend that you convert from a commission-based account to a fee-based advisory account. We maintain policies and procedures to ensure a conversion from a commission-based account to fee-based advisory account is in your best interest. Among other things, we employ the following policies:

- When Class A, B, or C shares of mutual funds are transferred into an advisory account, additional mutual fund purchases within the advisory account are made at net asset value (NAV) or in adviser or institutional share classes, which do not include 12b-1 fees. Such purchases will not result in your payment of a commission in addition to the annual advisory fee.
- CFS will attempt to convert Class A, B, and C share mutual fund holdings in an advisory account to adviser or institutional class shares where available. In the event a tax-free conversion is unavailable or does not occur, 12b-1 fees received in fee-based accounts will be credited to your account.
- Your IAR can agree, upon your written request and for your convenience, to hold certain assets in your Contour account such as previously acquired concentrated positions in a stock or bond that you wish to hold for an unspecified period of time. Such assets are unmanaged, unmonitored, and

are excluded from billing.

- Your IAR can agree, at your request, to hold certain assets in an advisory account such as previously acquired concentrated positions in a stock or bond, that you wish to liquidate over a period of time or hold to maturity. Such assets are being monitored but are excluded from billing.

Mutual funds generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to retail share classes (typically referred to as class A, B, and C shares), mutual funds can also offer institutional share classes or other share classes that are specifically designed for purchase by investors who meet certain specified eligibility criteria, including, for example, whether an account meets certain minimum dollar amount thresholds or is enrolled in an eligible fee-based investment advisory program. Institutional share classes usually have a lower expense ratio than other share classes. CFS and our IARs have a financial incentive to recommend or select share classes that have higher expense ratios because such share classes generally result in higher compensation. CFS seeks to minimize this conflict of interest, by providing our IARs with training and guidance on this issue, as well as by conducting periodic reviews of client holdings in mutual fund investments to ensure the appropriateness of mutual fund share class selections and whether alternative mutual fund share class selections are available that might be more appropriate given a client's particular investment objectives and any other appropriate considerations relevant to mutual fund share class selection. Regardless of such considerations, clients should not assume that they will be invested in the share class with the lowest possible expense ratio.

The appropriateness of a particular mutual fund share class selection is dependent upon a number of considerations, including: the asset-based advisory fee that is charged, whether transaction charges are applied to the purchase or sale of mutual funds, the overall cost structure of the advisory program, operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the mutual fund sponsors and CFS's ability to access particular share classes through the custodian), share class eligibility requirements, and the revenue sharing, distribution fees, shareholder servicing fees, or other compensation associated with offering a particular class of shares.

Further information regarding fees and charges assessed by a mutual fund is available in the mutual fund prospectus.

#### Wrap Fee Program

A wrap fee program is defined as an advisory program in which a client pays a single, specified fee for portfolio management services and trade execution. We receive a portion of the investment advisory fee you pay when you participate in any of the wrap fee programs we offer. Wrap fee programs are not suitable for all investments needs and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon. The benefit of a wrap fee program depends, in part, upon the size of an account, the types of securities in the account, and the expected size and number of transactions likely to be generated. Generally, wrap fee accounts are less expensive for actively traded accounts. For accounts with little or no trading activity, a wrap fee program may not be suitable because the wrap fee could be higher than fees in a traditional brokerage or non-wrap

fee advisory account where you pay a fee for advisory services plus a commission or transaction charges for each transaction in the account. You should evaluate the total cost for a wrap fee account against the cost of participating in another program or account.

CFS maintains policies and procedures to ensure the recommendation of a specific account type is in your best interest. There is no guarantee that the Advisory Services offered will result in your goals and objectives being met. Nor is there any guarantee of profit or protection from loss. No assumption can be made that an advisory fee arrangement or portfolio management service of any nature will provide a better return than other investment vehicles. Advisory programs are not suitable for all investment needs, and any decision to participate in a wrap fee or non-wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon, among other considerations. You should evaluate the total cost for participating in a particular advisory program in consultation with your IAR.

#### General Information Concerning Fees

Fees vary between IARs, and clients can pay more or less than the fees charged by another IAR for similar services. The advisory fee charged can be more or less than what CFS and your IAR might earn from other programs available in the financial services industry or if the services were purchased on a commission basis. To this end, you have the option to purchase investment products that your IAR recommends through other financial services firms that are not affiliated with CFS.

#### **Item 6 – Performance-Based Fees**

Advisory fees based upon a share of capital gains or capital appreciation of assets of an advisory client are commonly referred to as “performance-based fees.” CFS does not permit IARs to accept performance-based fees. CFS does not engage in side-by-side management.

#### **Item 7 – Types of Clients**

CFS, through its IARs, offers investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable institutions, and corporations and other business entities. Our clients can have both fee-based advisory accounts and commission-based brokerage accounts. Depending on an IAR’s registrations and qualifications, and a client’s preferences and needs, our IARs provide advisory services, brokerage services, or both.

The initial minimum account size for the Contour programs is listed below.

<u>Contour Program</u>	<u>Minimum</u>
Advisor as Portfolio Manager	\$25,000
Fund Strategist Portfolios	As low as \$2,000
Separately Managed Accounts	\$100,000
Unified Managed Accounts	\$100,000

The initial Contour account minimum can, however, be waived at CFS’s discretion, considering various

factors. Such factors include length of client relationship, or combined values of other household/family member accounts. In the SMA program, should the SMA Manager require a higher minimum, the higher minimum will apply. In the UMA program, the minimum account size for each model style is determined by the Model Provider or Sub- Manager.

#### Minimum Account Size for Other Programs

\$5,000	Digital Investment Program
\$25,000	CFS Asset Management Account

The minimum account size for these programs can be waived at CFS's discretion. TPIA advisory programs also require minimum investment amounts that vary by program. We do not require a minimum asset amount for the Retirement Services Program or Financial Planning & Consulting Services.

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

#### Analysis and Strategies

CFS's IARs use a wide variety of methods of analysis, which can include charting, fundamental analysis, technical analysis, and cyclical analysis to determine investment strategies for clients. The primary sources of information used to conduct these types of analysis are financial newspapers and magazines, inspections, research prepared by others, ratings services, press releases, annual reports, prospectuses, and other filings with the SEC.

Investment strategies used by IARs can include, but are not limited to:

- Long-term purchases;
- Short-term purchases;
- Asset allocation and rebalancing;
- Dollar cost averaging;
- Trading;
- Margin; and
- Options.

Prior to investing, you should understand and agree with the investment strategies used by your IAR. The implementation of these strategies varies based upon the advisory services program selected and your preferences and needs.

Your account is managed based on your financial situation, investment objectives and instructions. Your IAR works with you to obtain sufficient information to provide individualized investment advice and is reasonably available to consult with you on an ongoing basis. You are permitted to impose reasonable restrictions on the management of the account.

A quarterly custodial statement containing a description of all account activity is provided to you. Your IAR

reviews overall performance of each account on a periodic basis to ensure that transactions are suitable based on your investment objectives and quality expectations and comply with any investment restrictions you request.

Clients who choose a TPIA should carefully review the TPIA's Form ADV Part 2A or other brochure for information on their investment strategies. Investment strategies vary by the TPIA selected.

Tax consequences are a critical component of any investment strategy. Therefore, depending on the strategy you choose to implement, it is possible that trading activity could result in taxable events and lower investment returns. Since investments have tax or legal consequences, you should consult your tax professionals and attorneys to help answer questions about specific situations or needs.

### Risk of Loss

Investing in any type of security involves risk of loss that you should be prepared to bear. CFS does not guarantee the performance of an account or any specific level of performance.

Market values of the securities in an account will fluctuate with market conditions. When an account is liquidated, it may be worth more or less than the amount invested.

There is no guarantee that a client's investment goals or objectives will be achieved. All securities are subject to some level of risk which could cause the value of your securities to decrease in value, and in some cases, could result in a loss of your entire investment. The following are some types of risk that could affect the value of your portfolio:

- Market risk: The risk that changes in the overall market will have an adverse effect on individual securities, regardless of the issuer's circumstances.
- Business risk: Whether because of management or unfortunate circumstances, some businesses will inevitably fail. This is especially true during economic recessions. For example, a company stock can become worthless in the event of a bankruptcy, which would result in a loss of capital to the shareholders.
- Interest rate risk: If the Federal Reserve pushes interest rates higher, the market prices of bonds can be affected. When interest rates rise, the market price of bonds typically falls.
- Inflation risk: Inflation reduces the buying power of a dollar, and could cause uncertainty among individual investors, possibly resulting in corporations backing away from projects which could further reduce the value of corporate equities.
- Regulatory risk: Legislative, regulatory, and/or judicial changes that impact businesses can drastically change entire industries.
- Industry/company risk: These risks are associated with a particular industry or a specific company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, which is a lengthy process before they can generate a profit. They carry a higher risk of fluctuations in profitability than an electric company, which generates its income from a steady stream of

clients who buy electricity no matter what the economic environment is like.

- Liquidity risk: Certain investments lack liquidity or the ability to access their principal quickly, without incurring substantial penalties, or the inability to sell the investment until sometime in the future.
- Opportunity risk: You or your IAR may choose a conservative product to invest in, which could cause you to miss out on market upswings which potentially could have increased the value of securities with higher risk. The opposite is also true; market downturns can cause you to lose a significant amount of principal invested in higher risk securities when their funds could have been invested in lower risk securities.
- Reinvestment risk: There is a possibility that you will be unable to make additional purchases of a security already in your portfolio at the same rate at which the original purchase was made.
- Currency or exchange rate risk: Foreign securities face the uncertainty that the value of either the foreign currency or the domestic currency will increase or decrease; either of which will cause the value of your portfolio to fluctuate.
- Transactional cost risk: You could incur significant transactional charges in an unbundled, actively traded account. Frequent trading can decrease the value of your account due to increased brokerage and transaction costs. In addition, the frequent trading can cause taxable events to occur, which could increase your tax burden.
- Short sale risk: While a short position has unlimited capability to increase in value, it in turn increases your risk, as you can be required to purchase the security at a high rate or price in order to cover the short sale.
- Exchange-Traded Funds: ETFs face market trading risks, including the potential lack of an active market for fund shares, losses from trading in the secondary markets, and disruption in the creation and redemption process of the ETF. Any of these factors can lead to liquidity risk and/or the fund's shares trading at a premium or discount to its "net asset value."
- Leveraged and inverse ETFs: ETFs that offer leverage or that are designed to perform inversely to the index or benchmark they track—or both—are growing in number and popularity. While such products may be useful in some sophisticated trading strategies, they are highly complex financial instruments that are typically designed to achieve their stated objectives on a daily basis. Due to the effects of compounding, their performance over longer periods of time can differ significantly from their stated daily objective. Therefore, inverse and leveraged ETFs that are reset daily typically are unsuitable for clients who plan to hold them for longer than one trading session, particularly in volatile markets.
- Interval Funds: Interval funds provide limited liquidity to shareholders by offering to repurchase a limited number of shares on a periodic basis, but there is no guarantee that a client will be able to sell all their shares in any particular repurchase offer. The repurchase offer program may be suspended under certain circumstances.
- Environmental, Social, and Governance ("ESG") strategies: The implementation of ESG strategies could cause an account to perform differently compared to accounts that do not use such strategies. The criteria related to certain ESG strategies can result in an account foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities to comply with ESG guidelines when it might be otherwise disadvantageous to do so. In



addition, an increased focus on ESG or sustainability investing in recent years may have led to increased valuations of certain issuers with higher ESG profiles. A reversal of that trend could result in losses with respect to investments in such issuers. There can be no assurance that an ESG strategy directly correlates with a client's ESG goals, and ESG data is not available with respect to all issuers, sectors or industries and is often based upon estimates, comparisons or projections that may prove to be incorrect. As a result, a client account with ESG guidelines could nonetheless be invested in issuers that are inconsistent with the client's ESG goals.

- **Structured Products:** A structured product is an unsecured obligation of an issuer with a return, generally paid at maturity, that is linked to the performance of an underlying asset, such as a security, basket of securities, an index, a commodity, a debt issuance or a foreign currency. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. A structured product may contain a call feature that can result in the investment being redeemed earlier than the stated maturity date. If a structured product is called prior to maturity, the payment you receive will depend upon the stated terms of the investment. If a structured product is called, you may not be able to reinvest the proceeds in a similar investment with similar risk and return characteristics.
- **Money Market Mutual Funds:** While money market mutual funds seek to preserve a net asset value of \$1.00, during periods of severe market stress, a money market mutual fund could fail to preserve a net asset value of \$1.00 and/or could no longer be a viable business for the fund sponsor, which would force the sponsor to liquidate. It is possible to lose money by investing in a money market mutual fund.
- **Credit risk:** The risk that an issuer of a fixed income security may fail to pay interest and/or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline. These risks are greater for securities that are rated below investment grade (junk bonds), which may be considered speculative and are more volatile than investment grade securities.
- **Options:** Holding options for long-term periods could weaken and/or reduce the value of the underlying stock or create the possibility of a worthless position.
- **Global risk:** International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets are not as politically and economically stable as the United States and other nations.
- **Cybersecurity risk:** CFS relies on the use and operation of different computer hardware, software, and online systems. The following risks are inherent in such programs and are enhanced for online systems: unauthorized access to or corruption, deletion, theft, or misuse of confidential data relating to CFS and its clients; and compromises or failures of systems, networks, devices, or

applications used by CFS or its vendors to support its operations.

You should understand and be willing to accept these and other types of risks before choosing to invest in securities or receive investment advisory services.

## 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 CFS or the integrity of CFS's management.

CFS is a broker-dealer in addition to its activities as a registered investment adviser. In connection with its broker-dealer business, CFS has been the subject of certain regulatory actions, some of which CFS has determined to be immaterial. Others are summarized below:

- Over the past several years, the SEC filed actions related to the failure of registered investment advisers to make required disclosures regarding the sale of mutual fund share classes that paid a 12b-1 fee when a lower-cost share class for the same fund was available to clients. In June 2018, CFS self-reported the relevant payments to the SEC and entered into settlement terms to refund clients. Pursuant to the SEC Share Class Selection Disclosure Initiative, in March 2019 the SEC accepted FS' settlement offer. Note that IAR's did not receive a portion of the 12b-1 fees to be disgorged to clients. CFS corrected all share class selection deficiencies as of March 2018.

CFS, as a broker-dealer, is regulated by each of the 50 States and has been subject to orders related to the violation of certain state laws and regulations in connection with its brokerage activities. For more information about these state events and other disciplinary and legal events involving CFS and our IARs, clients should refer to Investment Adviser Public Disclosure at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or FINRA BrokerCheck® at <https://brokercheck.finra.org>.

## Item 10 – Other Financial Industry Activities and Affiliations

CFS is registered as a broker-dealer and as an investment adviser with the SEC. CFS is a member of FINRA and SIPC. CFS is affiliated with NFISCO, an insurance agency. CFS has financial services agreements ("FSA") with other financial institutions that include credit unions whereby CFS provides advisory services to credit union members through our IARs. Pursuant to the FSA, CFS shares a portion of advisory fees with the credit union.

CFS is an indirect wholly owned subsidiary of Atria Wealth Solutions, Inc. (Atria). CFS has the following affiliates.

Cadaret Grant & Co., Inc.	Broker Dealer, Registered Investment Adviser and Insurance Agency
CFS Insurance and Technology Services, LLC	Insurance Agency
Fiduciary Trust Company of New Hampshire	Banking or Thrift Institution
Grove Point Advisors, LLC	Registered Investment Adviser
Grove Point Investments, LLC	Broker Dealer & Insurance Agency

LPL Enterprise, LLC	Broker Dealer, Registered Investment Adviser, and Insurance Agency
LPL Financial LLC	Broker Dealer, Registered Investment Adviser, and Insurance Agency
LPL Insurance Associates, Inc.	Insurance Agency
NEXT Financial Group, Inc.	Broker Dealer, Registered Investment Adviser and Insurance Agency
NEXT Financial Insurance Services Company (NFISCO)	Insurance Agency
SCF Investment Advisors, Inc.	Registered Investment Adviser
SCF Securities, Inc.	Broker Dealer & Insurance Agency
Sorrento Pacific Financial, LLC	Broker Dealer, Registered Investment Adviser, and Insurance Agency
The Private Trust Company, N.A.	Banking or Thrift Institution
Western International Securities, Inc.	Broker Dealer, Registered Investment Adviser, and Insurance Agency

### Conflicts of Interest as a Broker-Dealer

CFS is dually registered as both a broker-dealer and as a registered investment adviser. Most of our IARs are registered with us as a registered representative, which allows them to perform brokerage services for you by executing securities transactions. In their capacity as registered representatives, IARs offer securities and receive commissions as a result of such transactions. There is a conflict of interest when an IAR is able to choose between offering a client fee-based programs and services (as is typical of an advisory relationship) and/or commission-based products and services (as is typical of a brokerage relationship). There is a difference in how CFS and your IAR are compensated for advisory accounts and brokerage accounts or insurance products. While a client pays a fee to their IAR on an advisory account based on the value of account assets and not the number of transactions, in their capacities as registered representatives, an IAR can offer securities and receive a commission, markup, or markdown on each transaction. To mitigate this conflict, we review our client accounts and transactions to ensure that we have a reasonable basis to believe the recommended services and transactions are consistent with a client's stated goals, objectives, preferences, and needs.

CFS's registration as a broker-dealer is material to our advisory business because advisory accounts are custodied with Pershing, a third-party custodian, where we act in our capacity as an introducing broker-dealer. This results in additional forms of compensation to CFS which are discussed in this brochure. See Item 12 – Brokerage Practices – Pershing Clearing Relationship, and Item 14 – Client Referrals and Other Compensation – Indirect Compensation and Revenue Sharing.

Clients are under no obligation to purchase products or services recommended by an IAR or through an IAR or otherwise through CFS or its affiliates. Clients are free to implement recommendations through any broker-dealer or advisory firm. If you request that an IAR recommend a broker-dealer, the IAR will recommend CFS; however, you are under no obligation to effect transactions through us.

### An IAR's Outside Business Activities

Our IARs can engage in certain approved outside business activities other than providing brokerage and advisory services through CFS, and in certain cases, an IAR receives more compensation, benefits, and non-

cash compensation through an outside business activity than through CFS. This creates a conflict of interest because IARs may have an incentive to spend more time and attention on other ventures than on managing your account. Some of our IARs are accountants, real estate agents, insurance agents, tax preparers, or lawyers, and some refer clients to other service providers and receive referral fees. As an example, an IAR could provide advisory or financial planning services through an unaffiliated investment advisory firm, sell insurance through a separate business, or provide third-party administration to retirement plans through a separate firm. If an IAR provides investment services to a retirement plan as our representative and also provides administration services to the plan through a separate firm, this typically means the IAR is compensated from the plan for the two services. In addition, an IAR can sell insurance through an insurance agency not affiliated with CFS. In those circumstances, the IAR is subject to the policies and procedures of the third-party insurance agency related to the sale of insurance products and would have different conflicts of interest than when acting on behalf of CFS. When an IAR receives compensation, benefits, and non-cash compensation through the third-party insurance agency, the IAR has an incentive to recommend you purchase insurance products away from CFS. If you contract with an IAR for services separate or away from CFS, you should discuss with them any questions you have about the compensation they receive from the engagement. Additional information about a IAR's outside business activities is available on FINRA's website at [brokercheck.finra.org](http://brokercheck.finra.org).

#### Conflicts of Interest with Affiliated Insurance Agency

CFS is affiliated with NEXT Financial Insurance Services Company (NFISCO), a licensed insurance agency. An IAR can offer insurance through NFISCO or through an independent insurance agency. When acting in the capacity of an insurance agent, IARs can effect transactions in insurance products for clients and earn commissions for these activities.

The fees paid to CFS for advisory services are separate and distinct from the insurance commissions earned by CFS, and/or its insurance agents. You are under no obligation to use CFS, NFISCO, or its insurance agents for insurance services and can use the insurance firm and agent of your choosing.

#### Third Party Investment Advisers

We maintain relationships with TPIAs that we or your IAR may recommend. TPIAs must be approved by us before their programs are available to our clients. Approval is based on several criteria, including investment strategy, investment performance, transaction reporting activities, and wholesaling support. The third-party investment advisers whose programs are available to our clients are given the opportunity to participate in our Partners Program. In exchange for certain benefits, such as the opportunity to participate in our national conferences and broader access to our IARs via participation in conference calls and receipt of contact lists, the third-party in the Partners Program shares a portion of the revenue generated by distributing their products and services with us and/or pay a specified dollar amount. Not all third-party investment advisers approved by us participate in the Partners Program. Further, our IARs do not receive any compensation through the Partners Program, and as such do not have a direct financial incentive to select one third-party investment adviser over another.

CFS and IARs also may recommend and select other investment advisers for clients and receive compensation from those advisors through CFS's TPIA Program. This creates a conflict of interest because IARs have an incentive to recommend these programs based on the compensation received, rather than on a client's needs. For additional information, please refer to the TPIA Programs sub-section under Item 4 - Investment Advisory Business and Indirect Compensation and Revenue Sharing sub-section under Item 14 - Client Referrals and Other Compensation.

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

CFS places significant value on ethical conduct for all advisory business. In addition to CFS's obligation to comply with the federal securities laws, CFS has also established a standard of business conduct required of all our Supervised Personnel in the CFS Code of Ethics. The CFS Code of Ethics is designed to protect clients by deterring misconduct and preventing fraud by reinforcing fiduciary principles that must govern the conduct of CFS and our personnel. An Adviser, as a fiduciary to its clients, is responsible for providing professional, continuous, and unbiased investment advice. Fiduciaries owe their clients a duty of honesty, good faith, and fair dealing. In order to ensure that our IARs and employees strictly adhere to the highest of conduct and integrity in conducting business on behalf of our clients, we require that each sign our Code of Ethics.

In addition, the Code of Ethics governs personal trading by each employee of CFS deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of CFS are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates. CFS collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve potential conflicts of interest.

CFS will furnish a copy of its Code of Ethics to clients upon request. Clients can contact their IAR or the CFS home office at 858-530-4400.

On occasion, IARs may recommend a security in which they or CFS own shares or have some other financial interest. When the IAR recommends a security, CFS's procedures require the IAR to determine that the investment is suitable to the client's needs and risk profile. In the event that an IAR wishes to buy or sell for himself/herself a security that has also been recommended to a client; the client's order(s) are given priority.

No agency cross transactions or principal trades will be affected in an advisory account.

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

When you select a CFS advisory program, the broker-dealer responsible for execution of trades varies. There are three possible scenarios: (1) CFS requires the use of a specific broker-dealer, as is the case in the Contour and the CFS Asset Management Account programs; (2) third-party managers may select the broker-dealer in a third-party managed program; or (3) a client may have the option to select a broker-dealer.

CFS is registered as a broker-dealer with the SEC and provides various services as an introducing broker-dealer for which it is compensated by a commission or ticket charge. CFS has no brokerage soft dollar arrangements and receives no benefits or research in exchange for executions.

CFS's IARs can recommend to their advisory clients that they use CFS broker-dealer services, in which case services are offered at the same cost as to brokerage clients. However, if an Advisory Services client maintains a brokerage account with CFS, in its capacity as a broker-dealer, they can incur higher transaction costs in the form of commissions or ticket charges than if their accounts were held elsewhere.

In Contour and CFS Asset Management accounts, you authorize us to direct all transactions through a designated broker-dealer. You cannot request that your orders be executed through another broker-dealer. When directing execution of all transactions through a particular broker-dealer, there is no assurance that most favorable execution will be obtained, which could cost you more money. Not all advisers require clients to direct transaction executions to specified broker-dealers, as we do. This creates a conflict of interest for accounts custodied at Pershing because of the economic benefits CFS receives. We periodically review the execution quality of available broker-dealers to confirm that the quality we receive is comparable to what could be obtained through other qualified broker-dealers.

For accounts custodied at Pershing, CFS relies in part on Pershing's review of execution quality, the details of which are made available to us for our review. In addition, to assist in evaluating the quality of Pershing's equity executions, we engage the services of a third-party consultant who monitors Pershing's equity executions for quality and helps us identify transactions that are eligible for price improvement.

In Contour, SMA Managers, Sub-Managers, or Envestnet, as Overlay Manager, can elect to execute trades at broker-dealers other than Custodian for some or all of their transactions or investment styles. This is frequently referred to as "trading away" or "step out trades". Clients who select such managers will be subject to any transaction charges or other charges, including commissions, mark-ups, mark-downs, or other additional trading costs that are imposed by the executing broker-dealer in addition to the total fee and the other fees described in the applicable wrap fee brochure. The Form ADV Part 2A for the applicable manager should be consulted for additional information.

Certain Contour accounts are managed based on model portfolio strategies. One or more clients can have the same model portfolio, based on their investment objective and risk profile. We typically aggregate orders into block trades when models are rebalanced or if one or more securities are added or removed from a model. Transactions can, however, be executed independent of transactions for other clients. An IAR must reasonably believe that a block order is consistent with CFS's duty to seek best execution and will benefit each client participating in the aggregated order.

When we aggregate orders, we do so in a manner reasonably designed to ensure that no participating client obtains a more favorable execution price than another. Transactions are typically aggregated pro rata to the participating client accounts in proportion to the size of the order placed for each account. If we are unable to fully execute an aggregated order and we determine that it would be impractical to allocate a smaller number of securities among the participating accounts on a pro rata basis, we will seek to allocate the securities in a manner that does not disadvantage particular client accounts.

CFS may combine or aggregate purchase or sell orders for the same security for multiple clients when it is consistent with the duty to seek best execution and client investment advisory agreements. Managed accounts participating in a block execution receive the same execution price (average share price) for the purchase or sale in a trading day. Any portion of an order that remains unfilled at the end of a given day will

be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, positions purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement unless another allocation is deemed fair and equitable. If an order is partially filled, the position will be allocated pro rata based on the allocation statement unless another allocation is deemed fair and equitable. Third party money managers with discretionary authority may aggregate purchase or sell orders for the same security for multiple clients. In such cases, the third-party money manager will provide CFS with allocation instructions. Additionally, for CFS Contour APM and Asset Management Accounts, IARs may combine orders for mutual funds and ETFs into block trades when more than one account is participating in the trade. The third-party manager or IAR may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) if all managed accounts receive fair and equitable treatment.

#### Pershing Clearing Relationship

Pershing is the clearing firm for CFS's brokerage business and is a custodial option when establishing Contour and CFS Asset Management Accounts.

Pershing charges CFS for certain account services for accounts custodied with Pershing (including advisory accounts), including clearing and executing transactions, outgoing transfers, wired funds, direct registration of securities, paper statements and confirms, margin extensions, ticket charges, and IRA custodial maintenance and termination. CFS sets its own price for its services, which are designed to cover its costs of doing business (including overhead and other costs) as well as provide for a profit to CFS. CFS charges clients more for certain services than it pays Pershing, which is sometimes called a "markup," and the markups vary by product and the type of service and can be substantial. CFS keeps the difference between the fees and charges our clients pay and the amount paid to Pershing to cover the costs associated with processing transactions and providing other services.

The economic arrangements between CFS and Pershing (including the fees charged by Pershing) can be renegotiated and change from time to time, including in circumstances where CFS realizes net savings or increased profits from the changed arrangements and CFS does pass on any net savings or increased profits in the form of reduced fees and charges to clients. This practice creates a conflict of interest for us since we have a financial incentive to recommend Pershing since we receive substantial compensation for the services we provide. IARs do not receive a portion of these fees.

Our clearing relationship with Pershing provides us with certain economic benefits and compensation by using ourselves as the broker-dealer for our advisory programs that would not be received if we used an unaffiliated, third-party broker-dealer for our advisory programs. For example, we add a markup certain brokerage-related account charges and fees that are assessed to all client accounts at Pershing. The charges and fees that are marked up are set forth in our Account Fee Schedule on our website under Disclosures ([cusonet.com/disclosures/](http://cusonet.com/disclosures/)). The additional compensation we receive creates a significant conflict of interest with our clients because we have a substantial economic incentive to use Pershing as the clearing firm for trade execution and custody over other firms that do not share compensation with us. The revenue and compensation we receive from Pershing is related to both advisory and brokerage accounts custodied on the Pershing platform. Our IARs do not receive any portion of this compensation.

For assets in the Contour program, CFS pays a recurring fee to Pershing based on a percentage of the aggregate assets invested by advisory clients, excluding certain investments, such as alternative investments. When the assets in the Contour program custodied at Pershing increase, the fee we pay decreases. This creates a conflict of interest for CFS as we have an incentive to recommend advisory clients use Pershing as a custodian over other custodians and to recommend that you increase the amount you have invested in your Contour account.

Pershing pays fees or shares with CFS the following items:

- For accounts in custody with Pershing with cash balances automatically transferred (swept) into the Dreyfus Insured Deposits P - Tiered Rate Product (DIDP) program, a portion of the fees paid by each participating bank receiving swept funds (each a “Program Bank”) equal to a percentage of the average daily deposits at the Program Banks. The combined fee paid to CFS, Pershing, and a third-party administrator will not exceed 4% per year on the average daily balances held in all deposit accounts taken in the aggregate. CFS sets the amount of the fee it charges and retains, which may exceed the amount of interest paid to clients;
- For IRA accounts in custody with Pershing with cash balances automatically transferred (swept) into the Dreyfus Insured Deposits LF – Level Fee Product (DILF), a level monthly fee for each IRA that participates in the DILF program. The amount of this fee is determined based on a fee schedule indexed to the Federal Fund Target Rate published by the Federal Reserve System as detailed in the DILF Disclosure Statement and Terms and Conditions for the Level Fee Product located at [cusonet.com/disclosures](http://cusonet.com/disclosures). The per account monthly fee will be no less than \$0.58 and no more than \$20.59. It is generally anticipated that the fee CFS charges will be offset by the total amounts paid to CFS by Program Banks. If CFS does not receive sufficient payments each month from Program Banks, CFS reserves the right to debit each IRA account for the amount of any shortfall;
- For brokerage accounts in custody with Pershing that have not been converted to either the Dreyfus Insured Deposits P - Tiered Rate Product (DIDP) or Dreyfus Insured Deposits LF – Level Fee Product (DILF) programs, a portion of the revenue Pershing receives from uninvested client cash balances in such accounts automatically swept into money market funds and FDIC insured bank deposit products of up to 0.60% of the value of cash balances. These payments vary based on the bank deposit account or money market fund a client has selected;
- Transition assistance in the form of (a) reimbursement of IRA termination fees of up to \$165 per account for a retirement account transferred to Pershing and up to \$125 per retail account for retail accounts transferred to Pershing, (b) a payment based on the value of the assets transitioned, or (c) some combination of fee reimbursements and a payment on the value of assets transitioned;
- A growth assistance credit to support, service, and grow brokerage assets on the Pershing platform;
- A portion of certain brokerage account services and custodial fees charged to client accounts that exceeds the amount that we are required to pay Pershing for such services, including account transfer fees, IRA custodial and termination fees, paper confirm and statement fees, inactive (custodial) account fees, retirement account maintenance fees, and margin interest and/or fees;
- A portion of shareholder servicing fees from certain mutual fund sponsors as part of their FundVest



Focus® no transaction fee mutual fund program (FundVest) as described below; and

- A rebate of a portion of clearing charges paid for equity and ETF transactions if the volume of transactions exceeds a certain number each month.

#### FundVest Focus® No Transaction Fee (NTF) Mutual Fund Program

In the FundVest program, CFS is eligible to receive through a contractual agreement with Pershing, 100% of 12b-1 fees paid by participating mutual funds, and for participating mutual funds that do not pay 12b-1 fees, up to 40% of FundVest services fees paid by participating mutual funds to Pershing for FundVest assets over a threshold amount that are held in the aggregate in clients' brokerage and advisory accounts. Our receipt of a portion of the FundVest service fees creates a conflict of interest because we have an incentive to invest your assets or to recommend that you purchase or hold these mutual funds that pay fees to Pershing that is shared with CFS over other mutual funds that do not pay these fees. To mitigate this conflict, we do not share these fees with our IARs and we do not require or incentivize our IARs to recommend FundVest funds. We credit all 12b-1 fees we receive to clients' advisory accounts.

Most FundVest mutual funds have higher internal expenses than mutual funds that are not in the FundVest program, and the share classes of funds in the program have higher internal expenses than share classes not in the program. The higher internal expenses will reduce the long-term performance of an account when compared to an account that holds lower-cost share classes of the same fund. Clients should ask whether lower-cost share classes are available and/or appropriate for their account considering their expected investment holding periods, amounts invested, and anticipated trading frequency. FundVest funds held less than six months are also subject to a short-term redemption fee of \$51.50 which will be charged to your account. Further information regarding mutual fund fees and charges is available in the applicable mutual fund prospectus. For a list of funds participating in the FundVest program, please contact us using the contact information provided on the cover of this Brochure. Pershing, in its sole discretion, may add or remove mutual funds from the FundVest program or may terminate the FundVest program without prior notice.

#### Margin Accounts

Pershing offers margin accounts for our clients where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider that: (i) if you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account, or withdraw funds; and (ii) you are using the investments that you own in the account as collateral. Please carefully review the margin disclosure document for additional risks involved in opening a margin account.

Money borrowed in a margin account is charged an interest rate that is subject to change over time. This interest payment is in addition to other fees associated with your account.

Pershing and CFS charge interest on margin loans to clients. Under its agreement with Pershing, CFS sets the interest rate for margin loans in a range from 0.25% to 2.75% above the Pershing base lending rate depending on the amount of the margin advance. CFS receives compensation in an amount by which the interest rate exceeds the Pershing base lending rate less 1%. CFS has a conflict of interest in recommending to you a margin loan because CFS (in its capacity as a broker-dealer) receives a markup on the interest charged on the loan. Your IAR is not compensated on margin loan balances and therefore does not have a

conflict of interest in recommending the use of margin. Consequently, CFS maintains policies and procedures to ensure recommendations made to you are in your best interest and in conjunction with the lack of compensation to your IAR, believe this mitigates the conflict of interest that CFS has in recommending margin loans.

#### LoanAdvance Program

You can participate in Pershing's LoanAdvance program which enables clients to collateralize certain investment accounts to obtain secured loans. In LoanAdvance, you are charged a rate of interest that is a floating rate not more 3 percentage points above the Fed Funds Target Rate as published in The Wall Street Journal, plus 200 basis points. We receive compensation in an amount by which the interest rate is marked up over this rate and share it with your IAR. CFS and our IARs have an incentive to recommend that clients borrow money rather than liquidating some of their account assets so that we and our IAR can continue to receive advisory fees on those assets. This results in additional compensation in connection with a client's advisory account. Trading is permissible in the advisory account that is pledged for the loan; however, the collateral must meet Pershing's LoanAdvance maintenance requirement to support the loan.

#### Securities Lending

You are able to enroll in Pershing's Fully Paid Securities Lending program, which enables qualified clients to lend fully paid-for securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with you, CFS, and your IAR. CFS and your IAR share in 5% of the revenue received. The receipt of this extra compensation creates a conflict in certain advisory programs in which your IAR acts as the portfolio manager. The conflict surrounds whether this extra compensation would cause your IAR to hold a security in your account that would have otherwise been liquidated but not for receipt of additional compensation. This conflict is mitigated by our requirement that investment decisions made by your IAR must be in your best interest, as well as the fact that if an account holds these positions, your IAR's compensation will increase nominally, but the security will also generate income for your account. Not all accounts or clients qualify for this program.

IARs who are registered representatives of CFS also receive commissions from CFS in their separate capacity as registered representatives of CFS in connection with the sale of financial products they recommend. Receiving such commissions creates a conflict of interest for the IAR and our firm. Accordingly, we monitor and supervise these activities to ensure recommendations of financial products are suitable based upon your financial needs, investment objectives, and risk tolerance.

#### Cash Sweep Options

CFS, through our clearing firm, Pershing, offers a cash sweep program to automatically move (sweep) uninvested cash balances held in brokerage accounts into either an interest-bearing Federal Deposit Insurance Corporation ("FDIC") insured deposit account through a Dreyfus Insured Deposits Program or a money market mutual fund, depending on the account type. Generally, each account is eligible for a single sweep product chosen specifically for that account type. Retail individual brokerage accounts (including investment advisory accounts), and business advisory or brokerage accounts are swept to the Dreyfus Insured Deposits P – Tiered Rate Product ("DIDP"), individual retirement accounts (IRAs) other than SIMPLE IRAs (SEPs) are swept to the Dreyfus Insured Deposits LF – Level Fee Product ("DILF"), and all ERISA Title I

accounts are swept to the Dreyfus Government Cash Management – Investor Shares (“DGVXX”) money market mutual fund.

For deposit accounts in the DIDP program, Pershing receives a fee from each participating bank receiving swept funds (each a “Program Bank”) equal to a percentage of the average daily deposits at the Program Banks. Pershing shares the fee with CFS and a third-party administrator. The combined fee paid to CFS, Pershing, and the administrator will not exceed 4% per year on the average daily balances held in all deposit accounts taken in the aggregate. CFS receives a substantial portion of this fee but not more than 3.30% per year. For IRAs, CFS receives a level monthly fee for each IRA that participates in the DILF program. The amount of this fee is determined based on a fee schedule indexed to the Federal Fund Target Rate published by the Federal Reserve System. The per account monthly fee will be no less than \$0.58 and no more than \$20.59. It is generally anticipated that the fee CFS charges will be offset by the total amounts paid to us by the Program Banks. If CFS does not receive sufficient payments each month from the Program Banks, CFS reserves the right to debit your IRA account for the amount of any shortfall.

Your deposits at each Program Bank are limited to \$246,500, or \$493,000 for a joint account (98.5% of the deposit insurance limit). Once this amount is reached at a Program Bank, additional amounts are deposited in subsequent Program Banks in amounts not to exceed \$246,500 at each Program Bank. Any amounts deposited above the \$2.490 million program maximum (\$4.980 million for joint accounts) will be placed in shares of the DGVXX money market mutual fund and will not be covered by FDIC insurance.

For additional information on the DIDP and DILF program, please see the disclosure statement and terms and conditions booklets available on [cusonet.com/disclosures](http://cusonet.com/disclosures).

The DGVXX money market mutual fund is eligible for protection by the Securities Investor Protection Corporation (“SIPC”). SIPC does not protect against the rise and fall in the value of investments.

You may elect to turn off (i.e., opt out of) the automatic sweep feature by contacting your IAR. If you opt out, any cash balances in your account will remain as free credit balances and will not earn interest or be eligible for FDIC insurance but will remain eligible for SIPC coverage if maintained for the purpose of purchasing securities.

Depending on interest rates and other market factors, the yields on the DIDP and DILF will be higher or lower than the aggregate fees received by CFS for your participation in the sweep programs. When yields are lower, this results in a negative overall return with respect to cash balances in a sweep program. Interest rates applicable to DIDP or DILF are often lower than the interest rates available if you make deposits directly with a bank or other depository institution outside of CFS’s brokerage platform or invest in a money market mutual fund or other cash equivalent.

CFS receives more revenue when cash is swept into DIDP or DILF than if your cash was invested in other products, including money market mutual funds. Therefore, CFS has an incentive to place and maintain your assets in the DIDP and DILF programs to earn more income, which creates a conflict of interest. A further conflict of interest arises as a result of the financial incentive for CFS to recommend and offer the DIDP due to CFS’s control of certain functions. CFS sets the interest rate tiers and the amount of the fee it receives for the DIDP, which generates additional compensation for CFS. The compensation CFS receives for DIDP and

DILF is in addition to any remuneration CFS and your IAR receive in connection with other transactions executed within your account for which advisory fees or other charges apply. We mitigate these types of conflicts by ensuring that your IAR does not receive any compensation from these sweep payments, and by maintaining policies and procedures to ensure that any recommendations made to you are in your best interest. You should compare the terms, interest rates, required minimum amounts, and other features of the sweep program with other types of accounts and investments for cash. The sweep products have limited purpose and are not meant as a long-term investment or a cash alternative.

The DIDP and DILF programs are available only to clients of broker-dealers such as CFS that clear through Pershing. Pershing is a wholly owned indirect subsidiary of The Bank of New York Mellon Corporation and is affiliated with (a) The Bank of New York Mellon, a NY state-chartered bank, and BNY Mellon, National Association, a national banking association, both of which participate as Program Banks in DIDP and DILF, (b) Dreyfus Cash Solutions, a division of BNY Mellon Securities Corporation, which is a service provider for DIDP and DILF, and (c) Dreyfus, a division of BNY Mellon Investment Adviser, Inc. and the investment manager of the Dreyfus money market mutual fund made available to accounts not eligible for DIDP or DILF.

#### Digital Investment Program

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for Funds across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS&Co. provides us and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to CS&Co. retail customers. However, certain retail customers may be able to get institutional brokerage services from Schwab without going through us. CS&Co. 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. CS&Co.'s support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS&Co.'s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co.'s support services:

CS&Co.'s institutional 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 Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS&Co.'s services described in this paragraph generally benefit the client and the client's account.

CS&Co. also makes available to us other products and services that benefit us but do not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co. 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 and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

CS&Co. also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology and business consulting;
- Consulting on legal and related compliance needs;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

CS&Co. provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. CS&Co. also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources. The availability of services from CS&Co. benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the Program, as described above under Item 4 Advisory Business, we do not pay SPT fees for the Platform so long as we maintain \$100 Million in client assets in accounts at CS&Co. that are not enrolled in the Program. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of CS&Co. as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of CS&Co.'s services and not Schwab's services that benefit only us.

CFS receives an economic benefit from Schwab in the form of the support products and services it makes available to us. You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the arrangements because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **Item 13 – Review of Accounts**

In order to fulfill its obligation to supervise IARs, CFS has established written supervisory policies and procedures concerning IARs' management of client accounts. CFS provides IARs with investment guidelines and restrictions and periodically reviews client trading, as described below to ensure compliance with CFS's guidance and policies.

For clients receiving Advisory Services from CFS, the IAR and/or CFS generally conduct reviews of accounts, at a minimum, on an annual basis. Financial plans are generally reviewed based on the arrangement between the IAR and client. IARs who have entered into an ongoing planning arrangement with a client generally review plans either on an annual basis or as changes to the client's financial circumstances occur. Clients are informed that if their investment objectives or financial condition change during the course of their investment program they should notify their IAR or CFS. This notification will trigger an account review. An IAR can introduce advisory clients to third party money managers or other investment advisory firms. These sponsors provide reporting, monitoring, and review services as described in their respective contracts with the client.

Clients will receive, at a minimum, quarterly account statements describing positions and activity. CFS does not provide the statements. Statements are provided by the custodian of the account. CFS urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. For any month there is additional activity in the account, the client will receive monthly statements detailing that month's activity.

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

As discussed below and elsewhere in this Brochure, CFS receives compensation, which can be substantial, from various parties in connection with providing services to clients. In many instances, this compensation is in addition to any advisory fees that clients pay and is not passed on or credited to clients unless otherwise noted. When evaluating the reasonability of CFS's fees, a client should not consider just the advisory fees CFS charges, but also the other compensation CFS receives.

As further described in Item 12 - Brokerage Practices, CFS receives compensation from Pershing in various forms, including: transition assistance, growth assistance credits, markups to transaction and account activity fees, margin interest, revenue from cash sweep programs, credit interest, and volume discounts on trading costs based on the number of trades processed on the Pershing platform. We also receive economic benefits through our relationship with Schwab.

#### **Solicitation Activities and Receipt of Referral Fees**

From time to time, CFS enters into solicitation agreements with individuals or entities whereby investment advisory accounts are solicited by CFS and referred to another state-registered or SEC-registered investment adviser. In these situations, we are compensated for the referral activity.

CFS also has solicitation arrangements with persons or entities who are not our IARs. If a solicitor will receive any portion of the advisory fee paid by a client, the client will receive a written disclosure statement describing the solicitation arrangement between CFS and the solicitor, including the compensation to be received by the solicitor from CFS.

#### Financial Services Agreements

CFS has entered into financial services agreements (“FSA”) with certain unaffiliated financial institutions (e.g., credit unions) that permit CFS and its IARs to provide investment advisory services to the financial institution’s customers/members. When services are offered in a financial institution, the advisory services are offered by CFS and not the financial institution. Any securities recommended as part of the investment advice are not guaranteed by the financial institution or insured by the Federal Deposit Insurance Corporation or any other federal or state deposit guarantee fund relating to financial institutions. Pursuant to the arrangement, the financial institution acts as a solicitor for CFS and CFS shares compensation with the financial institutions. The compensation varies per financial institution and the maximum payment is 100% of advisory fees for use of the financial institution’s facilities, for referrals and access to financial institution customers. For more specifics on the compensation paid by CFS to the financial institutions, clients may contact the CFS Compliance Department by phone at 858-530-4400 or via email at [complianceadmin@cusonet.com](mailto:complianceadmin@cusonet.com).

#### IAR Compensation

CFS pays the financial institution and/or the IAR compensation of various types. This compensation includes a portion of the advisory fee you pay us, which may be more or less than what the financial institution and/or IAR would receive at another advisory firm. An IAR who earns over an annual threshold amount is eligible for a percentage payout increase on future compensation. In addition, we offer financial incentives, in the form of cash bonuses and forgivable (“compensatory”) loans, to reward IARs for increasing their assets serviced or annual revenue. Certain IARs are employed by another financial services company or individual providing financial services from which these IARs receive a salary or bonus for their services in addition to their CFS compensation. Whenever compensation is based on the assets serviced or annual revenue, an IAR has a conflict of interest and financial incentive to meet those revenue or asset levels in order to receive increased compensation, including by encouraging you to increase the amount of assets in your account.

CFS, and the financial institution, have an obligation to supervise IARs and may decide to terminate an IAR’s association with CFS and/or the financial institution based on performance, a disciplinary event, or other factors. The amount of assets serviced or revenue generated by an IAR creates a conflict of interest when considering whether to terminate an IAR.

#### Other Benefits

Financial institutions and IARs who meet internal criteria (which includes, but is not limited to, revenue generated from sales of products and services) are eligible to receive certain benefits pursuant to special incentive programs. These benefits include eligibility for practice management support and enhanced service support levels that confer a variety of benefits, conferences (e.g., for education, networking, training,

and personal and professional development), and other non-cash compensation. These benefits also include free or reduced cost marketing materials, reimbursement or credits of fees that financial institutions and/or IARs pay to CFS for items such as administrative services or technology, and payments that can be in the form of repayable or compensatory loans (e.g., for retention purposes or to assist an IAR grow his or her advisory practice).

The availability of these benefits presents a conflict of interest because a financial institution and the IAR have an incentive to recommend to clients our investment products and services and to remain with CFS to receive these benefits.

#### Recruitment Compensation and Operational Assistance

CFS provides recruitment and other financial incentives to IARs or financial institutions transitioning from other financial services firms to CFS. This transition assistance includes payments that are intended to assist a financial institution and/or an IAR with costs associated with the transition; however, we do not verify that any payments made are actually used by the financial institution or IAR for transition costs. Transition assistance payments can be used for a variety of purposes such as providing working capital to assist in funding the IAR's business, offsetting account transfer fees payable to the custodian as a result of the clients transitioning to CFS's platforms, technology set-up fees, marketing, mailing and stationery costs, registration and licensing fees, moving and office space expenses, staffing support and termination fees associated with moving accounts.

In certain situations involving the transfer of client accounts from a third party platform to CFS's platform, existing financial institution is eligible to receive a flat-dollar amount of to assist with offsetting the estimated time and expense he/she incurs to complete the account transfer process, as well as, replacing marketing and sales material with the new disclosure information.

These payments can be in the form of repayable and/or compensatory loans, and are subject to favorable interest rate terms, as compared to other lenders. In the case of compensatory loans, the loans are forgiven if a financial institution or IAR continues his or her association with CFS for a certain period of time or if the financial institution or IAR meets other conditions, which can include a requirement to maintain a certain level of assets or generate a certain amount of revenue at CFS. A financial institution or IARs receipt of a loan from CFS presents a conflict of interest in that the financial institution or IAR has a financial incentive to maintain a relationship with CFS and recommend CFS to clients.

The amount of recruitment compensation provided by CFS is often substantial in relation to the overall revenue earned or compensation received by the financial institution or the IAR at his or her prior firm. Such recruitment compensation is typically based on the size of a financial institution or IAR's business established at the prior firm, for example, a percentage of the revenue earned, or assets serviced at the prior firm, or on the size of the assets that transition to CFS. Recruitment compensation provided to financial institutions or IARs does not directly benefit clients. You should consider the recruitment compensation your financial institution and/or IAR receives in evaluating the reasonableness of the compensation arrangement between you, your IAR, and CFS.



### Pacesetters Conference

Each year, CFS holds a conference that recognizes and offers additional training to IAR's based on the prior year's production or commissions within a specified range that places the IAR among the leaders of each firm. Depending on the level of production, top producers receive complimentary attendance (waiver of registration fees), a subsidy to cover all or a portion of their airfare plus one guest, complimentary lodging, meals and some IARs also receive a gift card for services provided by the resort. The Pacesetters Conference may provide an incentive for IARs to recommend investment products based on the compensation received, rather than on a client's needs. These financial incentives create a conflict of interest. To mitigate this conflict of interest, we routinely monitor our advisory programs and in particular we monitor activity more closely as IAR production nears Pacesetter levels. Additionally, we monitor client accounts to ensure that the recommended services and products are consistent with your stated goals and objectives and maintain policies, such as minimum account openings, to ensure the account is appropriate for the applicable advisory program or service. For more specifics on the amount of compensation that your IAR received, if any, related to the Pacesetters Conference, please contact the CFS Compliance Department at 800-686-4724 or via email at [complianceadmin@cusonet.com](mailto:complianceadmin@cusonet.com).

### Growth Incentives

CFS provides financial incentives to reward financial institutions and/or IARs for increasing their assets serviced or annual revenue by specific amounts in the form of cash bonuses and compensatory loans.

### Conflicts of Interest

A conflict of interest is created when CFS provides financial incentives to financial institutions and/or IARs for moving assets to CFS or increasing their assets serviced or annual revenue at CFS. The conflict of interest is due to the IAR having a financial incentive to maintain his or her relationship with CFS, transition assets to CFS, and recommend investment products or services that generate more revenue as compared to other investments in order to receive a benefit or payment.

We attempt to mitigate these conflicts by reviewing our client accounts and transactions to ensure that we have a reasonable basis to believe the recommended services and transactions are consistent with a client's stated goals, objectives, preferences, and needs and are in the client's best interest. However, you should be aware of this conflict and take it into consideration in deciding whether to establish or maintain a relationship with CFS and your IAR. Further information about CFS and your IAR's source of compensation and conflicts of interest is described in our Brokerage Services Disclosure Summary on our website under Disclosures ([www.cusonet.com/disclosures](http://www.cusonet.com/disclosures)).

### Other Compensation

As discussed below and elsewhere in this Brochure, CFS receives compensation, which can be substantial, from various parties in connection with providing services to clients. This compensation is in addition to any fees clients pay, is not passed on or credited to clients unless otherwise noted, and offsets the cost to CFS of providing services to clients. If CFS did not receive this compensation, CFS would likely need to impose higher fees or other charges to clients for services provided by CFS. When evaluating the reasonableness of CFS's

fees, a client should consider not just the account fees CFS charges, but also the other compensation CFS receives. Further details are available on request.

#### Indirect Compensation and Revenue Sharing

CFS receives compensation and/or fees (also referred to as revenue sharing or marketing support) from certain mutual fund sponsors (including money market funds), insurance (fixed and variable product) issuers, UIT, ETF, alternative investments, and structured product sponsors, and unaffiliated investment advisers that sponsor, manage, and/or promote the sale of certain products that are available to our clients. Product sponsors and third-party money managers (“Partners”) pay this compensation to CFS in what we call our Partners Program.

Partners pay different amounts of revenue sharing and receive different levels of benefits for their payments. These payments can be substantial and, as such, creates a conflict of interest for CFS because the payments constitute additional revenue to CFS and can influence the selection of investments and services CFS and/or our IARs offer or recommend to clients. CFS seeks to mitigate this conflict of interest by not sharing revenue sharing payments with our IARs. An IAR’s compensation is the same regardless of whether a sale involves a Partners Program product or service. In some cases, Partners pay additional marketing payments to CFS to cover fees to attend conferences or reimburse expenses for workshops or seminars. The payments made under our Partners Program are calculated based either on gross sales or assets under management, or on a flat fee arrangement, and vary by Partner. When Partners pay a flat fee (or marketing allowance) it is negotiated annually. This payment assists with costs related to education, training, conference attendance, reimbursement for workshops or seminars and marketing materials for our IARs. We do not share any marketing allowance with our IARs.

The benefits Partners receive include IAR contact lists, business metrics, preferred placement on our website, participation in product training initiatives and marketing and sales campaigns, and the ability to participate in our conferences.

We use the revenue from our Partners to support certain marketing, training, and educational initiatives including our conferences and events. The conferences and events provide a venue to communicate new products and services to our registered representatives and IARs, to offer training to them and their support staff, and to keep them abreast of regulatory requirements. The revenue is also used to pay for annual awards for our registered representatives and IARs who generate the most revenue overall and to pay for our general marketing expenses. A CFS registered representative or IAR who earns total compensation over a threshold amount receives an award, in the form of a trophy, medal, or plaque, and is invited to attend CFS’s top producer conference. Revenue from Partners helps to pay for top producer conference costs. Top producing CFS registered representatives and IARs receive conference benefits based on total revenues, including but not limited to sales of Partners’ mutual funds, annuities, structured products, and ETFs.

We prepare and make available to our IARs a quarterly list of Partners’ mutual funds and ETFs that have been screened for investment performance against other Partners’ funds with similar objectives and asset classes (the “Select Fund List” or “List”). CFS and our IARs have a conflict of interest when an IAR chooses or recommends an investment from the Select Fund List for your portfolio because CFS receives revenue sharing fees from the mutual fund or ETF sponsor. Our receipt of such payment influences our selection of mutual funds and ETFs, as our IARs are likely to recommend a fund or ETF whose sponsor pays us revenue

sharing fees over a fund or ETF whose sponsor does not pay us.

You do not pay more to purchase funds from the List through CFS than you would pay to purchase these funds through another broker-dealer, and your IAR does not receive additional compensation for selecting a fund from the List. IARs are not required to choose or recommend investments from the Select Fund List.

CFS also receives compensation from certain Third-Party Advisers to assist in paying for ongoing marketing and sales support activities including training, educational meetings, due diligence reviews, and day-to-day marketing and/or promotional activities. Not all Third-Party Advisers pay such compensation and participating Third-Party Advisers change over time.

The compensation arrangements vary and are generally structured as a fixed dollar amount or as a percentage of sales or assets under management with the adviser.

A conflict of interest exists where CFS receives such compensation because there is an incentive to recommend these Third-Party Advisers over other investment advisers in order to generate additional revenue for the firm. However, our IARs are not required to recommend any Third-Party Adviser providing additional compensation, nor do they directly share in any of this compensation.

Our IARs receive additional compensation from product sponsors. However, such compensation is not tied to the sales of any products. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospects. Product sponsors sometimes also pay for or reimburse us for the costs associated with education or training events that are attended by our IARs and for CFS-sponsored conferences and events. We also receive reimbursement from product sponsors for technology-related costs associated with investment proposal tools they make available to our IARs for use with clients.

To see CFS's Third-Party Compensation Disclosure, which identifies the participants in the Partners Program, along with revenue sharing arrangements by product type, please visit [www.cusonet.com/disclosures](http://www.cusonet.com/disclosures). We encourage you to review this information in the entirety and contact us with any questions.

## **Item 15 – Custody**

CFS has limited custody of clients' funds and/or securities when clients authorize us to deduct our management fees directly from the client's account. CFS is also deemed to have custody of a client's funds and/or securities when a client has on file a standing letter of authorization ("SLOA") with the account custodian to move money from a client's account to a third party and under the SLOA authorizes us to designate, based on your standing instructions (which you may change or terminate), the amount or timing of the transfers. CFS complies with the SEC's Custody Rule including engaging an independent public accountant to verify funds and securities of which it is deemed to have custody at least once a year.

CFS has an arrangement with Custodians to provide clearance and custody of accounts. The Custodian: (a) maintains custody of all account assets, (b) executes and performs clearance of purchase and sale orders in accounts, and (c) performs all custodial functions customarily performed with respect to securities brokerage

accounts, including but not limited to the crediting of interest and dividends on account assets. The Custodian delivers client account statements as well as confirmation of each purchase and sale to you. You can agree in writing to receive transaction information at least quarterly via a quarterly confirmation report in lieu of a trade-by-trade confirmation, where there is an allowable option. The Custodian acts as the general administrator of each account, which includes collecting account fees on CFS's behalf and processing, pursuant to CFS's instructions, deposits to and withdrawals from the account. The Custodians do not assist clients in selecting CFS or any investment objective or in determining suitability. You retain ownership of all cash, securities, and other instruments in the account.

Pershing serves as a qualified custodian of assets for all Contour and the CFS Asset Management advisory accounts.

You should receive at least quarterly statements from the Custodian. We urge you to compare the holdings listed on the custodian's statement to those listed on reports CFS or your IAR provides. If you have a question about a discrepancy, you should direct it to your IAR. If the IAR is unable to adequately address your concern, you should contact CFS at the phone number on the cover page of this Brochure.

In some instances, clients participate in TPIA programs that are not sponsored by CFS. In those situations, clearance and custody of securities is determined by the program sponsor. You should refer to the sponsor's Form ADV Part 2A for complete details regarding those programs.

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

With the exception of the CFS Asset Management Account and certain Contour APM program accounts, CFS IARs generally do not exercise investment discretion over client assets.

Upon written authorization from the client within the investment advisory agreement for the CFS Asset Management Account, the IAR will provide discretionary management services with respect to mutual fund and ETF holdings. The discretionary authority is limited only to affecting trades within the account; the IAR will determine the security and the amount to be bought or sold without obtaining the prior consent of the client. The IAR will not have discretionary authority with respect to other investment vehicles within the CFS Asset Management Account.

In Contour APM accounts, which are generally non-discretionary accounts, upon written authorization from the client within an amendment to the Contour account agreement, the IAR provides advisory services on a discretionary basis for the purchase and sale of mutual funds, ETFs, closed-end funds and UITs. For other types of securities approved by CFS for investment in the account, advisory services are provided on a non-discretionary basis, however the IAR is granted limited discretionary authority to reallocate subaccounts within fee-based annuities held by the client in the Program. In some cases, the client may provide full discretionary authorization to the IAR for equities, fixed income securities and options. The client authorizes the IAR to have discretion by executing an amendment to the Contour account agreement. The client authorizes limited discretionary authority to invest, reinvest, and otherwise deal with Platform Assets to (a) IAR in the FSP Program; (b) each SMA Manager in the SMA Program; (c) each Sub-Manager for assets allocated to it, and (d) to IAR for assets allocated to Other Investments according to Client's Investment Profile and to select and allocate assets among Model Providers and Sub-Managers. Such discretionary authority allows the authorized party to make all investment decisions with

respect to the Account and, when it deems appropriate and without prior consultation with Client, to buy, sell, exchange, convert, and otherwise trade Platform Assets. In addition, with respect to the UMA and FSP Programs, Client authorizes (a) IAR limited discretionary authority that IAR may delegate to Envestnet in its capacity as overlay manager subject to the terms set forth above; and (b) the IAR limited discretionary authority to replace Model Providers and Sub- Managers (UMA Program only) in accordance with the Client's previously determined client profile and risk tolerance information.

In addition, third party advisers will be granted the authority to select investments for clients on a discretionary basis within certain advisory accounts described in this brochure. Discretionary authority includes the authority to determine the security and the amount to be bought or sold without obtaining the prior consent of the client. This discretionary authority is obtained by the third party as part of a written client agreement and is signed by the client.

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

Neither CFS nor its IARs will take any action nor give any advice with respect to voting of proxies solicited by, or with respect to, the issuers of securities in which your assets are invested.

In Contour, you authorize SMA Managers, Sub-Managers, or Envestnet, as applicable, in writing to exercise discretion in voting or otherwise acting on all matters for which a security holder vote, consent, election or similar action is solicited by, or with respect to, issuers of securities beneficially held as part of the Platform Assets in SMA or UMA accounts. You can revoke this authority by providing written instructions.

Unless you agree in writing to proxy delegation, all proxy materials will be sent directly to you. Any proxy materials inadvertently received by CFS or our IARs will be forwarded to you for direct action and you retain the right to vote such proxies solicited for securities held in the investment advisory account.

You can obtain a copy of our proxy voting policies and procedures upon request, by contacting CFS at the phone number on the front of this Brochure.

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

CFS is not required to include a balance sheet in this Brochure because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

There is no financial condition that is reasonably likely to impair CFS's ability to meet contractual commitments to its clients. CFS has never been the subject of a bankruptcy proceeding.