

**FORM ADV PART 2A BROCHURE**

**CONNECTUS WEALTH, LLC**

**Firm Brochure for  
business unit doing business as (“DBA”)  
CONNECTUS PRIVATE**

**95 Merrick Way – 3rd Floor  
Coral Gables, FL 33134  
646-560-4000**

**Item 1 – Cover Page**

**March 26, 2024**

This Brochure provides information about the qualifications and business practices of Connectus Wealth, LLC DBA Connectus Private. If you have any questions regarding the contents of this Brochure, please do not hesitate to contact our Chief Compliance Officer, Andy Warning, by telephone at (513)832-5463 or by email at [andy.warning@dinsmorecomplianceservices.com](mailto:andy.warning@dinsmorecomplianceservices.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Connectus Wealth, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. Additional information about Connectus Wealth, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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**Item 2 – Material Changes**

Per this annual amendment dated March 26, 2024, we are disclosing the following changes:

Disclosure of Pontera Solutions, Inc. which is a system used for management of client held away accounts. Please see further information provided in Items 4 and 5.

On August 31, 2023, investment vehicles affiliated with Clayton, Dubilier & Rice, LLC (“CD&R”) and Stone Point Capital LLC (“Stone Point”) indirectly acquired Focus Financial Partners Inc. (“Focus Inc.”). This transaction resulted in investment vehicles affiliated with CD&R collectively becoming majority owners of Focus Financial Partners, LLC (“Focus LLC”) and investment vehicles affiliated with Stone Point collectively becoming owners of Focus LLC. Because Connectus is an indirect, wholly-owned subsidiary of Focus LLC, the CD&R and Stone Point investment vehicles are indirect owners of Connectus. Items 4 and 10 have been revised to reflect this new ownership structure.

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions through UPTIQ Treasury & Credit Solutions, LLC (together with UPTIQ, Inc. and its affiliates, “UPTIQ”) and Flourish Financial LLC (“Flourish”). UPTIQ is compensated by sharing in the revenue earned by such third-party institutions for serving our clients. When legally permissible, UPTIQ and Flourish each shares a portion of this earned revenue with an affiliate of our firm. The affiliate distributes this revenue to us when we are licensed to receive such revenue (or when no such license is required) and the distribution is not otherwise legally prohibited. Further information on this conflict of interest is available in Items 4, 5, and 10 of this Brochure. You may request a copy of this Brochure by contacting our Chief Compliance Officer, Andy Warning, by telephone at (513)832-5463 or by email at [andy.warning@dinsmorecomplianceservices.com](mailto:andy.warning@dinsmorecomplianceservices.com).

## **Item 4 - Advisory Business**

### **A. Description of the Advisory Firm**

Connectus Wealth, LLC (“Connectus” or the “Firm”) is an SEC registered investment adviser. Connectus’ registration as an investment adviser does not imply a certain level of skill or training. The oral and written communications that the Firm provides to you, including this Brochure, is information that you should use in your decision to hire the Firm or continue a professional relationship with the Firm.

This Brochure provides specific information relating to the division of Connectus doing business as Connectus Private. Connectus is part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, Connectus is a wholly-owned indirect subsidiary of Focus LLC. Ferdinand FFP Acquisition, LLC is the sole managing member of Focus LLC. Ultimate governance of Focus LLC is conducted through the board of directors at Ferdinand FFP Ultimate Holdings, LP. Focus LLC is majority-owned, indirectly and collectively, by investment vehicles affiliated with Clayton, Dubilier & Rice, LLC (“CD&R”). Investment vehicles affiliated with Stone Point Capital LLC (“Stone Point”) are indirect owners of Focus LLC. Because Connectus is an indirect, wholly-owned subsidiary of Focus LLC, CD&R and Stone Point investment vehicles are indirect owners of Connectus.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers and other firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

Connectus is managed by Molly Bennard (“Connectus Principal”), who serves as an officer of Connectus and, in that capacity, is responsible for the management, supervision and oversight of Connectus.

Connectus is a consortium of advisers who provide customized investment advice through a series of independently operated brands. Connectus Wealth provides investment management and wealth management investment advisory services, as described in greater detail below.

### **B. Types of Advisory Services**

Connectus provides discretionary and non-discretionary investment advisory services and holistic and personalized financial planning services to individuals, including high net worth individuals, and entities, including, but not limited to, family offices, trusts, estates, private foundations, and qualified retirement plans. Connectus intends to acquire various advisory practices (each a “Group”) across the United States, each of which will have its own individual differences in the services it provides to the clients it serves.

The order management system that we use for held-away accounts is provided by Pontera Solutions, Inc. We review, monitor, and manage these held-away accounts in an integrated way with client accounts held at our clients’ primary custodian(s). Further information about this service is available in Item 5.

We offer tax preparation services under the trade name Connectus Accountants. Please see Item 10 for further details.

### **Investment Management and Wealth Management Services**

Connectus offers investment management services on both a discretionary basis and a non-discretionary basis. The investment advice provided is customized to each client's individual investment objectives and financial needs. The information provided by the client, together with any other information relating to the client's overall financial circumstances, will be used by Connectus to determine the appropriate portfolio asset allocation and investment strategy for the client. Financial planning services also are provided, if the adviser and client agree that financial planning services would be helpful to the client.

The securities utilized by Connectus for investment in client accounts could potentially include mutual funds, exchange traded funds (ETFs), equity securities, corporate bonds, real estate investment trusts (REITs), variable annuities, alternative investments and private investment funds, among others, based on our determination of whether and how such investments fit within a client's objectives and are in the best interest of our clients.

Connectus further could potentially recommend to certain clients that all or a portion of their investment portfolio be managed on a discretionary basis by one or more unaffiliated money managers or investment platforms ("External Managers"). In some cases, the client will be required to enter into a separate agreement with the External Manager(s), which will set forth the terms and conditions of the client's engagement of the External Manager. Connectus also assists in establishing the client's investment objectives for the assets managed by External Managers, monitors and reviews the account performance and defines any restrictions on the account. The investment management fees charged by the designated External Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, the advisory fee charged by Connectus.

#### Investment Management Services for Qualified Retirement Plans

Discretionary Investment Advisory Services to Plans: When serving in a discretionary investment advisory capacity for a Plan, Connectus is in the status defined by section 3(38) of the Employee Retirement Income Security Act of 1974 ("ERISA"). As a discretionary investment adviser to qualified retirement plans ("Plans") Connectus assumes the fiduciary responsibility for the selection, monitoring and replacement of the investment options of the Plan. As an initial action step, Connectus seeks to obtain the investment policy statement for the Plan that details the methodologies and criteria utilized to define the style universe of investment options, the specific investment options to be utilized and the ongoing criteria for monitoring and replacing investment options. If the Plan does not have an investment policy statement, Connectus may assist the Plan sponsor/trustees of the Plan in drafting an investment policy statement. In instances where an investment policy statement is not available, Connectus will collect information from the Plan sponsor/trustees determined necessary for Connectus's provision of services to the Plan.

In its role as a 3(38) fiduciary, Connectus is only responsible for those Plan investments selected by Connectus and Connectus has no responsibility for any other Plan investments maintained in the Plan by direction of the Plan sponsor/trustees or any other person or entity. As an example, employer securities and investments held in a directed brokerage account are not subject to any fiduciary responsibility or duty on the part of Connectus. Furthermore, the Plan sponsor/trustees should be aware that when Connectus assumes the investment responsibilities by serving as a 3(38) fiduciary, the Plan sponsor/trustees retain all of their fiduciary duties, obligations and responsibilities pursuant to applicable law.

Non-Discretionary Investment Advisory Services to Plans: When serving in a non-discretionary investment advisory capacity for a Plan, Connectus is in the status defined by section 3(21) of ERISA. In this capacity, Connectus assumes no fiduciary responsibility for the completion of an investment policy statement or any aspect of the definition, selection, maintenance or replacement of any Plan investment options. In this non-

discretionary role, Connectus provides information to the Plan sponsor/trustees regarding investment option style parameters and performance reporting. The Plan sponsor/trustees exercise full authority over the selection of Plan investment options and may, or may not, utilize the information provided by Connectus as part of their decision-making process.

Other Services for Plans: As part of providing the discretionary or non-discretionary investment services to Plans, Connectus may provide certain information and services to the Plan and the Plan sponsor/trustees. These other services are designed to assist the Plan sponsor/trustees in meeting their management and fiduciary obligations to the Plan. The other services may consist of the following:

- Assist with platform provider search and Plan set-up;
- Plan review;
- Plan fee and cost review;
- Acting as third-party service provider liaison;
- Plan participant education and communication;
- Plan benchmarking;
- Assist with Plan conversion to new vendor platform; and
- Assistance in Plan merger.

#### Additional Information Regarding ERISA Plans and Individual Retirement Accounts

As detailed above, Connectus is a fiduciary under ERISA with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. Connectus is also a fiduciary under the Internal Revenue Code (the “IRC”) with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, individual retirement accounts and individual retirement account owners (collectively “Retirement Account Clients”). As such, Connectus is subject to specific duties and obligations under ERISA and the IRC, that include, among other things, prohibited transaction rules that are intended to prohibit fiduciaries from acting while under conflicts of interest. When a fiduciary is faced with giving advice when it has a conflict of interest, the fiduciary must either rely upon a prohibited transaction exemption (a “PTE”) or avoid or eliminate the conflict before giving such advice.

As a fiduciary, we have duties of care and of loyalty to you and are subject to obligations imposed on us by the federal and state securities laws. As a result, you have certain rights that you cannot waive or limit by contract. Nothing in our agreement with you should be interpreted as a limitation of our obligations under the federal and state securities laws or as a waiver of any unwaivable rights you possess.

#### Financial Planning and Consulting Services

Connectus offers personalized comprehensive financial planning services to set forth goals, objectives and implementation strategies for the client over the long-term. Depending upon individual client requirements and the Group providing services, the comprehensive financial plan could include recommendations for retirement planning, educational planning, estate planning, cash flow planning, tax planning and insurance

needs and analysis. Connectus prepares and provides the financial planning client with a written comprehensive financial plan and performs quarterly, semi-annual or annual reviews of the plan with the client, dependent on the client's needs in accordance with the financial planning agreement. Clients must notify us promptly anytime there is a change in their financial situation, goals, objectives, or needs and/or if there is any material change to the financial information initially provided to us.

Clients are under no obligation to implement any of the recommendations provided in their written financial plan. However, should a client decide to proceed with the implementation of the investment recommendations then the client can either have Connectus implement those recommendations or utilize the services of any investment adviser or broker-dealer of their choice.

Connectus cannot provide any guarantees or promises that a client's financial goals and objectives will be met.

#### Additional Information Regarding Services and Business Arrangements

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions through UPTIQ Treasury & Credit Solutions, LLC (together with UPTIQ, Inc. and its affiliates, "UPTIQ") and Flourish Financial LLC ("Flourish"). Please see Items 5 and 10 for a fuller discussion of these services and other important information.

We help our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to our affiliate, Focus Risk Solutions, LLC ("FRS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. Please see Items 5 and 10 for a fuller discussion of these services and other important information.

#### **C. Client-Tailored Advisory Services**

Connectus provides portfolio management services designed to meet a variety of client investment objectives. Client portfolios are managed on the basis of clients' individual financial situation and investment objectives. Clients may impose reasonable restrictions on the management of their accounts if Connectus determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for Connectus's management efforts. Connectus in its sole discretion may reject any restrictions, even reasonable restrictions, requested by clients.

#### **D. Information Received From Clients**

Connectus will not assume any responsibility for the content or accuracy of the information provided by clients to Connectus, and clients are solely responsible for the content and accuracy of such information. Connectus is not obligated to verify any information received from a client or other professionals (e.g., attorney, accountant) designated by a client, and Connectus is expressly authorized by the client to rely on such information without taking any steps to verify it. Under all circumstances, clients are responsible for promptly notifying Connectus in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance.

**E. Assets Under Management**

As of December 31, 2023, Connectus maintains \$ 8,537,464,270 in discretionary assets under management and \$137,005,738 in non-discretionary assets under management totaling \$8,674,470,008 in assets under management.

**Item 5 - Fees and Compensation**

Connectus charges fees based on a percentage of assets under management as well as fixed fees and hourly fees, depending on the particular types of services to be provided. The specific fees charged by Connectus for services provided will be set forth in each client's Agreement.

For certain clients, we charge an advisory fee for services provided with respect to the held-away accounts mentioned above in Item 4, just as we do with client accounts held at our primary custodians. The specific fee schedule charged by us is provided in the client's investment advisory agreement with us.

**A. Financial Planning and Investment Management Services****Fees for Investment Management Services**

Connectus charges an annual advisory fee that is agreed upon with each client and set forth in an agreement executed by Connectus and the client. If fixed, the advisory fee will be specified on the fee schedule as set forth in the agreement executed by Connectus and the client. If based on a percentage of the value of assets under management, the advisory fee shall be paid quarterly in advance based on the market value of the assets in the preceding quarter as provided by third-party sources. Market value of publicly-traded securities shall be determined using average daily value. Market value of privately offered securities shall be determined based on the most recent available, potentially delayed, information provided by the manager. Cash, accrued interest and the value of securities purchased on margin are included for billing purposes, unless the Firm determines otherwise, in its discretion.

The annual advisory fee ranges up to 2.00% annually and varies based on a number of factors. We provide asset management services to a variety of clients, either directly or as end users through intermediaries such as other financial advisers, trusts and brokerage firms. The nature, scope of services and fees for each arrangement therefore will vary.

**Fees for Investment Management Services to Retirement Plans**

Retirement plan advisory clients will be charged an annual fixed fee or an asset-based fee. The annual fixed fees range and asset-based fees vary depending on the complexity of the services provided. The fees are billed on timeframes and procedures as determined by the plan administrator for retirement plan advisory clients and, therefore, differ among retirement plan advisory clients.

**Fees for Financial Planning and Consulting Services**

As discussed above, basic financial planning services are an included service in the investment management services we provide to clients. Clients that are receiving comprehensive financial planning services for an additional fee are charged a fixed fee upon Connectus' completion and delivery of the financial planning services as agreed upon between the client and Connectus. The fixed fee is dependent upon the scope of financial planning services provided and the complexity of a client's plan. The fixed fee ranges up to \$20,000. Actual fees charged are clearly outlined in the financial planning agreement and clients receive

invoices reflecting the amount of the fee due and payable. Please refer to “Additional Information Regarding Fees” below for more detailed information regarding fees paid by Connectus clients.

Notwithstanding the foregoing, Connectus and the client may choose to negotiate an annual advisory fee that varies from the ranges set forth above. Factors upon which a different annual advisory fee may be based include, but are not limited to, the size and nature of the relationship, the services rendered, the nature and complexity of the products and investments involved, time commitments, and travel requirements. The advisory fee charged by the Firm will apply to all of the client’s assets under management unless certain assets are specifically excluded in the client agreement. The advisory fee may include the financial planning services described above. Although Connectus believes that its fees are competitive, clients should understand that lower fees for comparable services may be available from other sources and firms.

The investment advisory agreement between Connectus and the client may be terminated at will by either Connectus or the client upon written notice to the other. Connectus does not impose termination fees when the client terminates the investment advisory relationship, except when agreed upon in advance.

We do not receive any compensation from SCS in connection with assets that our clients place in SCS’s pooled investment vehicles. Connectus Wealth’s clients are not advisory clients of and do not pay advisory fees to SCS. However, our clients bear the costs of SCS’s investment vehicle or vehicles in which they are invested, including any management fees and performance fees payable to SCS.

The allocation of Connectus Wealth client assets to SCS’s pooled investment vehicles, rather than to an unaffiliated investment manager, increases SCS’s compensation and the revenue to Focus LLC relative to a situation in which our clients are excluded from SCS’s pooled investment vehicles. As a consequence, Focus LLC has a financial incentive to cause us to recommend that our clients invest in SCS’s pooled investment vehicles.

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions through UPTIQ Treasury & Credit Solutions, LLC (together with UPTIQ, Inc. and its affiliates, “UPTIQ”) and Flourish Financial LLC (“Flourish”). Focus Financial Partners, LLC (“Focus”) is a minority investor in UPTIQ, Inc. UPTIQ is compensated by sharing in the revenue earned by such third-party financial institutions for serving our clients. The revenue paid to UPTIQ also benefits UPTIQ Inc.’s investors, including Focus, our parent company. When legally permissible, UPTIQ also shares a portion of this earned revenue with our affiliate, Focus Solutions Holdings, LLC (“FSH”). For non-residential mortgage loans made to our clients, UPTIQ will share with FSH up to 25% of all revenue it receives from such third-party financial institutions. For securities-backed lines of credit (“SBLOCs”) made to our clients, UPTIQ will share with FSH up to 75% of all revenue it receives from such third-party financial institutions. For cash management products and services provided to our clients, UPTIQ will share with FSH up to 33% of all revenue it receives from the third-party financial institutions and other intermediaries that provide administrative and settlement services in connection with this program. As noted above, Flourish facilitates cash management solutions for our clients. When legally permissible, Flourish pays FSH a revenue share of up to 0.10% of the total amount of cash held in Flourish cash accounts by our clients. This earned revenue is indirectly paid by our clients through an increased interest rate charged by the third-party financial institutions or, for cash balances, a lowered yield. FSH distributes this revenue to us when we are licensed to receive such revenue (or when no such license is required) and the distribution is not otherwise legally prohibited. Further information on this conflict of interest is available in Item 10 of this Brochure.

We help our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to our affiliate, Focus Risk Solutions, LLC (“FRS”), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. FRS has arrangements with certain third-party insurance brokers (the “Brokers”) under which the Brokers assist our clients with regulated insurance sales activity. If FRS refers one of our clients to a Broker and there is a subsequent purchase of insurance through the Broker, then FRS will receive a portion of the upfront and/or ongoing commissions paid to the Broker by the insurance carrier with which the policy was placed. The amount of revenue earned by FRS for the sale of these insurance products will vary over time in response to market conditions. The amount of insurance commission revenue earned by FRS is considered for purposes of determining the amount of additional compensation that certain of our financial professionals are entitled to receive. The amount of revenue earned by FRS for a particular insurance product will also differ from the amount of revenue earned by FRS for other types of insurance products. Further information on this conflict of interest is available in Item 10 of this Brochure.

## **B. Payment of Fees**

Connectus generally deducts its advisory fee from a client’s investment account(s) held at his/her custodian. Upon engaging Connectus to manage such account(s), a client grants Connectus this limited authority through a written instruction to the custodian of his/her account(s). The client is responsible for verifying the accuracy of the calculation of the advisory fee; the custodian will not determine whether the fee is accurate or properly calculated. *See* Section A herewith for further information on fee billing. A client may utilize the same procedure for financial planning or consulting fees if the client has investment accounts held at a custodian.

Although clients generally are required to have their investment advisory fees deducted from their accounts, in some cases, Connectus will directly bill a client for investment advisory fees if it determines, in its sole discretion, that such billing arrangement is appropriate and acceptable given the circumstances.

The custodian of the client’s accounts provides each client with a statement, at least quarterly, indicating separate line items for all amounts disbursed from the client’s account(s), including any fees paid directly to Connectus.

Clients may make additions to and withdrawals from their account at any time, subject to Connectus’s right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets at any time on notice to Connectus, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. Connectus may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g. contingent deferred sales charges) and/or tax ramifications.

## **C. Clients Responsible for Fees Charged by Financial Institutions and External Money Managers**

In connection with Connectus’s management of an account, a client will incur fees and/or expenses associated with the investment of their assets that are separate from and in addition to Connectus’s advisory fee. These additional fees may include transaction charges and the fees/expenses charged by any custodian, subadvisor, mutual fund, ETF, separate account manager (and the manager’s platform manager, if any), limited partnership, other investment adviser, or other investment vehicle, transfer taxes, odd lot

differentials, exchange fees, interest charges, ADR processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law, retirement plan account fees (where applicable), margin interest, brokerage commissions, mark-ups or mark-downs and other transaction-related costs, electronic fund and wire fees, and any other fees that reasonably may be borne by a brokerage account. For External Managers, clients should review each manager's Form ADV 2A disclosure brochure and any contract they sign with the External Manager (in a dual contract relationship). The client is responsible for all such fees and expenses. Please see Item 12 of this brochure regarding brokerage practices.

#### **D. Prepayment of Fees**

As noted in Item 5(B) above, Connectus's advisory fees generally are paid in advance. Upon the termination of a client's advisory relationship, Connectus will issue a refund equal to any unearned management fee for the remainder of the quarter. The client may specify reasonable means by which such refund should be issued (i.e., a check sent directly to the client or a check sent to the client's custodian for deposit into his/her account).

#### **E. Outside Compensation for the Sale of Securities or Other Investment Products to Clients**

Connectus does not receive any compensation for securities transactions in any client account, other than the investment advisory fees noted above.

### **Item 6 - Performance-Based Fees and Side-by-Side Management**

Connectus does not charge performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Connectus's fees are calculated as described in Item 5 above.

### **Item 7 - Types of Clients**

Connectus offers investment advisory services to individuals, including high net worth individuals, families, family offices, trusts, businesses, charitable foundations, and retirement/profit-sharing plans. Connectus generally seeks a minimum portfolio size or a minimum initial investment of \$500,000 to provide asset management services. However, Connectus does reserve the right to accept clients with portfolios of any size or decline a potential client for any reason in its sole discretion.

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

#### **A. Methods of Analysis and Risk of Loss**

A primary step in Connectus's investment strategy is getting to know the clients – to understand their financial condition, risk profile, investment goals, tax situation, liquidity constraints – and assembling a complete picture of their financial situation. To aid in this understanding, Connectus offers clients financial planning that is tailored to the client's individual circumstances. Once Connectus has an understanding of its clients' needs and goals, the investment process can begin, and the Firm can recommend strategies and investments that it believes are aligned with the client's goals and risk profile.

Connectus primarily employs fundamental analysis methods in developing investment strategies for its clients. Research and analysis from Connectus are based on numerous sources, including third-party

research materials and publicly-available materials, such as company annual reports, prospectuses, and press releases.

Connectus generally employs a long-term investment strategy for its clients, as consistent with their financial goals. At times, the Firm may also buy and sell positions that are more short-term in nature, depending on the goals of the client and/or the fundamentals of the security, sector or asset class.

Client portfolios with similar investment objectives and asset allocation goals may own different securities and investments. The client's portfolio size, tax sensitivity, desire for simplicity, income needs, long-term wealth transfer objectives, time horizon and choice of custodian are all factors that influence Connectus's investment recommendations.

Investing in securities involves a risk of loss. A client can lose all or a substantial portion of his/her investment. A client should be willing to bear such a loss. Some investments are intended only for sophisticated investors and can involve a high degree of risk.

## **B. Material Risks Involved**

Investing in securities involves a significant risk of loss which clients should be prepared to bear. Connectus's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions will not always be profitable. Clients should be aware that there may be a loss or depreciation in the value of the client's account. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made.

Generally, the market value of equity stocks will fluctuate with market conditions, and small-capitalization stock prices will generally, but not always, fluctuate more than large-capitalization stock prices. The market value of fixed income securities will generally fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities; debt securities issued or guaranteed by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities pay fixed or variable rates of interest and include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and will generally, but not always, be more volatile than U.S. investments. Such risks are generally intensified for investments in emerging markets and especially for investments in frontier markets. In addition, there is no assurance that a mutual fund or ETF that invests in the above types of securities will achieve its investment objective. Fluctuations in the values of the above assets, funds and ETFs will be reflected in the clients' accounts and may lead to losses and depreciation of the value of clients' accounts. Past performance of investments is no guarantee of future results.

Additional risks involved in the securities recommended by Connectus include, among others:

- *Stock market risk*, which is the chance that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies,

industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.

- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- *Issuer risk*, which is the risk that the value of a security will decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Non-diversification risk*, which is the risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Value investing risk*, which is the risk that value stocks do not increase in price, not issue the anticipated stock dividends, or decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also may decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks but may lag behind growth stocks in an up market.
- *Growth investing risk*, which is the risk that growth stocks will not increase, and may decrease, in price due to the specific issuing company's performance in increasing revenue, profits and book value. In addition, growth stocks generally trade at a premium valuation and, therefore, may be subject to increased volatility.
- *Smaller company risk*, which is the risk that the value of securities issued by a smaller company will go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.
- *Foreign (non-U.S.) investment risk*, which is the risk that investing in foreign securities result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Risks associated with investing in foreign securities include fluctuations in the exchange rates of foreign currencies that may affect the U.S. dollar value of a security, the possibility of substantial price volatility as a result of political and economic instability in the foreign country, nationalization or other government expropriation of companies' assets, less public information about issuers of securities, different securities regulation, different accounting, auditing and financial reporting standards and less liquidity than in the U.S. markets.
- *Interest rate risk*, which is the chance that prices of fixed income securities decline because of rising interest rates. Similarly, in seeking to reinvest funds in fixed income securities the income from fixed income securities may decline because of falling interest rates.

- *Credit risk*, which is the chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.
- *Exchange Traded Fund (ETF) risk*, which is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values, particularly if, contrary to expectations, institutional investors do not engage in arbitrage to reduce premiums or discounts to net asset value. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.
- *Management risk*, which is the risk that the investment techniques and risk analyses applied by Connectus may not produce the desired results and that legislative, regulatory, or tax developments, affect the investment techniques available to Connectus. There is no guarantee that a client's investment objectives will be achieved.
- *Real Estate risk*, which is the risk that an investor's investments in real estate investment trusts ("REITs") or real estate-linked derivative instruments will subject the investor to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. An investment in REITs or real estate-linked derivative instruments subjects the investor to management and tax risks.
- *Investment Companies ("Mutual Funds") risk*, when an investor invests in mutual funds, the investor will bear additional expenses based on his/her pro rata share of the mutual fund's operating expenses, including the management fees. The risk of owning a mutual fund generally reflects the risks of owning the underlying investments the mutual fund holds as well as the risk that the fund manager deviates from the fund's stated investment objective.
- *Commodity risk*, generally commodity prices fluctuate for many reasons, including changes in market and economic conditions or political circumstances (especially of key energy-producing and consuming countries), the impact of weather on demand, levels of domestic production and imported commodities, energy conservation, domestic and foreign governmental regulation (agricultural, trade, fiscal, monetary and exchange control), international politics and political stability, policies of OPEC, taxation and the availability of local, intrastate and interstate transportation systems and the emotions of the marketplace. The risk of loss in trading commodities can be substantial.
- *Cybersecurity risk*, which is the risk related to unauthorized access to the systems and networks of Connectus and its service providers. The computer systems, networks and devices used by Connectus and service providers to us and our clients to carry out routine business operations

employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. Cybersecurity breaches cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or other compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issues of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers and other financial institutions; and other parties. In addition, substantial costs may be incurred by those entities in order to prevent any cybersecurity breaches in the future.

- *Alternative Investments / Private Funds risk*, investing in alternative investments is speculative, not suitable for all clients, and intended for experienced and sophisticated investors who are willing to bear the high economic risks of the investment, which can include:
- loss of all or a substantial portion of the investment due to leveraging, short-selling or other speculative investment practices;
- lack of liquidity in that there may be no secondary market for the investment, and none expected to develop;
- volatility of returns;
- restrictions on transferring interests in the investment;
- potential lack of diversification and resulting higher risk due to concentration of trading authority when a single adviser is utilized;
- absence of information regarding valuations and pricing;
- delays in tax reporting;
- less regulation and higher fees than mutual funds;
- risks associated with the operations, personnel, and processes of the manager of the funds investing in alternative investments.

Clients are urged to carefully review the private offering memorandum for the relevant fund they are considering investing in for a more detailed description of risks related to the investment.

- *Closed-End Funds risk*, Closed-end funds typically use a high degree of leverage. They may be diversified or non-diversified. Risks associated with closed-end fund investments include

liquidity risk, credit risk, volatility and the risk of magnified losses resulting from the use of leverage. Additionally, closed-end funds may trade below their net asset value indefinitely.

- *Structured Notes risk -*

- *Complexity.* Structured notes are complex financial instruments. Clients should understand the reference asset(s) or index(es) and determine how the note's payoff structure incorporates such reference asset(s) or index(es) in calculating the note's performance. This payoff calculation may include leverage multiplied on the performance of the reference asset or index, protection from losses should the reference asset or index produce negative returns, and fees. Structured notes may have complicated payoff structures that can make it difficult for clients to accurately assess their value, risk and potential for growth through the term of the structured note. Determining the performance of each note can be complex and this calculation can vary significantly from note to note depending on the structure. Notes can be structured in a wide variety of ways. Payoff structures can be leveraged, inverse, or inverse-leveraged, which may result in larger returns or losses. Clients should carefully read the prospectus for a structured note to fully understand how the payoff on a note will be calculated and discuss these issues with Connectus.
- *Market risk.* Some structured notes provide for the repayment of principal at maturity, which is often referred to as "principal protection." This principal protection is subject to the credit risk of the issuing financial institution. Many structured notes do not offer this feature. For structured notes that do not offer principal protection, the performance of the linked asset or index may cause clients to lose some, or all, of their principal. Depending on the nature of the linked asset or index, the market risk of the structured note may include changes in equity or commodity prices, changes in interest rates or foreign exchange rates, and/or market volatility.
- *Issuance price and note value.* The price of a structured note at issuance will likely be higher than the fair value of the structured note on the date of issuance. Issuers now generally disclose an estimated value of the structured note on the cover page of the offering prospectus, allowing investors to gauge the difference between the issuer's estimated value of the note and the issuance price. The estimated value of the notes is likely lower than the issuance price of the note to investors because issuers include the costs for selling, structuring and/or hedging the exposure on the note in the initial price of their notes. After issuance, structured notes may not be re-sold on a daily basis and thus may be difficult to value given their complexity. Also, after issuance, structured notes may drop in value immediately after issuance for some or all of the above reasons and not recover such value until and unless they are redeemed at the end of their term.
- *Liquidity.* The ability to trade or sell structured notes in a secondary market is often very limited, as structured notes (other than exchange-traded notes known as ETNs) are not listed for trading on securities exchanges. As a result, the only potential buyer for a structured note may be the issuing financial institution's broker-dealer affiliate or the broker-dealer distributor of the structured note. In addition, issuers often specifically disclaim their intention to repurchase or make markets in the notes they issue. Clients should, therefore, be prepared to hold a structured note to its maturity date, or risk selling the note at a discount to its value at the time of sale.

- *Credit risk.* Structured notes are unsecured debt obligations of the issuer, meaning that the issuer is obligated to make payments on the notes as promised. These promises, including any principal protection, are only as good as the financial health of the structured note issuer. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any other payments that may be due on the structured notes.

### Use of External Managers

Connectus will select certain External Managers to manage a portion of certain of its clients' assets. In these situations, the success of such recommendations relies to a great extent on the External Managers' ability to successfully implement their investment strategies. In addition, Connectus generally will not have the ability to supervise the External Managers on a day-to-day basis.

### **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 the adviser and the integrity of the adviser's management. Connectus has no information applicable to this Item.

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

#### Recommendation of External Managers

Connectus may recommend that clients use External Managers based on clients' needs and suitability. Connectus does not receive separate compensation, directly or indirectly, from such External Managers for recommending that clients use their services. Connectus does not have any other business relationships with the recommended External Managers.

#### Focus Financial Partners

As noted above in response to Item 4, certain investment vehicles affiliated with CD&R collectively are indirect majority owners of Focus LLC, and certain investment vehicles affiliated with Stone Point are indirect owners of Focus LLC. Because Connectus is an indirect, wholly-owned subsidiary of Focus LLC, CD&R and Stone Point investment vehicles are indirect owners of Connectus.

#### Credit and Cash Management Solutions

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions through UPTIQ Treasury & Credit Solutions, LLC (together with UPTIQ, Inc. and its affiliates, "UPTIQ") and Flourish Financial LLC ("Flourish"). These third-party financial institutions are banks and non-banks that offer credit and cash management solutions to our clients, as well as certain other unaffiliated third parties that provide administrative and settlement services to facilitate UPTIQ's cash management solutions. UPTIQ acts as an intermediary to facilitate our clients' access to these credit and cash management solutions. Flourish acts as an intermediary to facilitate our clients' access to cash management solutions.

We are a wholly owned subsidiary of Focus Financial Partners, LLC (“Focus”). Focus is a minority investor in UPTIQ, Inc. UPTIQ is compensated by sharing in the revenue earned by such third-party financial institutions for serving our clients. The revenue paid to UPTIQ also benefits UPTIQ Inc.’s investors, including Focus. When legally permissible, UPTIQ also shares a portion of this earned revenue with our affiliate, Focus Solutions Holdings, LLC (“FSH”). For non-residential mortgage loans made to our clients, UPTIQ will share with FSH up to 25% of all revenue it receives from the third-party financial institutions. For securities-backed lines of credit (“SBLOCs”) made to our clients, UPTIQ will share with FSH up to 75% of all revenue it receives from such third-party financial institutions. For cash management products and services provided to our clients, UPTIQ will share with FSH up to 33% of all revenue it receives from the third-party financial institutions and other intermediaries that provide administrative and settlement services in connection with this program. As noted above, Flourish facilitates cash management solutions for our clients. When legally permissible, Flourish pays FSH a revenue share of up to 0.10% of the total amount of cash held in Flourish cash accounts by our clients. This earned revenue is indirectly paid by our clients through an increased interest rate charged by the third-party financial institutions for credit solutions or reduced yield paid by the providers of cash management solutions. FSH distributes this revenue to us when we are licensed to receive such revenue (or when no such license is required) and the distribution is not otherwise legally prohibited. This revenue is also revenue for FSH’s and our common parent company, Focus. Additionally, the volume generated by our clients’ transactions allows Focus to negotiate better terms with UPTIQ and Flourish, which benefits Focus and us. Accordingly, we have a conflict of interest when recommending UPTIQ’s and Flourish’s services to clients because of the compensation to us and to our affiliates, FSH and Focus, and the transaction volume to UPTIQ and Flourish. We mitigate this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering UPTIQ’s and Flourish’s solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use UPTIQ’s and Flourish’s services will receive product-specific disclosure from the third-party financial institutions and other unaffiliated third-party intermediaries that provide services to our clients.

We have an additional conflict of interest when we recommend credit solutions to our clients because our interest in continuing to receive investment advisory fees from client accounts gives us a financial incentive to recommend that clients borrow money rather than liquidate some or all of the assets we manage.

### Credit Solutions

Clients retain the right to pledge assets in accounts generally, subject to any restrictions imposed by clients’ custodians. While credit solution programs that we offer facilitate secured loans through third-party financial institutions, clients are free instead to work directly with institutions outside such programs. Because of the limited number of participating third-party financial institutions, clients may be limited in their ability to obtain as favorable loan terms as if the client were to work directly with other banks to negotiate loan terms or obtain other financial arrangements.

Clients should also understand that pledging assets in an account to secure a loan involves additional risk and restrictions. A third-party financial institution has the authority to liquidate all or part of the pledged securities at any time, without prior notice to clients and without their consent, to maintain required collateral levels. The third-party financial institution also has the right to call client loans and require repayment within a short period of time; if the client cannot repay the loan within the specified time period, the third-party financial institution will have the right to force the sale of pledged assets to repay those loans. Selling assets to maintain collateral levels or calling loans may result in asset sales and realized losses in a declining market, leading to the permanent loss of capital. These sales also may have adverse

tax consequences. Interest payments and any other loan-related fees are borne by clients and are in addition to the advisory fees that clients pay us for managing assets, including assets that are pledged as collateral. The returns on pledged assets may be less than the account fees and interest paid by the account. Clients should consider carefully and skeptically any recommendation to pursue a more aggressive investment strategy in order to support the cost of borrowing, particularly the risks and costs of any such strategy. More generally, before borrowing funds, a client should carefully review the loan agreement, loan application, and other forms and determine that the loan is consistent with the client's long-term financial goals and presents risks consistent with the client's financial circumstances and risk tolerance.

We use UPTIQ to facilitate credit solutions for our clients.

### Cash Management Solutions

For cash management programs, certain third-party intermediaries provide administrative and settlement services to our clients. Engaging the third-party financial institutions and other intermediaries to provide cash management solutions does not alter the manner in which we treat cash for billing purposes. Clients should understand that in rare circumstances, depending on interest rates and other economic and market factors, the yields on cash management solutions could be lower than the aggregate fees and expenses charged by the third-party financial institutions, the intermediaries referenced above, and us. Consequently, in these rare circumstances, a client could experience a negative overall investment return with respect to those cash investments. Nonetheless, it might still be reasonable for a client to participate in a cash management program if the client prefers to hold cash at the third-party financial institutions rather than at other financial institutions (e.g., to take advantage of FDIC insurance).

We use UPTIQ and Flourish to facilitate cash management solutions for our clients.

### Focus Risk Solutions

We help clients obtain certain insurance products from unaffiliated insurance companies by introducing clients to our affiliate, Focus Risk Solutions, LLC ("FRS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC ("Focus"). FRS acts as an intermediary to facilitate our clients' access to insurance products. FRS has agreements with certain third-party insurance brokers (the "Brokers") under which the Brokers assist our clients with regulated insurance sales activity.

If FRS refers one of our clients to a Broker and there is a subsequent purchase of insurance through the Broker, FRS will receive a portion of the upfront and/or ongoing commissions paid to the Broker by the insurance carrier with which the policy was placed. The amount of revenue earned by FRS for the sale of these insurance products will vary over time in response to market conditions. The amount of insurance commission revenue earned by FRS is considered for purposes of determining the amount of additional compensation that certain of our financial professionals are entitled to receive. The amount of revenue earned by FRS for a particular insurance product will also differ from the amount of revenue earned by FRS for other types of insurance products. This revenue is also revenue for our and FRS's common parent company, Focus. Accordingly, we have a conflict of interest when recommending FRS's services to clients because of the compensation to certain of our financial professionals and to our affiliates, FRS and Focus. We address this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering FRS solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use FRS's services will receive product-specific disclosure from the

Brokers and insurance carriers and other unaffiliated third-party intermediaries that provide services to our clients.

The insurance premium is ultimately dictated by the insurance carrier, although in some circumstances the Brokers or FRS may have the ability to influence an insurance carrier to lower the premium of the policy. The final rate may be higher or lower than the prevailing market rate, and may be higher than if the policy was purchased directly through the Broker without the assistance of FRS. We can offer no assurances that the rates offered to you by the insurance carrier are the lowest possible rates available in the marketplace.

As stated earlier in this brochure, we offer tax preparation services under the trade name Connectus Accountants. Focus LLC has a financial incentive to encourage us to recommend that our clients engage Connectus Accountants, for tax preparation services. We have fully and fairly disclosed the material facts regarding this relationship in this brochure, and clients are free to accept or disregard the recommendation, as they wish.

We do not believe the Focus Partnership presents a material conflict of interest with our clients. Connectus Wealth has no business relationship with other Focus firms that is material to our advisory business or to our clients, with one exception. As stated earlier in Items 4 and 5 of this Brochure, under certain circumstances we offer our clients the opportunity to invest in pooled investment vehicles managed by SCS. SCS provides these services to such clients pursuant to limited partnership agreement documents and in exchange for a fund-level management fee and performance fee paid by our clients and not by us. SCS, like Connectus Wealth, is an indirect wholly owned subsidiary of Focus LLC and is therefore under common control with Connectus Wealth. The allocation of our clients' assets to SCS's pooled investment vehicles, rather than to an unaffiliated investment manager, increases SCS's compensation and the revenue to Focus LLC relative to a situation in which our clients are excluded from SCS's pooled investment vehicles. As a consequence, Focus LLC has a financial incentive to cause Connectus Wealth to recommend that our clients invest in SCS's pooled investment vehicles, which creates a conflict of interest with those Connectus Wealth clients who invest in SCS's pooled investment vehicles. More information about Focus LLC can be found at [www.focusfinancialpartners.com](http://www.focusfinancialpartners.com).

We believe this conflict is mitigated because of the following factors: (1) this arrangement is based on our judgment that investing a portion of Connectus Wealth's clients' assets in SCS's investment vehicles is in the best interests of the affected clients; (2) SCS and its investment vehicles have met the due diligence and performance standards that we apply to outside, unaffiliated investment managers; (3) clients will invest in the pooled investment vehicles on a nondiscretionary basis through the completion of subscription documentation; (4) subject to redemption restrictions, we are willing and able to reallocate Connectus Wealth client assets to other unaffiliated investment vehicles, in part or in whole, if SCS's services become unsatisfactory in our judgment and at our sole discretion; and (5) we have fully and fairly disclosed the material facts regarding this relationship to you, including in this Brochure, and Connectus Wealth clients who invest in SCS's pooled investment vehicles have given their informed consent to those investments.

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

#### **A. Description of Code of Ethics**

Connectus has a Code of Ethics (the "Code") which requires Connectus's supervised persons to comply with their legal obligations and fulfill the fiduciary duties owed to the Firm's clients. Among other things, the Code of Ethics sets forth policies and procedures related to conflicts of interest, outside business

activities, gifts and entertainment, compliance with insider trading laws and policies and procedures governing personal securities trading by supervised persons.

Personal securities transactions of supervised persons present potential conflicts of interest with the price obtained in client securities transactions or the investment opportunity available to clients. The Code addresses these potential conflicts by prohibiting securities trades that would breach a fiduciary duty to a client and requiring, with certain exceptions, supervised persons to report their personal securities holdings and transactions to Connectus for review by the Firm's Chief Compliance Officer. The Code also requires supervised persons to obtain pre-approval of certain investments, including initial public offerings and limited offerings.

Connectus Wealth recommends that certain of our clients invest in a private investment fund managed by an affiliated Focus partner firm. Please refer to Items 4, 5 and 10 for additional information.

Connectus will provide a copy of the Code of Ethics to any client or prospective client upon request.

## **Item 12 – Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker-Dealers**

Connectus generally recommends that its investment management clients utilize the custody and brokerage services of an unaffiliated broker/dealer custodians (a "BD/Custodian") with which Connectus has an institutional relationship. Currently, this includes Charles Schwab & Co., Inc, TD Ameritrade, Inc. ("TD") Pershing Advisor Solutions LLC ("Pershing") and Fidelity Institutional Wealth Services ("Fidelity"), each of which are a "qualified custodian" as that term is defined in Rule 206(4)-2 of the Advisers Act. Each BD/Custodian provides custody of securities, trade execution, and clearance and settlement of transactions placed on behalf of clients by Connectus. If your accounts are custodied at a B/D Custodian, the B/D Custodian will hold your assets in a brokerage account and buy and sell securities when we instruct them to. Clients will pay fees to the B/D Custodian for custody and the execution of securities transactions in their accounts.

In making BD/Custodian recommendations, Connectus will consider a number of judgmental factors, including, without limitation: 1) clearance and settlement capabilities; 2) quality of confirmations and account statements; 3) the ability of the BD/Custodian to settle the trade promptly and accurately; 4) the financial standing, reputation and integrity of the BD/Custodian; 5) the BD/Custodian's access to markets, research capabilities, market knowledge, and any "value added" characteristics; 6) Connectus's past experience with the BD/Custodian; and 7) Connectus's past experience with similar trades. Recognizing the value of these factors, clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction.

Connectus participates in the institutional adviser programs offered by B/D Custodians. B/D Custodians offer without cost to Connectus (and other institutional advisers who participate in these programs) computer software and related systems support that allow Connectus to monitor and service its clients' accounts maintained with the B/D Custodians. The B/D Custodians also make available to the Firm products and services that benefit the Firm but may not directly benefit the client or the client's account. These products and services assist Connectus in managing and administering client accounts. They include both proprietary and third-party investment research. Connectus may use this research to service all or some substantial number of client accounts, including accounts not maintained at the B/D Custodian providing

the investment research. In addition to investment research, B/D Custodians also make 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.

B/D Custodians also offer, either through themselves or through arrangements with third-party vendors, other services intended to help us manage and further develop our business enterprise. These services include:

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

B/D Custodians also periodically provide the Firm with other benefits such as occasional business entertainment of Firm personnel.

Connectus (DBA MCC) is the beneficiary of an agreement with Pershing, pursuant to which Pershing has agreed to pay approved adviser invoices for transition, marketing or technology expenses of up to \$520,000 through April 2025. The agreement with Pershing is premised upon the expectation that client assets custodied at Pershing will exceed a threshold, and Pershing reserves the right to require repayment in the event that client assets held at Pershing decline by more than 25% during the term of the agreement. This agreement with Pershing creates an incentive for us to recommend that clients custody their assets at Pershing and to discourage clients from moving their assets from Pershing to other custodians.

We also have soft dollar credits from client securities transactions placed with Pershing. These soft-dollar credits transferred to us when the clients joined our firm and are used to acquire research we use in formulating investment strategies and evaluating investment decisions. The soft dollar credits are a benefit to us because we do not have to pay for research that is paid with soft dollars. In conjunction with Pershing's decision to offer commission-free trading, we no longer collect soft-dollar credits and the soft dollar arrangement has effectively been terminated. Our existing balance of credits will continue to be used for research until the balance has been depleted.

The benefits received by Connectus through its participation in the B/D Custodian institutional adviser programs do not depend on the amount of brokerage transactions directed to B/D Custodians. In addition, there is no corresponding commitment made by Connectus to B/D Custodians to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result

of participation in the program. While as a fiduciary we endeavor to act in our clients' best interests, the services and benefits offered by B/D Custodians are a potential conflict of interest in that they provide an incentive for us to recommend that clients maintain their assets with B/D Custodians who provide them over B/D Custodians who do not provide such services and benefits, and this may indirectly influence Connectus's recommendation for custody and brokerage services.

Connectus will periodically review its arrangements with the BD/Custodians and other broker-dealers against other possible arrangements in the marketplace as it strives to achieve best execution on behalf of its clients. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including, but not limited to, the following:

- a broker-dealer's trading expertise, including its ability to complete trades, execute and settle difficult trades, obtain liquidity to minimize market impact and accommodate unusual market conditions, maintain anonymity, and account for its trade errors and correct them in a satisfactory manner;
- a broker-dealer's infrastructure, including order-entry systems, adequate lines of communication, timely order execution reports, an efficient and accurate clearance and settlement process, and capacity to accommodate unusual trading volume;
- a broker-dealer's ability to minimize total trading costs while maintaining its financial health, such as whether a broker-dealer can maintain and commit adequate capital when necessary to complete trades, respond during volatile market periods, and minimize the number of incomplete trades;
- a broker-dealer's ability to provide research and execution services, including advice as to the value or advisability of investing in or selling securities, analyses and reports concerning such matters as companies, industries, economic trends and political factors, or services incidental to executing securities trades, including clearance, settlement and custody; and
- a broker-dealer's ability to provide services to accommodate special transaction needs, such as the broker-dealer's ability to execute and account for client-directed arrangements and soft dollar arrangements, participate in underwriting syndicates, and obtain initial public offering shares.

Connectus's clients may utilize qualified custodians other than Connectus for certain accounts and assets, particularly where clients have a previous relationship with such qualified custodians.

#### Brokerage for Client Referrals

Connectus does not select or recommend BD/Custodians based solely on whether or not it may receive client referrals from a BD/Custodian or third party.

#### Client-Directed Brokerage

Generally, in the absence of specific instructions to the contrary, for brokerage accounts that clients engage Connectus to manage on a discretionary basis, Connectus has full discretion with respect to securities transactions placed in the accounts. This discretion includes the authority, without prior notice to the client, to buy and sell securities for the client's account and establish and affect securities transactions through the

BD/Custodian of the client's account or other broker-dealers selected by Connectus. In selecting a broker-dealer to execute a client's securities transactions, Connectus seeks prompt execution of orders at favorable prices.

A client, however, may instruct Connectus to custody his/her account at a specific broker-dealer and/or direct some or all of his/her brokerage transactions to a specific broker-dealer. In directing brokerage transactions, a client should consider whether the commission expenses, execution, clearance, settlement capabilities, and custodian fees, if any, are comparable to those that would result if Connectus exercised its discretion in selecting the broker-dealer to execute the transactions. Directing brokerage to a particular broker-dealer may involve the following disadvantages to a directed brokerage client:

- Connectus's ability to negotiate commission rates and other terms on behalf of such clients could be impaired;
- such clients could be denied the benefit of Connectus's experience in selecting broker-dealers that are able to efficiently execute difficult trades;
- opportunities to obtain lower transaction costs and better prices by aggregating (batching) the client's orders with orders for other clients could be limited; and
- the client could receive less favorable prices on securities transactions because Connectus may place transaction orders for directed brokerage clients after placing batched transaction orders for other clients.

In addition to accounts managed by Connectus on a discretionary basis where the client has directed the brokerage of his/her account(s), certain institutional accounts may be managed by Connectus on a non-discretionary basis and are held at custodians selected by the institutional client. The decision to use a particular custodian and/or broker-dealer generally resides with the institutional client. Connectus endeavors to understand the trading and execution capabilities of any such custodian and/or broker-dealer, as well as its costs and fees. Connectus may assist the institutional client in facilitating trading and other instructions to the custodian and/or broker-dealer in carrying out Connectus's investment recommendations.

#### Trade Errors

Connectus's goal is to execute trades seamlessly and in the best interests of the client. In the event a trade error occurs, Connectus endeavors to identify the error in a timely manner, correct the error so that the client's account is in the position it would have been had the error not occurred, and, after evaluating the error, assess what action(s) might be necessary to prevent a recurrence of similar errors in the future.

Trade errors generally are corrected through the use of a "trade error" account or similar account at the client's B/D Custodian, as the case may be. Policies of the B/D Custodian where the error account is held will determine the treatment of gains and losses resulting from trade errors, including whether losses from trade errors are permitted to be offset by gains from other trade errors posted to the account. In the event an error is made in a client account custodied elsewhere, Connectus works directly with the broker in question to take corrective action. In all cases, Connectus will take the appropriate measures to return the client's account to its intended position.

## **B. Trade Aggregation**

To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which the Firm's supervised persons may invest, the Firm will generally do so in a fair equitable manner in accordance with applicable rules promulgated under the Advisers Act and guidance provided by the staff of the SEC and consistent with policies and procedures established by the Firm.

### **Item 13 – Review of Accounts**

#### **A. Periodic Reviews**

##### **Financial Planning and Consulting Services Account Reviews**

Upon completion of the financial plan, the services of Connectus are completed, unless the client and Connectus have contractually agreed to ongoing reviews or other services. If ongoing reviews or other services are agreed to by Connectus and the client, we generally meet with our clients on an annual basis; however, more frequent reviews are not uncommon. The nature of the annual review is to evaluate the client's progress from the previous year based on their goals and objectives. Connectus will collaborate with the client to update their financial information (i.e. insurance, investments, assets, income and expenses) and craft their yearly financial planning reports. Financial planning reports are written and may consist of a net worth statement, cash flow statement, estimated tax projections, education analysis, retirement analysis, insurance needs analysis, estate tax calculation, and an investment analysis. Reviews are conducted by an advisor of Connectus who is appropriately licensed to provide financial planning services.

##### **Investment Management and Qualified Plan Client Account Reviews**

While investment management accounts and qualified plan client accounts are monitored on an ongoing basis, Connectus's investment adviser representatives seek to have at least one annual meeting with each client to conduct a formal review of the clients' accounts. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made.

#### **B. Other Reviews and Triggering Factors**

In addition to the periodic reviews described above, reviews may be triggered by changes in personal, tax or financial status. Other events that may trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify Connectus of any changes in his/her/its personal financial situation that might affect his/her investment needs, objectives, or time horizon.

#### **C. Regular Reports**

Written brokerage statements are generated no less than quarterly and are sent directly from the qualified custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived.

Certain Groups at Connectus may also determine to provide account statements and other reporting to clients on a periodic basis. Connectus also provides account reports during client meetings.

Clients are urged to carefully review all custodial account statements and compare any statements and reports provided by Connectus to the custodial account statements. Connectus statements and reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

##### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients**

Connectus does not receive benefits from third parties for providing investment advice to clients.

The Firm's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include Connectus, other Focus firms, and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Connectus. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Connectus. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Connectus to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Connectus. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entities have provided conference sponsorship to Focus from January 1, 2023 to March 1, 2024:

Orion Advisor Technology, LLC

TriState Capital Bank

StoneCastle Network, LLC

Charles Schwab & Co., Inc.

Fidelity Brokerage Services LLC

Fidelity Institutional Asset Management LLC

You can access a more recently updated list of recent conference sponsors on Focus' website through the following link: <https://focusfinancialpartners.com/conference-sponsors/>

##### **B. Compensation to Non-Supervised Persons for Client Referrals**

Connectus has arrangements in place with certain third parties, called promoters, under which such promoters refer clients to us in exchange for a percentage of the advisory fees we collect from such referred clients. Such compensation creates an incentive for the promoters to refer clients to us, which is a conflict of interest for the promoters. Rule 206(4)-1 of the Advisers Act addresses this conflict of interest by, among other things, requiring disclosure of whether the promoter is a client or a non-client and a description of the material conflicts of interest and material terms of the compensation arrangement with the

promoter. Accordingly, we require promoters to disclose to referred clients, in writing: whether the promoter is a client or a non-client; that the promoter will be compensated for the referral; the material conflicts of interest arising from the relationship and/or compensation arrangement; and the material terms of the compensation arrangement, including a description of the compensation to be provided for the referral.

#### Participation in Fidelity Wealth Advisor Solutions®.

Connectus participates in the Fidelity Wealth Advisor Solutions® Program (the “WAS Program”), through which Connectus receives referrals from Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser and Fidelity Investments company. Connectus is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control Connectus, and FPWA has no responsibility or oversight for Connectus’ provision of investment management or other advisory services. Under the WAS Program, FPWA acts as a solicitor for Connectus, and Connectus pays referral fees to FPWA for each referral received based on the assets under management attributable to each client referred by FPWA or members of each client’s household. The WAS Program is designed to help investors find an independent investment adviser, and any referral from FPWA to Connectus does not constitute a recommendation or endorsement by FPWA of Connectus’ particular investment management services or strategies. More specifically, Connectus pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as “fixed income” assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, Connectus has agreed to pay FPWA a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by Connectus, not by the client. To receive referrals from the WAS Program, Connectus must meet certain minimum participation 33 criteria, but Connectus may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of its participation in the WAS Program, Connectus may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and Connectus may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Connectus as part of the WAS Program. Under an agreement with FPWA, Connectus has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV Part 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, Connectus has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when our fiduciary duties would so require, and Connectus has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in a client account that is transferred from FPWA’s affiliates to another custodian; therefore, Connectus may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit our duty to select brokers on the basis of best execution.

#### **Item 15 – Custody**

We have legal custody over client assets when we have the authority to debit our fees from their custodial account, when clients give us the authority to instruct their account custodian to direct transfers to third parties (“SLOAs”) and when our supervised persons serve as trustee or in another fiduciary capacity for advisory clients. The custody rule under the Advisers Act requires, when SEC-registered investment advisers have custody over client assets, that they be held with a “qualified custodian” as detailed in Item 12.

The SEC generally requires verification by surprise examination of client assets where advisers have custody, and we are required to obtain a custody audit to verify the client accounts for which supervised persons serve as trustee or in another fiduciary capacity for advisory clients. The SEC has exempted the authority to debit fees, and provided no-action relief from the audit requirement to advisers who have SLOA's, provided that certain conditions are met.

The BD/Custodians who hold client assets send statements to our clients, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Connectus. Connectus encourages clients to review the official statements provided by the custodian, and to compare such statements with any reports or other statements received from Connectus. For more information about custodians and brokerage practices, see "Item 12 - Brokerage Practices."

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

Clients generally provide Connectus with investment discretion on their behalf, pursuant to a grant of a limited power of attorney contained in Connectus's client agreement. By granting Connectus investment discretion, a client authorizes Connectus to direct securities transactions and determine which securities are bought and sold, the total amount to be bought and sold, and the costs at which the transactions will be effected. Clients may impose reasonable limitations in the form of specific constraints on any of these areas of discretion with the consent and written acknowledgement of Connectus if Connectus determines, in its sole discretion, that the conditions would not materially impact the performance of a management strategy or prove overly burdensome for Connectus. See also Item 4(C), Client-Tailored Advisory Services.

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

The process of voting proxies covers a broad, far-reaching array of decisions concerning capital structure, election of independent board members, approval of auditors, and much more. Connectus has contracted with Broadridge Investor Solutions, Inc. (Broadridge), to assist in this process. Connectus has developed its set of policies and procedures regarding proxy voting in compliance with the SEC's requirements.

This statement illustrates the various aspects of this policy and, in particular, how Connectus votes for your accounts.

#### **A. Conflicts of Interest**

In the course of voting proxies, Connectus may occasionally encounter situations where there could be perceived conflicts of interest. Such potential instances may include, for example, Connectus having a:

1. Business relationship with a proponent of a proxy proposal that could conceivably influence how we vote for you;
2. Business or personal relationship with participants in a proxy contest, corporate directors or candidates for directorships;
3. Financial interest in the outcome of a vote, such as receiving distribution fees.

Regarding voting issues in which a material conflict of interest is present, Connectus will generally cast votes as per the independent, third party recommendation provided by Broadridge. In the event there is a conflict of interest in which Connectus is compelled to vote *against* the recommendation of Broadridge,

Connectus will fully disclose to clients the nature of the conflict and also seek consent regarding our vote on the issue.

## **B. Client Access to Policy and Voting Records**

All clients will receive a copy of the Firm's Proxy Voting Policy upon signing up for services from Connectus that delegate us as the fiduciary in charge of their assets. Furthermore, clients may contact Connectus at any time to request records detailing how Connectus voted on their behalf for securities held in their accounts. Should clients lose their copy of Connectus's Proxy Voting Policy, they may contact us utilizing the information on the cover page of this Brochure at any time to receive a new document.

## **C. Connectus Proxy Voting Guidelines Summary**

Connectus uses Broadridge to provide proxy voting analysis voting recommendations. The following is a summary of Broadridge's proxy voting policy guidelines applied by Connectus. A complete, 76-page list may be obtained by contacting Connectus.

### Auditors

Vote FOR proposals to ratify auditors, unless any of the following apply:

- An auditor has a financial interest in or association with the company, and is therefore not independent
- Fees for non-audit services are excessive, or
- There is reason to believe that the independent auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position.

### Board of Directors

#### Voting on Director Nominees in Uncontested Elections

Votes on director nominees should be made on a CASE-BY-CASE basis, examining the following factors: independence of the board and key board committees, attendance at board meetings, corporate governance provisions and takeover activity, long-term company performance, responsiveness to shareholder proposals, any egregious board actions, and any excessive non-audit fees or other potential auditor conflicts.

#### Classification/Declassification of the Board

Vote AGAINST proposals to classify the board. Vote FOR proposals to repeal classified boards and to elect all directors annually.

Independent Chairman (Separate Chairman/CEO)

Vote on a CASE-BY-CASE basis shareholder proposals requiring that the positions of chairman and CEO be held separately. Because some companies have governance structures in place that counterbalance a combined position, certain factors should be taken into account in determining whether the proposal warrants support. These factors include the presence of a lead director, board and committee independence, governance guidelines, company performance, and annual review by outside directors of CEO pay.

Majority of Independent Directors/Establishment of Committees

Vote FOR shareholder proposals asking that a majority or more of directors be independent unless the board composition already meets the proposed threshold by Broadridge's definition of independence.

Vote FOR shareholder proposals asking that board audit, compensation, and/or nominating committees be composed exclusively of independent directors if they currently do not meet that standard.

Shareholder RightsShareholder Ability to Act by Written Consent

Vote AGAINST proposals to restrict or prohibit shareholder ability to take action by written consent.

Vote FOR proposals to allow or make easier shareholder action by written consent.

Shareholder Ability to Call Special Meetings

Vote AGAINST proposals to restrict or prohibit shareholder ability to call special meetings.

Vote FOR proposals that remove restrictions on the right of shareholders to act independently of management.

Supermajority Vote Requirements

Vote AGAINST proposals to require a supermajority shareholder vote.

Vote FOR proposals to lower supermajority vote requirements.

Cumulative Voting

Vote AGAINST proposals to eliminate cumulative voting.

Vote proposals to restore or permit cumulative voting on a CASE-BY-CASE basis relative to the company's other governance provisions.

### Confidential Voting

Vote FOR shareholder proposals requesting that corporations adopt confidential voting, use independent vote tabulators and use independent inspectors of election, as long as the proposal includes a provision for proxy contests as follows: In the case of a contested election, management should be permitted to request that the dissident group honor its confidential voting policy. If the dissidents agree, the policy remains in place. If the dissidents will not agree, the confidential voting policy is waived.

Vote FOR management proposals to adopt confidential voting.

### Proxy Contests

#### Voting for Director Nominees in Contested Elections

Votes in a contested election of directors must be evaluated on a CASE-BY-CASE basis, considering the factors that include the long-term financial performance, management's track record, qualifications of director nominees (both slates), and an evaluation of what each side is offering shareholders.

#### Reimbursing Proxy Solicitation Expenses

Vote CASE-BY-CASE. Where the provider recommends in favor of the dissidents, we also recommend voting for reimbursing proxy solicitation expenses.

### Poison Pills

Vote FOR shareholder proposals that ask a company to submit its poison pill for shareholder ratification. Review on a CASE-BY-CASE basis shareholder proposals to redeem a company's poison pill and management proposals to ratify a poison pill.

### Mergers and Corporate Restructurings

Vote CASE-BY-CASE on mergers and corporate restructurings based on such features as the fairness opinion, pricing, strategic rationale, and the negotiating process.

### Reincorporation Proposals

Proposals to change a company's state of incorporation should be evaluated on a CASE-BY-CASE basis, giving consideration to both financial and corporate governance concerns, including the reasons for reincorporating, a comparison of the governance provisions, and a comparison of the jurisdictional laws. Vote FOR reincorporation when the economic factors outweigh any neutral or negative governance changes.

## Capital Structure

### Common Stock Authorization

Votes on proposals to increase the number of shares of common stock authorized for issuance are determined on a CASE-BY-CASE basis using a model developed by Broadridge.

Vote AGAINST proposals at companies with dual-class capital structures to increase the number of authorized shares of the class of stock that has superior voting rights.

Vote FOR proposals to approve increases beyond the allowable increase when a company's shares are in danger of being delisted or if a company's ability to continue to operate as a going concern is uncertain.

### Dual-class Stock

Vote AGAINST proposals to create a new class of common stock with superior voting rights.

Vote FOR proposals to create a new class of nonvoting or sub-voting common stock if:

- It is intended for financing purposes with minimal or no dilution to current shareholders
- It is not designed to preserve the voting power of an insider or significant shareholder

## Executive and Director Compensation

Votes with respect to compensation plans should be determined on a CASE-BY-CASE basis. Our methodology for reviewing compensation plans primarily focuses on the transfer of shareholder wealth (the dollar cost of pay plans to shareholders instead of simply focusing on voting power dilution). Using the expanded compensation data disclosed under the SEC's rules, Broadridge will value every award type. Broadridge will include in its analyses an estimated dollar cost for the proposed plan and all continuing plans. This cost, dilution to shareholders' equity, will also be expressed as a percentage figure for the transfer of shareholder wealth, and will be considered long with dilution to voting power. Once Broadridge determines the estimated cost of the plan, we compare it to a company-specific dilution cap.

Vote AGAINST equity plans that explicitly permit repricing or where the company has a history of repricing without shareholder approval.

## Management Proposals Seeking Approval to Reprice Options

Votes on management proposals seeking approval to reprice options are evaluated on a CASE-BY-CASE basis giving consideration to the following:

- Historic trading patterns
- Rationale for the repricing
- Value-for-value exchange
- Option vesting
- Term of the option

- Exercise price
- Participation

#### Employee Stock Purchase Plans

Votes on employee stock purchase plans should be determined on a CASE-BY-CASE basis.

Vote FOR employee stock purchase plans where all of the following apply:

- Purchase price is at least 85 percent of fair market value
- Offering period is 27 months or less, and
- Potential voting power dilution (VPD) is ten percent or less.

Vote AGAINST employee stock purchase plans where any of the opposite conditions obtain.

#### Shareholder Proposals on Compensation

Vote on a CASE-BY-CASE basis for all other shareholder proposals regarding executive and director pay, taking into account company performance, pay level versus peers, pay level versus industry, and long-term corporate outlook.

#### Social and Environmental Issues

These issues cover a wide range of topics, including consumer and public safety, environment and energy, general corporate issues, labor standards and human rights, military business, and workplace diversity.

In general, vote CASE-BY-CASE. While a wide variety of factors goes into each analysis, the overall principal guiding all vote recommendations focuses on how the proposal will enhance the economic value of the company.

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

Connectus is not required to disclose any financial information pursuant to this item due to the following:

- a) Connectus does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of rendering services;
- b) Connectus is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts; and

Connectus has never been the subject of a bankruptcy petition.