



*a Johnson Financial Group Company*

## Brochure

Form ADV Part 2A ■ March 29, 2018

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

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

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

## Item 2 - Material Changes

The following is a summary of material changes since the last Cleary Gull Advisors annual ADV amendment dated March 30, 2017:

### Item 4 – Advisory Business

Cleary Gull Advisors acquired two employees and client accounts from Alberts Investment Management Inc., which de-registered as an SEC Registered Investment Adviser and no longer operates as an investment advisor. This resulted in the addition of approximately 80 clients, including municipal/government entities and an investment advisor for which non-discretionary fixed income subadvisory services are performed.

Clarification was added with regard to timing of trades when a strategy change is implemented. Portfolio managers have the discretion to delay the timing of trades. Accounts not traded in mass when a strategy change is made may receive different execution prices (higher or lower).

### Item 5 – Fees and Compensation

This item was updated as follows:

- Clarification was provided regarding the asset level tiers in the standard fee schedules. The standard annual rate applied to individuals is based on the total market value of the account; while the institutional schedule provides breakpoints for accounts over \$5,000,000, therefore, assets may be billed at different rates.
- An additional tier was added to the institutional schedule indicating an annual fee rate of 1.00% of the total market value for accounts with assets under management between \$1 and \$5 million.
- Management fees for portfolios that are limited to fixed income securities typically range from 0.30% to 0.50% of total market value per annum.
- Accounts acquired from Alberts Investment Management may have different fee rates and calculation methodology than the standard schedules.

Item 7 – Types of Clients; Item 10 – Other Financial Industry Activities and Affiliations; and Item 11 – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

These items were updated to reflect the acquisition of clients from Alberts Investment Management including municipalities/government entities and other investment advisors for which non-discretionary fixed income subadvisory services are performed.

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

Methods of Analysis was updated to reflect our current process for review of managers and funds, which includes a quantitative evaluation consisting of a multivariate scoring method designed to screen out sub-par managers, as well as a qualitative review consisting of firm/product, people, philosophy/process and performance.

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

This item was further updated to indicate that blackout periods for personal trades in securities that are part of a strategy change apply to those employees who have access to strategy decisions.

Item 12 – Brokerage Practices

This item was updated as follows:

- Clarification was provided to state that Cleary Gull Advisors utilizes third-party brokerage firms for accounts held at a custodian other than a broker-dealer and for fixed income securities.
- Managers who actively trade their accounts on the Program Administrator's platform are responsible for broker selection and best execution for the trades they execute. Cleary Gull Advisors periodically reviews the trading practices of the Program Administrator and Managers.
- Cleary Gull Advisors recommends Select Brokers to clients. There is a conflict of interest in recommending Select Brokers as Cleary Gull Advisors benefits from operating efficiencies and other services provided by the brokers. Cleary Gull Advisors presents Select Brokers only when appropriate for the client.

### Item 13 – Review of Accounts

The introductory paragraph was updated to read: Advisory client portfolios are reviewed periodically by the primary portfolio manager assigned to the account. The current portfolio asset allocation is compared to the target allocation, which is based on the client's objectives, at least quarterly. Financial planning reviews are offered annually, as applicable, and are also performed at the client's request or as a need is determined.

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## Item 4 - Advisory Business

Cleary Gull Advisors is an investment advisory firm registered with the SEC under the Investment Advisers Act of 1940 (Advisers Act). Cleary Gull Advisors provides investment advisory and consulting services to high net worth families, individuals, trusts, not-for-profit hospitals and senior living organizations, public and private foundations and endowments, other business entities, and municipalities and other government entities. Cleary Gull Advisors and its predecessor firms have served clients nationwide since 1987.

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

On October 1, 2017, the Company acquired two employees and client accounts (Acquired Accounts) from Alberts Investment Management Inc., which de-registered as an SEC Registered Investment Adviser and no longer operates as an investment advisor. This resulted in the addition of approximately 80 clients, including an investment advisor for which non-discretionary subadvisory services are performed.

### **Investment Advisory Services**

Cleary Gull Advisors believes the investment advisory business should be approached with an underlying sense of purpose. With decades of experience, Cleary Gull Advisors combines a unique blend of investing acumen and objectivity to assist clients in creating custom portfolios designed to address both short- and long-term goals. Advisory services are tailored to the individual needs of each client based on factors such as the client's objectives, income tax status, and size of the account. Cleary Gull Advisors' focus is on delivering specialized investment advice aligned directly with the underlying purpose of a client's assets. Identifying how a client's assets will

be used in the future begins Cleary Gull Advisors' process of identifying objectives and guidelines. These factors and others help form the basis of well-designed and effective investment strategies tailored for each client. While solutions may have wide applicability, each client's situation is unique.

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

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

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

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

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

Administrator). Such Managers enter into a subadvisory agreement directly with the Program Administrator. In other cases, Managers may enter into an advisory agreement directly with the client.

Accounts managed on a discretionary basis are generally assigned to an appropriate model; in which case, trades are typically executed in mass when a strategy change is implemented. Accounts may be excluded from the model reallocation or the timing may be delayed at the discretion of the Portfolio Manager. Accounts that are not assigned to a model are traded at the discretion of the Portfolio Manager. Accounts that are not traded in mass when a strategy change is implemented may receive different execution prices (higher or lower). All Portfolio Managers are subject to the Code of Ethics and must act in the best interest of the client.

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

### **Other Services**

Cleary Gull Advisors provides broad investment trends analysis, investment policy direction, asset allocation modeling, and analysis of investment management organizations and their investment process to Johnson Bank, including Manager and fund due diligence, recommendation and selection, fixed income strategy and analysis, portfolio construction advice, and model portfolios which Johnson Bank portfolio managers may choose to use to invest portfolios of wealth management clients. Johnson Bank also retains Cleary Gull Advisors to perform discretionary subadvisory services for certain fixed income accounts. Additionally, from time to time, Cleary Gull Advisors trades fixed income securities for Johnson Bank's client accounts as directed by Johnson Bank. This would typically involve, but is not limited to, selling securities that were received in a new client's account or transferred from another account. Cleary Gull Advisors also provides non-discretionary fixed income subadvisory services to other investment advisors.

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



plan's self-directed brokerage account. Cleary Gull Advisors also offers similar pre-retirement services to other individuals through their employer's 401(k) plan.

Cleary Gull Advisors offers financial planning services for existing or potential clients designed to help them evaluate the potential of attaining their financial goals. The diagnostic tool used for this purpose performs calculations based on information provided by the client or prospect as well as various market assumptions and scenarios. The results are hypothetical in nature and should be reviewed at least annually. It is recommended that individuals consult with their legal and tax advisers regarding their financial plan.

#### **Assets Under Management**

As of December 31, 2017, Cleary Gull Advisors advised on approximately \$2.171 billion of client assets on a discretionary basis and approximately \$534 million of client assets on a non-discretionary basis.

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

Cleary Gull Advisors offers investment advisory services for a negotiable fee based upon the amount and type of assets in client accounts, the level of service provided, and the complexity and scope of the assignment. Fees may be asset, retainer, or project based and may be subject to an annual minimum. Fees are generally paid quarterly in advance in accordance with a fee schedule set forth in each client's advisory agreement and are generally directly deducted from the client's account, unless the client requests to be billed. Cleary Gull Advisors and the client have the right to terminate the advisory agreement by written notice. If the agreement is terminated, the client will either receive a pro rata refund of unearned advisory fees or pay any advisory fees and expenses yet due. A client may cancel an advisory agreement without fees within five (5) business days after it is signed.

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

<b>Assets Under Management</b>	<b>Advisory Fee</b>
up to \$1,499,999	0.95%
\$1,500,000 - \$2,499,999	0.85%
\$2,500,000 - \$3,999,999	0.75%
\$4,000,000 - \$5,999,999	0.65%
\$6,000,000 - \$9,999,999	0.60%
\$10,000,000 - \$19,999,999	0.55%
\$20,000,000 - \$29,999,999	0.50%
\$30,000,000 and above	negotiable

The above fee schedule does not have breakpoints. For example, if the total market value of the account is \$3,000,000, 0.75% is charged on the whole account.

Following is the standard fee schedule for institutional clients:

<b>Total Assets Under Management</b>	<b>Breakpoints</b>	<b>Annual Fee Rate</b>
Institutional < \$1 million	Total Market Value	1.50%
Institutional \$1 to \$5 million	Total Market Value	1.00%
Institutional \$5 to \$15 million	First \$5,000,000	0.65%
	Over \$5,000,000	0.55%
Institutional > \$15 million	First \$10,000,000	0.45%
	Next \$10,000,000	0.35%
	Next \$10,000,000	0.25%

The institutional fee schedule above does have breakpoints for portfolios over \$5,000,000. For example, if the total market value of the account is \$10,000,000, 0.65% is charged on the first \$5,000,000 and 0.55% is charged on the next \$5,000,000.

Management fees for portfolios that are limited to fixed income securities typically range from 0.30% to 0.50% of total market value per annum.

Cleary Gull Advisors may modify its fee schedule from time to time and Acquired Accounts may have been contracted with different rates and

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

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

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

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

### **Other Fees**

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

### **Account Valuation Practices**

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

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

## Item 6 - Performance-Based Fees

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

## Item 7 - Types of Clients

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

As described in Item 4, Cleary Gull Advisors provides investment strategy, model asset allocation, research and other services to Johnson Bank. Additionally, Cleary Gull Advisors provides discretionary and non-discretionary subadvisory services to other investment advisors including Johnson Bank.

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

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

designed to avoid preferential treatment of employee accounts. See also Item 12 – Brokerage Practices - Aggregation and Allocation of Trades.

### **Conditions for Managing Accounts**

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

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

### **Methods of Analysis**

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

- Screening of Managers and funds using both qualitative and quantitative factors. The quantitative review consists of a proprietary, multivariate scoring methodology meant to screen out sub-par managers. The scoring methodology incorporates such factors as total return, information ratio, batting average, management tenure, expense ratio, among others. Qualitative reviews evaluate investment strategies based on what the Research Team refers to as the 4 Ps: Firm/Product, People, Philosophy/Process, and Performance.
- Cleary Gull Advisors selects Managers and funds that it believes have demonstrated adherence to a clearly defined investment strategy and process. Cleary Gull Advisors also considers Managers' and funds' fees, account size requirements, and client servicing capabilities. Thus, Cleary Gull Advisors will not necessarily recommend a Manager or fund based solely on the best historical performance or the lowest possible fees.
- Because Cleary Gull Advisors believes turnover is expensive, it considers transaction volume during its analysis.

Cleary Gull Advisors' methods of analysis relating to fixed income portfolio management may include, but are not limited to, sector selection, maturity or yield curve positioning, credit quality, relative value and security selection. Fundamental credit analysis may be used for individual credits or structures and will generally include an assessment of the issuer's business and strategy, balance sheet, income statement, and cash flow analysis. Cleary Gull Advisors may also use charting, technical analysis and cyclical analysis in development of investment strategies.

Research sources used by Cleary Gull Advisors related to Managers, funds and fixed income securities include, but are not limited to:

- Research services and products of third party providers, including statistical data, due diligence, and access to a databases of Managers, mutual funds, ETFs, fixed income securities, and other investment vehicles
- Financial newspapers and magazines
- Manager interviews, conference calls or on-site visits
- Rating services
- Annual reports, prospectuses, and other filings with the SEC and MSRB
- Company press releases
- Portfolio modeling tools

### **Investment Strategies**

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

### **Risk of Loss**

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

- *Management Risk.* With respect to discretionary accounts, Cleary Gull Advisors and Managers are delegated the authority to buy and sell securities on behalf of clients who must rely upon their abilities, judgment, and investment abilities. There is no guarantee that the investment techniques of Cleary Gull Advisors or a Manager will be successful.

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



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

## Item 9 - Disciplinary Information

Cleary Gull Advisors has no disciplinary events to disclose.

## Item 10 - Other Financial Industry Activities and Affiliations

### **Other Financial Industry Activities**

Staff of Cleary Gull Advisors and Johnson Bank continue to provide limited technology support and record-keeping services to Cleary Gull Inc., (CGIB), as provided for in the terms of the Transition Services Agreement entered into as of May 31, 2016, as part of the Transaction. This arrangement will terminate on June 30, 2019, unless previously terminated by written agreement.



### **Affiliations and Dual Roles**

Cleary Gull Advisors is a wholly-owned subsidiary of Johnson Financial Group, a privately-held, multi-generational, family-owned organization. As discussed in Item 4, Johnson Financial Group also owns Johnson Bank and Johnson Insurance. Johnson Bank provides a full line of financial services including wealth management, mortgage, leasing, consumer and commercial banking. Johnson Insurance is an independent insurance agency providing a wide array of personal and commercial insurance to its clients. Cleary Gull Advisors, Johnson Bank and Johnson Insurance may refer clients to each other in order to offer a full range of financial services to our clients. Officers and employees of Cleary Gull Advisors and/or Johnson Bank, or its affiliates, may receive referral fees and/or compensation for referring clients between the affiliated entities. Cleary Gull Advisors has entered into a Solicitation Agreement with Johnson Bank whereby Johnson Bank receives a solicitation fee for referring new clients to Cleary Gull Advisors. We understand these solicitor and referral fee arrangements create a conflict of interest; however, we believe the services our affiliates provide are appropriate and we disclose these affiliations to our clients.

Cleary Gull Advisors provides broad investment trends analysis, investment policy direction, asset allocation modeling and analysis of investment management organizations and their investment process to Johnson Bank, including Manager and fund due diligence, recommendation and selection, fixed income strategy, analysis and portfolio construction advice, and model portfolios which Johnson Bank portfolio managers may choose to use to invest portfolios of wealth management clients. Cleary Gull Advisors also performs discretionary and non-discretionary fixed income subadvisory services for Johnson Bank as well as other investment advisors. From time to time, Cleary Gull Advisors also trades fixed income securities for Johnson Bank's client accounts at the direction of Johnson Bank. These arrangements create a potential conflict of interest with regard to providing preferential treatment of one group of clients over another; however, Cleary Gull Advisors maintains policies and procedures relating to investment decisions and trade allocations to ensure that clients are treated fairly and equitably.

Cleary Gull Advisors and Johnson Financial Group, and/or its affiliates, share office space, computer systems and personnel. Access to the Company's records and systems is limited to those individuals who require access to provide services to our clients or to operate our business. Certain other employees of the Company's affiliates have access to limited client information in order to offer a full range of services to our clients. All individuals who have access to relevant information regarding investment

recommendations and/or client transactions are subject to the Company's Code of Ethics.

Certain officers and employees of Johnson Bank also have similar roles with Cleary Gull Advisors including client-relationship employees such as portfolio managers, relationship managers and client service individuals. A conflict of interest exists in performing these dual roles. Cleary Gull Advisors maintains policies, procedures and controls to routinely monitor such conflicts, and does not believe it results in unfair treatment of its clients.

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

Certain management functions are performed by Johnson Bank on behalf of Cleary Gull Advisors. This includes, but is not limited to, information systems, legal/governance, human resources, marketing, risk and audit services, facilities, finance and senior management. Johnson Bank allocates expenses related to these services to Cleary Gull Advisors.

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

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

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

#### **Code of Ethics**

Cleary Gull Advisors has adopted a Code of Ethics to assist employees in carrying out its duties as a fiduciary to its clients. The Code of Ethics is based upon the principle that Cleary Gull Advisors and its employees owe a fiduciary duty to clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid: (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their

position with the firm, and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility. Cleary Gull Advisors has made efforts to disclose and minimize potential conflicts of interest and has policies, procedures and controls in place to monitor areas where potential conflicts exist. The Code of Ethics is designed to maintain Cleary Gull Advisors' high ethical standards. The purpose of the Code of Ethics is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct and to provide guidelines to employees related to charitable and/or political contributions, giving and accepting gifts/entertainment, serving as a director or trustee for an external organization, and engaging in outside business activities. Existing or prospective clients may contact Cleary Gull Advisors for a full copy of the Code of Ethics.

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

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

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

### **Personal Trading**

Certain officers, directors and employees of Cleary Gull Advisors, or its affiliates, may also be clients, in which case they are invested in the same strategies as clients, and trade alongside client accounts. Trading alongside client accounts may create an incentive for the firm to put officer, director and employee interests ahead of clients' interests. Cleary Gull Advisors has adopted the Code of Ethics which includes trading rules for personal/related

accounts of its employees and maintains policies regarding aggregation and allocation of trades. These rules, among other restrictions, require clients' interests to be placed ahead of employees, officers and directors and prohibit trading ahead of or in competition with client orders. Employees who 1) have access to strategy decisions, 2) are not clients, and 3) trade their own accounts are subject to personal trading black-out periods for affected securities surrounding a strategy change. Employees are also required to pre-clear certain trades and to report personal trades and personal holdings on a regular basis. Cleary Gull Advisors' compliance department reviews personal trades to help ensure that client interests are placed first.

## Item 12 - Brokerage Practices

### **Broker/Dealer Selection**

If so authorized by the client, Cleary Gull Advisors executes the purchase and/or sale of securities through brokers or dealers it selects. Cleary Gull Advisors uses its best efforts to have transactions executed at prices that are advantageous to clients and at commission rates that are reasonable in relation to the benefits received. If an account is held in custody at a broker-dealer, Cleary Gull Advisors will generally execute mutual fund and ETF trades through that broker-dealer, if consistent with its best execution obligations. This is typically the case for individual-type accounts and certain institutional relationships. Mutual fund trades for accounts held at a custodian other than a broker-dealer, which is the case for most institutional accounts, are submitted to the custodian who is responsible for executing the trade either through a broker of its choice or directly through the fund company. Cleary Gull Advisors also utilizes third party brokerage firms to execute some equity, primarily ETFs, trades for accounts held at a custodian other than a broker-dealer. Trades for fixed income securities are typically executed through third-party broker-dealers. Purchased bonds are delivered to the custodian either directly to the client account or to a block account for allocation to client accounts.

Cleary Gull Advisors endeavors to obtain "best execution", as defined by securities regulations, in transactions of securities for client accounts. In evaluating which broker or dealer will provide best execution, Cleary Gull Advisors considers the full range and quality of broker's or dealer's services, including among other things, the value of research provided as well as execution capability, financial responsibility and responsiveness.

In instances where a Program Administrator trades a separately managed account, the Program Administrator is responsible for obtaining best execution. In other cases, where the Manager trades an account on the Program Administrator's platform or where there is a direct contract between the client and a Manager, the Manager decides upon broker-dealers and commissions paid on trades they direct. Cleary Gull Advisors periodically reviews the trading practices of the Program Administrator and Managers. Please refer to Item 4 – Advisory Business - Discretionary and Non-Discretionary Advisory Services, for additional information.

Certain broker-dealers who provide best execution may also furnish research and brokerage services to Cleary Gull Advisors or a Manager. Commission payments in exchange for research and brokerage services are commonly referred to as "soft dollars." Cleary Gull Advisors has entered into a formal soft dollar agreement with RBC Advisor Services, a division of RBC Capital Markets, LLC (RBC), under which research and/or services may be obtained from RBC or third parties. During 2017, the Company used this soft dollar arrangement to purchase subscriptions from two leading third-party vendors of economic and securities research. This information is used to assist in the development of our overall investment strategies. Cleary Gull Advisors may also receive research materials on an informal basis from other brokers. Managers may also use soft dollars. In accordance with the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934, as amended, clients may pay higher than the lowest commission rates available in return for such services. However, we will only engage in such a transaction when we determine the commission paid is reasonable in relation to the value of the research services provided by the broker-dealer. Research and brokerage services received will not be used solely for the accounts that generated the brokerage commission, but will generally be used in managing all of our client accounts. Soft dollar arrangements provide a benefit to Cleary Gull Advisors because we do not have to produce or pay for research or brokerage services received from brokers with whom we transact. Soft dollar arrangements also create an incentive for Cleary Gull Advisors to select a broker-dealer based on the research or other products received rather than the clients' best interest in receiving best execution. Please refer to previous paragraphs in this Item 12 for further discussion on broker selection. Cleary Gull Advisors has committees to provide oversight of our business practices including trading, soft dollar arrangements and broker commissions, to provide reasonable assurance these conflicts are mitigated.

### **Brokerage Options**

Cleary Gull Advisors has entered into agreements with certain broker-dealers (Select Broker(s)), including RBC, for the provision of brokerage services for our clients' accounts. These services include, but are not limited to, trade execution, statements and confirmations, collection of investment advisor fees and maintenance of books and records. Cleary Gull Advisors may also benefit from operating efficiencies such as daily electronic trade files, electronic fee payments and website access to account information. Assets held in accounts opened through a Select Broker are held in custody by that broker-dealer. Cleary Gull Advisors may present one or more Select Brokers for a client's consideration. For certain accounts, such as accounts managed within a 401k plan, the broker/custodian may be mandated. There is a conflict of interest in recommending Select Brokers as Cleary Gull Advisors benefits from operating efficiencies and other services provided by the brokers. Additionally, a conflict of interest exists when the Company presents RBC as a custodian for the Client to consider, as the Company receives soft dollars on trades executed through RBC. Cleary Gull Advisors will present RBC or other Select Brokers only when appropriate for the client.

### **Directed Brokerage**

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

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

Cleary Gull Advisors aggregates trades of clients, primarily in an attempt to gain greater leverage and obtain favorable execution. Cleary Gull Advisors will not aggregate transactions unless it believes that the aggregation is consistent with its duty to seek best execution and in each client's best interest. Each client that participates in an aggregated order participates at an average execution price. Clients participating in an aggregated order generally pay the same commission rate, which could be a flat fee per trade or total commission prorated across all accounts participating in the trade. Transaction fees may vary depending on the custodian. Managed accounts of officers, directors and employees of Cleary Gull Advisors, or its affiliates, may be included in aggregated orders provided that they do not receive more favorable treatment than other clients participating in the order. Officer, director and employee managed accounts trade alongside other client



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

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

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

### **Cross Transactions**

Cleary Gull Advisors does not enter into cross transactions between ERISA or other client accounts.

### **Trade Errors**

During the course of client transactions, trade errors may inadvertently occur. Cleary Gull Advisors takes steps to correct any such error as soon as practicable. If a trade error resulting in a loss occurs in a client account as a fault of Cleary Gull Advisors, Cleary Gull Advisors will make the client account “whole,” meaning that in correcting the error, the client’s account will be restored to the position the account should have been in had the trade error not occurred. Cleary Gull Advisors tracks and reconciles all trade errors and the resulting gains or losses. Any net gain at the end of the year is donated to charity. Program Administrators and Managers of separate accounts maintain their own policies with regard to trade errors. If a trade error occurs in a client’s account due to the action or failure to act by a third

party, Cleary Gull Advisors generally assists to ensure the client's account is made whole by such party and may seek, or assist in seeking, reimbursement or contribution from such party.

## Item 13 - Review of Accounts

Advisory client portfolios are reviewed periodically by the primary portfolio manager assigned to the account. The current portfolio asset allocation is compared to the target allocation, which is based on the client's objectives, at least quarterly. Financial planning reviews are offered annually, as applicable, and are also performed at the client's request or as a need is determined.

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

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

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



## Item 14 - Client Referrals and Other Compensation

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

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

Please see Item 10 – Other Financial Industry Activities and Affiliations for further information on solicitor and referral fee arrangements with affiliates.

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

## Item 15 - Custody

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

Cleary Gull Advisors is considered to have custody of client assets for purposes of the Advisers Act for the following reasons: 1) our ability to withdraw fees from client accounts 2) the Company manages client accounts on a discretionary basis under a sub-advisory agreement with its affiliate, Johnson Bank, who acts as the qualified custodian of those assets, and 3) our ability to direct client requests for the transfer of funds from certain custodial

accounts. This creates a potential conflict of interest because it is possible for Cleary Gull Advisors to instruct certain custodians to make a payment to a third party from a client account which has not been authorized by the client. Cleary Gull Advisors has adopted the Code of Ethics, which requires employees to act solely in the best interest of the client. Additionally, policies and procedures, and dual controls for the safeguarding of clients' assets are maintained to avoid unauthorized distributions. Cleary Gull Advisors is also required to engage an independent public accountant to annually conduct a surprise examination of the client assets over which we have custody and a written internal control report relating to the affiliated qualified custodian, Johnson Bank. In addition to receiving periodic reports from Cleary Gull Advisors, clients will receive account statements from the custodian that maintains their assets. Clients should carefully review the account statements they receive from the custodian. Cleary Gull Advisors strongly urges clients to compare the reports they receive from Cleary Gull Advisors to the account statements they receive from the custodian. Comparing statements will allow clients to confirm that account transactions, including deductions to pay advisory fees, are proper.

## Item 16 - Investment Discretion

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

## Item 17 - Voting Client Securities

Unless otherwise agreed to in writing, Cleary Gull Advisors does not have authority to vote proxies. Clients (or the plan fiduciary in the case of an account subject to the provisions of ERISA) expressly retain the authority for voting proxies solicited by, or with respect to, securities held in client accounts that are recommended and advised on by Cleary Gull Advisors. In the event Cleary Gull Advisors receives written authority from the client to

vote proxies, Cleary Gull Advisors follows two basic standards in its proxy voting policy: (i) decisions are based on the best interests of clients; and (ii) decisions are based on the potential economic impact of a specific issue for a company or fund and its shareholders. Where applicable, a client may obtain a copy of Cleary Gull Advisors' proxy voting policies and procedures, or a copy of the specific voting record for the account, upon request to Cleary Gull Advisors.

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

## Item 18 - Financial Information

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