

# **ASSOCIATED INVESTMENT SERVICES, INC.**

333 Main Street, Suite 300

Green Bay, WI 54301

800-595-7722

<http://www.associatedbank.com/Personal/Invest/Investments>

August 1, 2012

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

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

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

## **Item 2 – Material Changes**

In this Item we are required to disclose material changes to our last annual update to this Brochure, which was the version dated March 29, 2011. We have made no material changes to that version. In the future, this Item will discuss only specific material changes that are made to the brochure. We will provide clients with a summary of such changes and reference the date of our last annual update of our brochure.

Our brochure may be requested by contacting the Manager of Operations for AIS at (800) 595-7722. Our brochure is also available free of charge on our web site:

<http://www.associatedbank.com/Personal/Invest/Investments>

### Item 3 – Table of Contents

Item 1 – Cover Page.....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii, iv
Item 4 – Advisory Business .....	1-5
About our Company	
Types of Advisory Services We Offer	
A. Advisory Programs with Lockwood Advisors, Inc.	
• Introduction and General Information	
• Description of Programs AIS Offers with Lockwood	
- <u>Lockwood AdvisorFlex Portfolios</u>	
- <u>Lockwood Investment Strategies</u>	
- <u>Lockwood Asset Allocation Portfolios</u>	
- <u>Separately Managed Accounts</u>	
• Information on Services and Fees in Accounts AIS Offers with Lockwood	
- General Information on Fees and Client Assets	
- AIS Assets Under Management	
B. Financial Planning	
Item 5 – Fees and Compensation .....	5-7
Item 6 – Performance-Based Fees and Side-By-Side Management .....	7
Item 7 – Types of Clients.....	7-8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	8-9
Item 9 – Disciplinary Information .....	9

Item 10 – Other Financial Industry Activities and Affiliations .....	9-11
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	11-12
Item 12 – Brokerage Practices .....	12-13
Item 13 – Review of Accounts.....	13-14
Item 14 – Client Referrals and Other Compensation.....	14
Item 15 – Custody.....	14
Item 16 – Investment Discretion.....	14
Item 17 – Voting Client Securities.....	15
Item 18 – Financial Information .....	15
Brochure Supplement(s)	

## **Item 4 – Advisory Business**

### **About Our Company**

Associated Investment Services, Inc. ("the Firm", "AIS", "we", "our"), is a wholly-owned non-bank affiliate of Associated Banc-Corp, a Bank Holding Company. Associated Banc-Corp is a diversified bank/financial services holding company headquartered in Green Bay, Wisconsin.

AIS traces its history as a broker-dealer, through its predecessor firm, back to 1923. The Firm has been registered with the Securities and Exchange Commission ("SEC") as a broker-dealer since 1994. The Firm is registered with the SEC and many states as a broker-dealer, its primary business activity. AIS is a member firm of the Financial Industry Regulatory Association (FINRA), formerly known as the National Association of Securities Dealers (NASD). As a broker-dealer, the Firm is compensated mainly through commissions on transactions.

AIS began its advisory business in 2004 and for several years was registered with the states of Wisconsin, Illinois and Minnesota (where it does business as Associated Investment Services Group) as an investment adviser. In July 2010 AIS became a federally registered investment adviser with the SEC.

AIS, Associated Bank, N.A. ("the Bank"), a nationally chartered bank, and Associated Financial Group, LLC ("AFG"), an insurance general agency, are affiliated with AIS. All are under common control of Associated Banc-Corp. By agreement with the Bank, AIS provides its brokerage and advisory services to Bank customers and the public on and through Bank branch offices. AIS Financial Consultants are licensed insurance agents and by agreement with AFG are appointed through AFG to offer and service insurance products of unaffiliated insurance companies, also on and through Bank branch offices.

The Bank and Associated Banc-Corp provide administrative and operational support to AIS that is material to AIS's advisory business. Support includes office space and equipment, financial and accounting services, executive management, marketing, and legal and compliance services.

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

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

#### **A. Advisory Programs with Lockwood Advisors, Inc.**

- Introduction and General Information

Currently all advisory account programs offered by AIS are programs developed by Lockwood Advisors, Inc. ("Lockwood") and are offered and serviced through the systems and securities

trading capabilities of Pershing LLC's Managed Account Solutions ("Pershing"). Lockwood is an affiliate of Pershing, a clearing broker-dealer firm with which AIS has had a business relationship, first as Associated Brokerage, Inc. in the 1980's, and as AIS since 1994. AIS selected and works with Lockwood to provide clients with several advisory programs and separate accounts, based in part on Lockwood's experience in researching, evaluating, and working with money managers, mutual funds, exchange traded funds and other investments.

Lockwood designs and operates many investment programs through which clients of financial advisers like AIS gain access to individual account managers and advisory services. In the investment programs AIS offers with Lockwood, the advisory relationship between a client, AIS and Lockwood begins when the client meets with an AIS Financial Consultant. The client and the Financial Consultant gather the client's personal and financial information and determine which type of advisory account, if any, is appropriate for the client. After helping the client consider and select an advisory account program to meet the client's needs, the AIS Financial Consultant, AIS Operations and Lockwood use Lockwood's documentation and systems to open the advisory account

After an account is approved, Lockwood provides ongoing investment management and advisory services for the account. Lockwood acts as a discretionary money manager for Lockwood Investment Strategies and Lockwood Asset Allocation Portfolio (each described below), investing the client's assets based upon the proposal and agreement reviewed and completed to open the account. Lockwood also acts as a discretionary money manager for Lockwood AdvisorFlex Portfolios (also described below).

Specific advisory programs AIS offers in conjunction with Lockwood and Pershing are described in more detail in the following portion of this brochure.

- Description of Advisory Programs AIS Offers with Lockwood
  - Lockwood AdvisorFlex Portfolios ("AdvisorFlex")

For this program, Lockwood arranged with a third party to provide various portfolio models ("Models") for client selection. Clients invest in a Model after discussing their financial circumstances and the Models with their AIS Financial Consultant and determining which Model is appropriate to their investment needs. Lockwood implements the client selection of a Model. Clients can impose reasonable restrictions on investments in the Model they select by informing their Financial Consultant when opening their account or any time thereafter.

Once the account is opened, Lockwood buys/sells investments according to changes to its Models, and, when applicable, rebalances investments in client accounts. In addition to working with the client to achieve an initially suitable selection of Model(s), the AIS Financial Consultant monitors the Models and periodically reviews the account and selection(s) with the client for ongoing suitability. Client-directed investment restrictions and selections are sent by our

Financial Consultant to Lockwood. Lockwood is responsible for maintaining the Models and buying/selling investments to implement the Model(s) selected by the client and any reasonable restrictions the client may impose.

The minimum account size under this program is \$50,000. The minimum for subsequent investments is \$1,000. Accounts must be funded with cash equivalents or shares of mutual funds or exchange traded funds that are included in the selected Model(s).

- Lockwood Investment Strategies

In this program Lockwood acts as the discretionary investment manager. The program is comprised of the following two choices:

Lockwood Investment Strategies-Traditional. Lockwood provides management by selecting mutual funds and exchange traded funds for inclusion by Lockwood in Traditional Models Lockwood constructs. Lockwood uses traditional asset classes in constructing the Models. (Fixed Income, U.S. Equity, International-Developed Markets, and Real Estate Investment Trusts (REITs)).

Lockwood Investment Strategies-Alternative. Lockwood provides management by selecting mutual funds and exchange traded funds and including them with Alternative Investments in their Models. In constructing the Models, Lockwood uses traditional asset classes (Fixed Income, U.S. Equity, International-Developed Markets, and Real Estate Investment Trusts (REITs)) plus Alternative Investments such as Venture Capital, Private Equity, Managed Futures, and Hedge Funds.

For each Lockwood Investment Strategies account, the minimum account size is \$250,000.

- Lockwood Asset Allocation Portfolios

This program was developed by Lockwood primarily for smaller accounts. It is a program of investments in mutual funds and exchange traded funds providing a diversified alternative to a separately managed account. Lockwood serves as Portfolio Manager, creating portfolios by selecting underlying mutual funds and exchange traded funds. Based upon answers of the client to questions concerning investment experience, financial and tax circumstances, client funds are invested in one of several investment models. The models are comprised of the mutual funds and/or exchange traded funds selected by Lockwood, based upon their experience and due diligence. Lockwood monitors the models and the portfolios and performs fund or investment style rebalancing.

The minimum investment in this program is \$50,000.

- Separately Managed Accounts

For a Separately Managed Account (“SMA”), our Financial Consultant first uses software and documentation provided by Lockwood to assist the client in establishing an investment advisory account. The client then works with the Financial Consultant to select an appropriate investment manager or managers. Investment managers available through the SMA program usually manage large institutional accounts. Through this program they will manage individual accounts with much lower minimum assets.

Through its proprietary research, screening, and evaluation methods, Lockwood exercises limited investment discretion by selecting investment managers for inclusion in the program. Clients select their investment manager(s) with the assistance of the AIS Financial Consultant. Investments in this program may include individual securities (e.g., stocks, bonds, money market instruments, etc.), mutual funds, exchange traded funds, and other investments as determined by the investment manager selected.

There is a \$100,000 account minimum in this program. Each investment manager has a minimum as well, some as high as \$250,000.

- Information on Services and Fees in Accounts AIS Offers with Lockwood

- AIS Services and Client Meetings

Each account is opened and initially funded based upon the client’s needs, goals, time horizon, risk tolerance and other factors, as discussed between the client and the Financial Consultant. In the AdvisorFlex program the Financial Consultant may recommend and the client may agree to invest in a portfolio model that is one level above or below, in terms of risk and investment objective, the model suggested through the Lockwood system. In the Lockwood Investment Strategies and Lockwood Asset Allocation Portfolios programs, the model in which the client invests is determined through the Lockwood account opening application software.

Lockwood has limited discretion, to develop and revise the various models and model portfolios and to select investment managers for inclusion in their programs. In the SMA, day-to-day portfolio management and investment discretion are exercised by the particular investment manager(s) clients select.

Clients may meet with their Financial Consultant periodically or in the event of any material changes to their personal tax or financial circumstances. Each client is expected to review such circumstances and their advisory account with their Financial Consultant at least annually. When an advisory account program is chosen, during an account review, or at any other time, clients may impose specific, reasonable restrictions on the investment discretion of the investment manager(s) concerning types of securities that may be purchased for their account. In



consultation with their Financial Consultant, at any time clients may change their advisory account program, the models or model portfolios in which they are invested, and their account investment manager(s).

- General Information on Fees and Client Assets

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

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

- AIS Assets Under Management

AIS's regulatory assets under management are the assets in the various Lockwood advisory programs described above, calculated at \$110,381,430 as of March 19, 2012.

## **B. Financial Planning**

AIS began offering financial planning services in 2010 through Financial Consultants chosen by AIS in its discretion. Currently there are no separate charges or fees for such financial planning services. However, AIS may hereafter charge fixed fees for its financial planning services. Such fees will be in amounts separately agreed to by and between the client and AIS.

Financial planning services are delivered using software obtained through a vendor, selected as the corporate standard for Associated Banc-Corp.

## **Item 5 – Fees and Compensation**

For all accounts AIS offers with Lockwood, Pershing deducts the total fees ("Program Fees") directly from the account and then pays a portion to AIS for our services. Clients authorize AIS to receive fees through a debit to their account, performed by Pershing. Fee payments are reflected on account statements sent to clients by Pershing.

The portion of the total account fee payable to AIS is set forth in the table below:

<b><u>Fee Table</u></b>	<b><u>AIS Portion — Annual Fee Rates</u></b>
<b><u>Market Value</u></b>	<b><u>Advisory Fee</u></b>
Below \$175,000	1.25%
\$175,000 - \$349,999	1.15%
\$350,000 - \$749,999	1.10%
\$750,000 - \$1,499,999	.95%
\$1,500,000 - \$4,999,999	.82%
\$5,000,000 and Above	.50%

Discounting of the AIS portion of the Program Fees, the AIS “Advisory Fee” listed above, may be available. Discounting is subject to senior management approval.

Program Fees will be collected from the account quarterly, in advance, by Lockwood as program administrator. Program Fees are collected on the 15<sup>th</sup> day of the month following the end of each calendar quarter, based upon account assets as of the end of the preceding quarter. At inception, a prorated fee will be billed from the date the account is activated (i.e., released to account manager or appropriate investment vehicle for trading) through the end of that calendar quarter.

Program Fees paid in advance but not yet earned or due are refunded after an account is terminated.

Clients may terminate the account agreement, if any, or close their account without penalty, fees or other compensation to AIS, within five (5) days of Lockwood’s acceptance of the account opening documents. Thereafter, clients may terminate their accounts at any time. However, fees will be prorated through the termination date. Lockwood charges a termination fee of \$300 during the first year of an account. Lockwood typically charges fees quarterly, in advance, based on the assets in the account as of the close of business the prior quarter. Daily pro-ration upon termination after the first year, may result in a refund to the account of the unearned portion of the quarterly fee.

To compute the Program Fee, the value of account assets includes assets purchased on margin and is their fair market value as of the close of business on the valuation date. Valuations are determined by pricing services used by Pershing in its usual and customary practices. Any such valuation is not and should not be considered a guarantee of any kind with respect to the value of assets. Short market positions in account assets are valued by determining the equivalent long

market position (for instance, the number of shares sold short and the price per share). Interest on any margin debt incurred by client is in addition to the Program Fee.

Within any of the Lockwood programs, mutual funds and exchange traded funds charge advisory and other fees, and some mutual funds charge marketing and distribution fees. All incur other administrative and trading expenses. Such fees and expenses of the funds are charged to shareholders of the funds and are therefore borne by advisory clients. Such fees and expenses are separate from and are not included in the Program Fees. AIS receives such marketing and distribution fees as are passed through to AIS from the funds, through the Lockwood programs. However, AIS Financial Consultants do not receive any of those marketing and distribution fees and therefore do not have an incentive to recommend one model portfolio or any particular funds over others based upon such marketing and distribution fees.

Clients trading equity or debt securities in a Lockwood program account will receive securities pricing reflecting Pershing's mark-up or mark-down, or its execution of trades as a principal or in a market making capacity.

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

This item is not applicable to AIS. The Firm does not charge performance-based fees, which are fees based on a share of capital gains on or capital appreciation of the assets of a client. As a result, we have no conflicts of interest between accounts that pay asset-based fees and accounts that pay performance-based fees (known as “side-by-side management”).

#### **Item 7 – Types of Clients**

- The vast majority of the Firm's advisory account clients are individuals. AIS also provides advisory services to high net worth individuals and to small corporations or other businesses.
- To maintain an account, clients in any advisory program offered by AIS are expected to inform their Financial Consultant whenever their investment objectives, financial, tax or family circumstances materially change. This will help the client and the Financial Consultant review the account for timely consideration of appropriate changes. Clients are also expected to meet with their Financial Consultant not less frequently than annually to review their accounts.
- Minimum investments to open accounts vary by the type of account, as follows:
  - For the Lockwood AdvisorFlex Portfolios, \$50,000.
  - For the Lockwood Investment Strategies program, \$250,000.

- For the Lockwood Asset Allocation Portfolios, \$50,000.
- For a Lockwood Separately Managed Account, \$100,000. Also, the minimum investment for a particular investment manager is set by the manager. Usually such minimums are \$100,000 but minimums may be as high as \$250,000.

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

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

1. Helping clients select a Lockwood program appropriate to their needs and circumstances.
2. Within a program other than a Separately Managed Account, working with the client to select an appropriate model or portfolio of securities included in an asset allocation model developed by Lockwood.
3. In a Separately Managed Account, assisting the client to select an appropriate investment manager or managers Lockwood has included in the program.

See Item 4, under “Types of Advisory Services We Offer” for additional information.

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

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

The AIS investment philosophy is oriented to long term purchases. In contrast to some investment advisers, AIS and Financial Consultants do not participate in market timing, short sales strategies or rapid trading programs. However, Financial Consultants may recommend purchases and sales within a year’s time, margin transactions and certain option transactions where appropriate.

Clients are reminded that investing in securities involves risk of loss that clients bear.

The primary risk to clients in the advisory programs AIS offers is general market risk. By this we mean that to the extent the client is invested in stocks, bonds, or mutual funds and exchange traded funds through the Lockwood model portfolios, the value of the account may decline in

times when those asset classes decline generally. Conversely, if the client is mainly “out of the market”—that is, if the account is not invested in a portfolio of securities—the client bears the risk that the account will not appreciate as much as a fully invested account during times when securities are generally gaining.

The Lockwood programs are generally designed to provide clients with an adequately diversified portfolio, to insulate the account from sharp declines in particular market sectors or individual securities. However, diversification will not shield an account from general market declines.

## **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 your evaluation of AIS or the integrity of the Firm’s management. AIS has no information applicable to this Item.

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

### Affiliations

AIS is separately registered as a broker-dealer. Executive, operational, sales, financial and compliance management persons are registered representatives of the broker-dealer. AIS provides a broad array of financial services in addition to the investment advisory services described in this brochure. Dating back to 1923, as a broker-dealer AIS has offered traditional stock, bond and municipal securities brokerage recommendations and trade execution. Over the years, the product line has been expanded to include third party mutual funds, equity options, variable annuities and variable life insurance, and other securities services such as margin and option account activity. In addition, AIS Financial Consultants who are appropriately licensed provide individuals with various insurance products suited to their financial and risk-management needs, including fixed annuities, Long Term Care insurance, and traditional life insurance. Although the range of financial products and services provided by AIS has grown over the years, its primary, core business is that of an introducing broker-dealer receiving compensation from transaction commissions.

As a general matter, AIS does not execute securities transactions for advisory clients for separate commission compensation. Advisory clients may also have separate, non-advisory brokerage accounts with AIS, in which AIS Financial Consultants recommend securities transactions which if executed, result in transaction compensation for AIS and the Financial Consultant. For those account relationships, AIS and the Financial Consultant act solely in their broker-dealer capacity and not as investment advisers. Such recommendations are not subject to any of the provisions of this brochure and the Financial Consultants are not fiduciaries in connection with their

recommendations. Clients are encouraged to ask their Financial Consultant whether the Financial Consultant is acting as a broker or investment adviser in connection with any particular account, recommendation or transaction.

AIS, Associated Bank, N.A. (“the Bank”), a banking subsidiary of Associated Banc-Corp (“AB-C”), and Associated Financial Group, LLC (“AFG”), an insurance general agency, are all affiliates and under the common control of AB-C, which is a Bank Holding Company. AIS has entered into agreements with the Bank whereby AIS provides its brokerage and advisory services to Bank customers and others on and through Bank offices and premises. AIS Financial Consultants are licensed as insurance agents with AFG, with which AIS has entered into agreements for sales and service of insurance products, also on and through Bank premises. The Bank and AB-C provide certain administrative and operational support services to AIS that may be material to AIS’s advisory business. See also Item 4 above, under “About Our Company”.

Where appropriate, AIS and its Financial Consultants, in their capacity as licensed insurance agents may recommend insurance products offered through AFG to individuals who are also advisory clients. Such recommendations are made by the Financial Consultants in their insurance agent capacity and not their adviser capacity. Such recommendations are not subject to any of the provisions of this brochure and the Financial Consultants are not fiduciaries in connection with the recommendations. Such recommendations do not generate additional advisory account fees. Customer decisions as to the purchase of any such insurance products are independent of participation in an advisory account.

Financial Consultants may recommend non-securities banking, investment or trust products and services offered through the Bank or another affiliate, Associated Trust Company, N.A., in which those affiliates have a financial interest. Such recommendations will not generate additional advisory account fees. Customer decisions as to the purchase of any such banking, investment or trust products and services are independent of participation in an advisory account.

#### Business Relationships with Other Advisers

Currently all advisory account programs offered by AIS are programs developed by Lockwood Advisors, Inc. (“Lockwood”), an SEC-registered investment adviser. Programs are offered and serviced through the systems and securities trading capabilities of Lockwood and Pershing LLC (“Pershing”). See Item 4 above for further discussion and description. Lockwood is an affiliate of Pershing, a clearing broker-dealer firm with which AIS has had a business relationship since 1994. Lockwood and Pershing are subsidiaries of The Bank of New York Mellon Corporation.

AIS selected and works with Lockwood to help provide AIS clients with several advisory programs and separate accounts, based in part on Lockwood’s experience in offering such programs to firms such as AIS and its experience in researching, evaluating, and working with

money managers, mutual funds, exchange traded funds and other investments. As part of Lockwood's contractual relationship with AIS, Lockwood provides advisory and operational services without charge to AIS. Such services include the following:

- The documentation and platform for opening accounts in the various advisory programs.
- Software and systems for suitability analysis of client financial and personal data.
- Screening and selection of third party investment managers included by Lockwood in the SMA program.
- Development and selection of models or model portfolios in the programs.

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

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

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

The Code also addresses the personal securities trading activities of advisory personnel, in an effort to detect and prevent illegal or improper personal securities transactions. The Code requires initial and annual holdings reports as well as quarterly personal securities transaction reports from advisory personnel. To mitigate the potential for conflicts of interest, the Code contains a number of restrictions related to the activities of employees. Also, AIS has adopted policies that limit the extent to which Financial Consultants may give or receive gifts of

entertainment perks from third parties and restrict their non-AIS business activities. Finally, the Code provides that all employees are to certify their ongoing compliance with the Code.

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

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

All AIS employees are also subject to the Code of Conduct of Associated Banc-Corp. The corporate-wide Code of Conduct includes provisions reasonably designed to prevent conflicts of interest, insider trading, and other inappropriate activity that might breach the fiduciary duty owed to advisory clients.

AIS and its Financial Consultants are prohibited from recommending to advisory clients the stock of or other securities issued by Associated Banc-Corp. (NASDAQ: ASBC).

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

## **Item 12 – Brokerage Practices**

As described in Item 4 and Item 10, all advisory account programs offered by AIS use Lockwood's platform and Pershing's trade execution systems. As noted in Item 1, our core business is its traditional, commission based broker-dealer activity.

AIS Financial Consultants receive access to information about securities through the Pershing system in their capacity as broker-dealer registered representatives. Financial Consultants



working with advisory clients also have access to information through the Lockwood system, specific to investment managers included in the SMA program and concerning mutual funds and exchange traded funds within the models and model portfolios Lockwood includes in other advisory programs. However, AIS and its Financial Consultants do not receive any other research or other benefits in connection with client transactions in any of the advisory programs described in this brochure. For a description and discussion of factors considered by AIS in selecting Lockwood and Pershing for advisory programs and trade execution services, please also see Item 10, “Business Relationships with Other Advisors.”

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

AIS does not aggregate trades in Lockwood advisory programs. Trades in the SMA program are placed by the investment manager who has discretionary trading authority over the account. Therefore, AIS cannot aggregate trades for accounts in the SMA program. We refer clients to Lockwood’s brochure and documentation for a description of their trade aggregation practices. Program Fees for all advisory accounts are comprehensive and include trade execution costs, so clients do not incur additional costs as a result of non-aggregation of trades by AIS.

### **Item 13 – Review of Accounts**

Accounts will be reviewed at least annually by the Financial Consultant. Account activity will be monitored by the Financial Consultant’s supervisor who oversees the work of the Financial Consultant. At AIS those supervisors are Senior Vice Presidents of the Firm and have the title of Regional Sales Manager in the Firm’s organization.

Accounts may be reviewed more frequently, or upon request of the client at any time. Examples of circumstances under which an account might be reviewed more frequently than annually include the following:

- If/when Lockwood removes a third party manager who had an investment management responsibility for an account in the Separately Managed Account program.
- Whenever the client informs the Financial Consultant or AIS that the client would like to impose one or more reasonable restrictions on an account or a third party manager’s investment discretion.
- Whenever the client informs AIS or the Financial Consultant of a material change to the investment objectives or other circumstances of the client.

For clients who receive a financial plan from AIS or a Financial Consultant, the financial plan will be considered as part of the periodic account review described above. For customers who receive a financial plan from AIS or their Financial Consultant but do not open and invest in a program AIS offers with Lockwood, neither AIS nor its Financial Consultants will review the financial plan, after it is given to the client.

Clients will receive quarterly statements showing positions, activities, contributions, and fees deducted from the account. Statements are delivered to clients by Pershing, the custodian of the account. Clients who do not elect to suppress trade confirmations for individual securities trades in their accounts, will receive a copy of such trade confirmations. No other regular reports will be sent to clients. However, AIS or the Financial Consultant will provide updates and reports upon request.

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

AIS participates in a corporate-wide referral program, as an affiliate of Associated Banc-Corp (“AB-C”). Employees of other AB-C affiliates who refer prospective clients to AIS may be eligible to receive nominal compensation for their referral activity. Such compensation is paid for the referral regardless of whether the prospective client becomes an advisory client of AIS. AIS does not currently pay any referral fees to unaffiliated third parties.

See Item 10 for a discussion of economic benefits we receive related to our use of the Lockwood advisory programs.

#### **Item 15 – Custody**

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

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

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

This Item is not applicable to AIS. The Firm does not accept discretionary authority to manage securities accounts on behalf of clients.

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

As a matter of policy and practice, AIS does not vote shareholder proxies in any of its advisory account relationships or in any other capacity. Upon establishing an advisory account, clients will be given the option of voting proxies or deferring to Lockwood, as Program Manager. A client's Lockwood program documentation will indicate whether Lockwood, as Program Manager, or any other third party adviser will vote shareholder proxies. Clients for whom neither AIS nor any other third party adviser has proxy voting authority should ensure that they receive proxies and other solicitations from their custodian or transfer agent.

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

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about their financial condition. AIS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.