

# **Wrap Fee Brochure for *Intuitive Investor*<sup>SM</sup> Program**

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Investment Advisory Services of Wells Fargo Advisors

Revised June 2017

Wells Fargo Advisors is a trade name used by Wells Fargo Clearing Services, LLC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company.

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**This wrap fee brochure provides information about the qualifications and business practices of Wells Fargo Advisors and our *Intuitive Investor* Program (the "Program"). This information should be considered before becoming a Client of this Program. If you have any questions about the Program or the contents of this brochure, please contact us at (855) 283-5567.**

**This information has not been approved or verified by United States Securities and Exchange Commission or by any state securities authority. Additional information about Wells Fargo Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**The advisory services described in this brochure are not insured or otherwise protected by the U.S. Government, the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other government agency and involve risk, including the possible loss of principal.**

## **Summary of Material Changes**

Material Changes to the Wrap Fee Brochure for Intuitive Investor Program since March 31, 2017:

- The Aggressive Income and Aggressive Growth & Income Portfolios have been added to the Intuitive Investor Program.
- The Intuitive Investor Program is no longer limited only to Associates of Wells Fargo Advisors and its affiliates and is now available to external Clients.

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# **The Intuitive Investor Program**

## **Overview and Definitions**

Wells Fargo Advisors ("WFA") is a trade name used by Wells Fargo Clearing Services, LLC ("WFCS"). WFA is a non-bank affiliate of Wells Fargo & Company ("Wells Fargo"), a publicly held company (NYSE: WFC) and financial holding company and bank holding company founded in 1852. Wells Fargo and its affiliates are engaged in a number of financial businesses, including retail brokerage and investment advisory services.

WFA is affiliated with Wells Fargo Investment Institute, Inc. ("WFII"), a registered investment adviser that provides advisory services and research to WFA.

**Helpful Terms.** *You, Yours, I, Client and the Account Owner* is any person who has entered into an Agreement with WFA. We, Our, Ours and Us includes Wells Fargo Clearing Services, LLC d/b/a Wells Fargo Advisors including their affiliates and agents (collectively referred to as "Wells Fargo Advisors" or "WFA").

*Account* is collectively or individually any brokerage Account and/or any Advisory Program Account you have with us, including any and all funds, money, securities and/or other property you have deposited with us.

*Affiliate* is any entity that is controlled by, controls or is under common control with us. Each Affiliate is a separate legal entity, none of which are responsible for the obligations of the other.

*Securities and Other Property* is money, securities, financial instruments and commodities of all types and related contracts, options, distributions, proceeds, products and accessions.

*Agreement* is the Agreement between you and us regarding your Account, and any other documents included by reference.

**Types of Advisory Services We Offer.** We offer a number of advisory Programs ("Programs") and services that are designed to help you meet your investment objectives and goals, including various wrap fee Programs, consulting services and financial planning services. Wrap fee Programs generally, subject to certain limitations, include advisory, execution, custodial and reporting services for a single fee, rather than separate costs and commissions for each transaction. WFA's advisory Programs and services include:

- Separately Managed Account Wrap Fee Programs
- Mutual Fund Advisory Wrap Fee Programs
- Financial Advisor Directed Wrap Fee Programs
- Non-Discretionary, Client Directed Advisory Wrap Fee Programs
- Institutional and Retirement Plan Consulting Services
- Financial Planning Services

**About This Wrap Fee Brochure.** This disclosure document specifically describes the Intuitive Investor Program. Descriptions of the services and fees for the other advisory Programs and services we offer can be found in separate disclosure documents, copies of which are available upon request or from [www.sec.gov](http://www.sec.gov).

## **Services, Fees, and Compensation**

### **Intuitive Investor Program Services**

**Description.** The Intuitive Investor Program ("Program") is a digital investment advisory Program in which investment advice is given through the Program website. Through your Account, you will be able to invest in one of several discretionary asset allocation portfolios that are diversified across multiple asset classes. Under this Program, you will provide to us through the Program website, mobile applications or other digital interfaces (the "Website"), information about your risk tolerance and investment goals from which we will recommend a Portfolio.

After you have enrolled in the Program, you may be able to select or change certain services with instructions to us; however, in certain circumstances we may ask you to sign a separate Agreement or complete additional documentation.

**Electronic Relationship.** In this Program, services are provided to you electronically through the use of the Program Website and the majority of communication will be done electronically. You will need to complete the Program Agreement and any other agreements as necessary to participate in the Program. These agreements and any required disclosures will be delivered to you electronically. In order to access the Program Website, you will be required to establish online credentials and provide us with a valid email address. You must notify us immediately of any changes to your email address. For any issues with the Program Website, you may call us at (855) 283-5565.

**Management of your Account.** The Portfolios that we recommend are developed by WFII, adopted by WFA and implemented by an unaffiliated Manager. The current Manager is SigFig Wealth Management, LLC. We may change the Manager from time to time in our sole discretion without your prior consent. The Manager will exercise discretion with respect to the day-to-day management of your Account, and provide instruction to us for execution of transactions in your Account.

**Program Assets.** Program Accounts will be invested in portfolios comprised of exchange traded funds ("ETFs"). Accounts will also maintain a cash position held in the Cash Sweep Program. For more information, please see the "Cash Sweep Program" section, later in the Brochure.

ETFs are typically passively managed portfolios designed to track the performance of a basket of securities or a certain index. ETFs trade on an exchange the way individual stocks do. In simplest terms, traditional ETFs are passively-managed "baskets" of securities that are designed to closely track the performance of specific indices, market sectors, or industries. ETFs are priced and can be bought and sold throughout the trading day.

Traditional ETFs that seek to track the performance of a specified benchmark/index are not actively managed. As a result, the investment advisers of those ETFs do not attempt to take defensive positions in declining markets. Therefore, ETFs may be subject to greater losses in a declining market than an actively managed fund.

ETFs may not have a high degree of correlation to its underlying index as a result of the ETFs expenses, imperfect correlation between the ETF's investments and the components of the underlying index, rounding of shares prices, changes to the underlying index, turnover rate, and regulatory policies.

The Program Portfolios may consist of a blend of traditional low-cost ETFs and complementary "Smart Beta ETFs." Smart Beta ETFs seek to enhance portfolio construction by weighting underlying securities by means other than just the size of the companies. These alternative ways to weight portfolio constituents can employ some of the same screening processes and optimization techniques used by active managers, but with systematic approaches to track referenced benchmarks helping to substantially reduce fund expenses in relation to fully active management.

**Establishing a Program Account.** In order to establish a Program Account you must complete the risk tolerance questionnaire ("RTQ"). We will rely on the information contained in the RTQ when making investment recommendations for your Program Account. The services provided in this Program, including any advisory recommendations we provide, are highly reliant on the accuracy of the information you provide in the RTQ. If you provide us with inaccurate information, this could materially impact the quality and applicability of our recommendations.

We reserve the right to refuse for any reason to open any Program Account. No Program Account shall become active until you have provided us with the information and funds necessary to commence activity within your Program Account. Your request to begin services under the Program Agreement is not considered a market order, since both WFA and/or the Manager require time to process your request. We will, however, make every effort to process your request promptly.

**Factors to consider.** When determining whether to open a Program Account, you should consider various factors, including but not limited to the following:

- Your preference for advisory services or brokerage services;
- Your preference for asset-based pricing or commission-based pricing;
- Your preference for an online/digital relationship rather than a traditional relationship with a Financial Advisor;
- Your expected trade activity;
- Your preference for a discretionary rather than non-discretionary relationship;
- Your desire for investment advice and/or our management of your money;
- Your investment preferences and the types of investments available to you within one Program versus another;
- Expected levels of cash to remain uninvested; and
- The features and benefits of one service or Program versus another.

**Rebalancing Services.** From time to time, the Manager will rebalance the assets in your Program Account. Manager will use an algorithm to calculate the purchase and sale of Program Assets based on an automated analysis of your Program Account holdings relative to the Target Allocation of your selected Portfolio. Your account will be rebalanced by Manager whenever your Program Account holdings deviate from certain tolerance parameters associated with the Program Assets in your selected Portfolio. We may alter the tolerance parameters associated with each asset class in your Selected Portfolio from time to time. The Manager may modify at any time the manner or frequency with which Manager calculates, generates, and places with WFA the orders to rebalance your Program Account. Various factors, such as market instability and disruptions, the timing of withdrawals and deposits, and normal market fluctuations, may affect whether the assets in your Program Account will closely reflect the Target Allocation of the Portfolio you have selected. Rebalancing your account may create tax consequences.

**Tax-Loss Harvesting.** Through the Website, you may instruct us to initiate tax-loss harvesting trades in your taxable Account. If such instructions are received, understand that:

- All such requests will be made on a best-efforts basis.
- The Manager may limit the amount of gains or losses that can be realized in your Account.
- Performance may be adversely impacted.
- When normal trading activity resumes in your account, the same or similar securities may be repurchased, which may generate new taxable gains or losses.
- Securities sold for a loss may not be able to be repurchased for a period of 31 days due to the Internal Revenue Service Wash Sale Rules. This may result in a higher than normal cash position for that period or the Manager may invest in substitute securities. Please note: wash sale rules apply to the Client and the household. Therefore, if you sell a stock in your taxable account and repurchase the security in your IRA within 30 days (for example), the loss is disallowed, though the retirement account basis is not increased.

Please note: we do not render legal, accounting, or tax advice. Please consult your tax or legal advisors before taking any action that may have tax consequences.

## **Program Fees**

The standard Fee Schedule is as follows:

<b>Account Asset Value</b>	<b>Annual Fee</b>
Your Account Value	0.50%

The annual fee is billed quarterly in advance. The fee schedule is generally not negotiable however we may from time to time use special promotional rates and/or give a discounted rate to employees. A promotional rate or discounted employee rate is subject to end due to the end of the promotion or a change of employment status. Advisory Programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity may result in higher fees than if commissions were paid separately for each transaction.

You should be aware that Program fees charged may be higher or lower than those otherwise available if you were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory service provided.

**Calculating Account Values and Fees.** Unless agreed to otherwise, we will deduct fees at the rate shown in the Fee Schedule quarterly in advance. For the purposes of calculating the Program fees, "Account Value" means the sum of the absolute market value of all Program Assets.

In valuing accounts, we will utilize information provided by quotation services believed to be reliable. If any prices are unavailable or believed to be unreliable, we will determine prices in good faith so as to reflect our understanding of fair market value.

The Account Value for the calculation of fees may differ from that shown on your monthly Account statement and/or online reports depending on several factors, including trade date or settlement date accounting and other factors.

**Quarterly Fee.** The initial fee is calculated as of the date that the Account is accepted into the Program and covers the remainder of the calendar quarter. There may be a short delay between inception and initial transactions. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the basis of the market value of the Program Assets held for your Account on the last business day of the prior calendar quarter.

If your Account does not have a sufficient cash balance to make a payment on the due date, we may sell Program Assets in your Account, without prior notice to you, to generate proceeds sufficient to pay the Program Fee and any other fees and charges payable.

The Program Fee is separate and distinct from the fees and expenses charged by the ETFs to their shareholders. Consequently, the ETFs held in your Account are subject to internal fees and/or expenses, which may include advisory and/or brokerage fees. WFA and its affiliates may earn or receive a portion of such fees and expenses in connection with the advisory or brokerage services they provide as sponsor or distributor of an affiliated Program Fund.

**Additions and Withdrawals.** Your Account will be charged (or refunded) a prorated quarterly fee on any net additions (or net withdrawals) in the Account during a month.

- Fees will be charged (or refunded) if the net addition or (net withdrawal) would generate a fee (or refund) of at least \$40 for that quarter.
- Fees will be assessed in the month following the net addition (or net withdrawal).
- Fees are based on the value of the assets in your Account as determined by the fee schedule. We are not compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of your funds.

### **Other Account Fees**

The Program fee does not include certain charges that may be applicable, including:

- Dealer markups or markdowns
- Odd lot differentials
- Transfer taxes
- Exchange fees or similar fees charged by third parties, including issuers, and fees required by the SEC
- Execution fees (foreign and/or domestic) when applicable
- Other fees required by law

**Non-Brokerage-Related Fees.** Non-brokerage related fees, such as IRA fees and wire transfer fees, are not included in the Program fee and will be charged to your Account separately. Please consult the Annual and Operational Fee Schedule for a list of these non-Program related fees and charges identified as applicable to advisory Accounts.

**Prior Commissions or Charges.** To the extent that cash used for investment in the Program comes from redemption proceeds of or deposits of your existing mutual funds or other securities investments, you should consider the cost of any prior sales charges or commissions you paid, which are in addition to the Program fee.

**Selling Securities.** If you sell securities prior to initiating (or after terminating) the Program, you will pay the separate brokerage charges for those transactions, in addition to applicable Program fees during the period.

If you fund your Program Account with securities, they will be liquidated at no additional cost under the Program Fee. However, if these securities include a mutual fund with a back-end sales charge, that charge will still be applicable.

## Costs of Investing in Program Assets

**ETFs.** In addition to the Program Fee, as a shareholder of an ETF, you will bear a proportionate share of the fund's expenses, including investment management fees that are paid to the fund's investment adviser, who may be an affiliate of ours. For more information about these funds, see their prospectus.

You should be aware that you can invest in ETFs directly without incurring the fee charged for participation in the Program.

**Cash Sweep Program.** Through our Cash Sweep Program you may earn a rate of return on the uninvested cash balances in your Account by automatically placing ("sweeping") cash balances into a sweep vehicle until such balances are invested or otherwise needed to satisfy obligations arising in connection with your Account. The available sweep vehicles currently consist of one or more affiliated and nonaffiliated Money Market Mutual Funds and/or a Bank Deposit Sweep, which is composed of interest-bearing deposit accounts at four banks affiliated with Wells Fargo & Company. Eligibility for each available sweep vehicle is determined by account type, although most account types will default to the Bank Deposit Sweep.

Program fees charged on Account values will apply to uninvested cash balances and balances in the Cash Sweep Program, to the extent permitted by law. The Program fees will exceed the return you earn on uninvested cash and, in most instances, on the vehicle in the Cash Sweep Program. When an affiliated Money Market Mutual Fund is used, we or our affiliates may serve as adviser, sub-adviser, distributor, or administrator to the fund and receive compensation for the services provided. Additional information about these funds is found in their prospectuses. We and our banking affiliates benefit financially from cash balances held in the Bank Deposit Sweep. For additional information about the Cash Sweep Program, including information about how we and our affiliates benefit from the Cash Sweep Program, see the Cash Sweep Program Disclosure Statement, which we provided to you when you opened your Account.

In addition to Program fees, as a shareholder of a money market mutual fund or closed-end fund, you will bear a proportionate share of the fund's expenses, including investment management fees that are paid to the fund's investment adviser, who may be an affiliate of ours. We may earn fees from our possession and temporary investment of cash balances in your Account(s) before they are "swept" into a money market fund or the Bank Deposit Sweep. You may elect not to participate in the Cash Sweep Program. The Cash Sweep Program should not be viewed as a long-term investment option. It is your responsibility to monitor your balances in the Cash Sweep Program, and determine whether you prefer to invest cash balances in products offered outside the Cash Sweep Program. For additional information, see the Cash Sweep Program Disclosure Statement, which we provided to you when you opened your Account.

## Compensation

**Compensation from Investment Advisors.** We receive training and education payments from many of the companies whose ETFs we sell for conducting comprehensive training and education for Associates. Wells Fargo Advisors may receive different training and education payments from ETF product sponsors depending on the training and education activities provided. From time to time, ETF product sponsors will reimburse us for expenses in connection with conducting training and educational meetings, conferences or seminars for Associates and customers. Also, Associates may receive promotional items, meals or entertainment or other "noncash" compensation from product sponsors. Although training and education compensation is not related to individual transactions or assets held in Client accounts, it is important to understand that, due to the total number of companies whose products are offered by us, it is not possible for all the product sponsors affiliated with each company to participate in a single meeting or event. Consequently, those product sponsors who participate in training, an educational meeting, seminar or other event gain an opportunity to build relationships with Associates that could lead to additional sales of the sponsor's ETF products. ETF sponsor policies can be found in an ETF's prospectus, which is available on request from the ETF product sponsor. While we offer a wide variety of ETFs for our Associates to sell or recommend, we reserve the right in the future to limit branch access to ETF sponsors.

Our affiliates may receive compensation for making a market and keeping an inventory of select ETF offers. They may also have an investment banking relationship with ETF issuers.

**Licensing Fees.** Certain ETF sponsors pay our affiliates a licensing fee to create ETFs that track a Wells Fargo index. That fee is based on the assets under management of the ETF. For purposes of calculating the index licensing fee, WFA discretionary ERISA and IRA assets invested in an ETF based on a Wells Fargo index are excluded from the calculation.

**Differing Compensation.** The additional compensation received from ETF sponsors may vary. As a result, the compensation may offer us a financial incentive to recommend one ETF over similar ETFs. This could also result in an increase in your cost as a result of us recommending a more expensive ETF. We intend, however, to make all recommendations independent of such financial considerations and based solely on our obligations to consider your objectives and needs.

We do not pre-condition the recommendation of ETFs for inclusion in the Program based on any compensation we may receive. In addition, Wells Fargo is a full-service financial services firm with many affiliates. Wells Fargo encourages its subsidiaries to use the products and services offered by affiliated firms, when appropriate. During the course of annual business planning, business with our affiliates is included in establishing our sales goals. As a result, we may have an incentive to hire affiliate service providers for our advisory Programs. We intend, however, to make all recommendations independent of any such goals and based solely on our obligations to consider your objectives and needs.

## **Account Termination**

You or we may terminate your enrollment in the Program by providing notice to the other party. Termination of your Program Account will become effective upon WFA's providing you with notice of the cancellation of your account. Upon termination of the Program services, we will make a pro-rata refund to you through the end of the then current fee period, less reasonable start-up costs. Termination of the account will not affect either your or our responsibilities under this agreement for previously initiated transactions or for balances due in the Program Account upon termination.

Upon termination, you may, but are not required to, request that we liquidate your account.

- You should also keep in mind that the decision to liquidate Program Assets may result in tax consequences that should be discussed with your tax advisor.

We are not responsible for market fluctuations in your Account from time of written notice until complete liquidation. Your request to liquidate securities upon termination of this Agreement is not considered a market order, since both we and/or the Manager require time to process your request. All efforts will be made to process the liquidation in an efficient and timely manner. It may take several business days under normal market conditions to process your request. Should the necessary securities markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening.

Upon Termination, your Program Account will become a brokerage Account. If securities remain in the brokerage Account after termination, neither the Manager nor WFA and our affiliates will provide any investment recommendations or ongoing investment management, nor will we give advice or offer any opinion with respect to the suitability, profitability, or appropriateness for you of any security, investment, financial product, or investment strategy. You will be solely responsible for determining whether a security transaction or strategy is suitable for you. All transactions will be done only on your order or the order of your authorized delegate, except as otherwise provided in the Program Agreement. Further, upon the termination of your Program Account, your assets will be subject to all fees and charges normally assessed by WFA and/or its agents on its standard brokerage accounts.

## **Account Requirements and Types of Clients**

### **Account Requirements**

A minimum initial Account value of at least \$10,000 is required. Under certain circumstances the Account minimum may be waived. We may terminate your Account with notice if they fall below minimum Account value guidelines established by us.

To participate in the Program, you must establish a Program Account and enroll in the Program electronically through the Program Website.

### **Types of Clients**

We provide the advisory services described in this brochure generally to individuals through taxable or retirement accounts.

## **Portfolio Manager Selection and Evaluation**

Our affiliate, WFII, has created nine ETF portfolios that are available within the Program. These Portfolios are built based on specified investment objectives, risk/return profiles and/or targeted asset allocations.

The allocation targets are generally based on longer-term risk/return assumptions for various asset classes or investment strategies and may change from time to time in light of new research and analysis. The asset allocation guidelines and risk/return objectives are selected such that the Conservative Income model would be expected to generally have the lowest long-term investment risk, based on historical average risk levels, but also the lowest expected return. As an investor moves to models with higher allocations in equities or other higher-risk assets, historical averages suggest that expected investment risk and potential return increase. A description of the Portfolios can be found in the "Methods of Analysis, Investment Strategies and Risk of Loss" section.

WFII uses both quantitative and qualitative criteria when evaluating the potential inclusion, combinations and weights of ETFs in a Portfolio. WFII will typically arrange meetings with Portfolio Managers or representatives of an ETF sponsor to discuss the underlying investment philosophy of the fund manager and how that philosophy is manifested in security buy, sell and weighting decisions. They also seek to understand the capabilities of the Portfolio Manager, and assess how the investment philosophy will perform in different market environments. Additional factors influencing the inclusion and weight of an ETF within a portfolio may include a statistical analysis of the fund's past risk/return profile; complementary nature; expense ratios; assessed capacity and liquidity levels; tracking error versus specified indexes; the assessed quality of the investment process; changes in investment process or personnel; the number, continuity and experience of the investment professionals; a completed questionnaire, database information on the firm and interviews with members of the management team. This process is a continuing one, and ETFs may be added or removed from the Program based on these ongoing assessments. You are aware that ETF replacements in a Portfolio may cause tax consequences.

WFA and WFII use information, financial data, and investment research from a variety of sources to evaluate ETFs. We believe the information we collect on funds is reliable and accurate, but we do not necessarily independently review or verify it on all occasions.



The stated investment objectives and/or allocation guidelines for the Portfolios provide the general basis by which they will be managed. We modify the allocations and/or selected ETFs when we believe it is in the interests of our investors to do so.

Other than in connection with our consulting responsibilities, we do not assume responsibility for the ETFs that we select, including their performance or compliance with laws or regulations. You are advised and should understand that:

- An ETF's past performance is no guarantee of future results;
- There is a certain market and/or interest rate risk which may adversely affect any ETF's objectives and strategies, and could cause a loss in your Account; and
- Client risk parameters or comparative index selections provided to us are guidelines only; there is no guarantee that they will be met or exceeded.

You should also be aware that shares of any particular ETF may fluctuate in value and when sold may be worth less than their original cost. There is no guarantee that your Program Portfolio will protect against such loss of investment.

Our reasons for removing an ETF may include its failure to adhere to expected investment objectives or a given management approach, a material change in the professional staff managing the fund, unexplained poor performance, a change of the investment management process, or the identification of a better alternative. We will, at our sole discretion, determine whether any or all of these factors are material when deciding to make a replacement.

WFI meets as necessary to make appropriate changes to the current asset allocation recommendations. We will review these recommendations and apply them to the Portfolios, as appropriate.

We may give advice and take action in the performance of our duties to you that differ from advice given, or the timing and nature of action taken, with respect to other Program Clients and/or Clients in other advisory Programs. Additionally, we, from time to time, may not be free to divulge or act upon certain information in our possession on behalf of investment banking or other confidential sources.

### **Services Tailored to Individual Client Needs**

All of our investment recommendations for Program Accounts are based on an analysis of your individual financial needs. They are drawn from research and analysis we believe to be reliable and appropriate to your financial circumstances. Each of the advisory services we offer is tailored to a specific type of investor and designed to meet their individual investment objectives, financial needs and tolerance of risk. A detailed description of these Programs is provided in the "Services, Fees and Compensation" section.

### **Client Restrictions and Instructions**

We will comply with any reasonable instructions and/or restrictions you give us when making recommendations for your Account, including the designation of securities that should not be purchased or held in the Account.

- If we believe that the restrictions are unreasonable or inappropriate, we will notify you that, unless they are modified, we may remove your Account from the Program.
- You will not be able to provide restrictions that prohibit or restrict the purchase or sale of securities by the investment advisor of an ETF.

Our policy is generally to liquidate your existing securities portfolio immediately in newly established Program Accounts and reinvest the Account in conformity with your target allocations. If you wish to hold certain positions for tax or investment purposes, you should consider holding these positions in a separate Account.

### **Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees in any of our investment advisory Programs. We do not have any side-by-side management situations.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

Below are descriptions of the nine Portfolios available in the Program.

**Income:** Portfolios emphasize current income with minimal consideration for capital appreciation and usually have less exposure to more volatile growth assets.

- **Conservative Income:** Conservative Income investors generally assume lower risk, but may still experience losses or have lower expected income returns.
- **Moderate Income:** Moderate Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest income returns.
- **Aggressive Income:** Aggressive Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.

**Growth & Income:** Portfolios emphasize a blend of current income and capital appreciation and usually have some exposure to more volatile growth assets.

- **Conservative Growth & Income:** Conservative Growth and Income investors generally assume a lower amount of risk, but may still experience losses or have lower expected returns.
- **Moderate Growth & Income:** Moderate Growth and Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest returns.

- **Aggressive Growth & Income:** Aggressive Growth and Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.

**Growth:** Portfolios emphasize capital appreciation with minimal consideration for current income and usually have significant exposure to more volatile growth assets.

- **Conservative Growth:** Conservative Growth investors generally assume a lower amount of risk, but may still experience increased losses or have lower expected growth returns.
- **Moderate Growth:** Moderate Growth investors are willing to accept a modest level of risk that may result in significant losses in exchange for the potential to receive higher returns.
- **Aggressive Growth:** Aggressive Growth investors seek a higher level of returns and are willing to accept a high level of risk that may result in more significant losses.

**Risk of Loss.** All investments shall be at your risk exclusively and we do not guarantee any return on the investments recommended or advised upon. We will not be responsible for losses resulting from the management of your Account. The Program includes investment risks, including possible loss of principal.

### **Voting Client Securities**

We will vote proxies for Program Accounts, unless otherwise instructed by you. We have adopted proxy voting policies and procedures that describe our practices. We use a third-party proxy voting service to provide independent, objective research and voting recommendations and to vote proxies on your behalf. We generally adopt a voting methodology that maximizes shareholder value, but reserve the right to recommend a different voting strategy. In addition, we have the ability to override votes recommended by the proxy voting service. Our proxy voting policies and procedures and a record of proxies voted on your behalf are available upon request.

### **Client Information Provided to Portfolio Managers**

When completing the Risk Tolerance Questionnaire, we will ask you to provide information about your investment objectives, financial circumstances and risk tolerance. Based on this information, we will make a recommendation using research and analysis we reasonably deem to be reliable. We may share this information with the Manager.

- We will contact you at least annually to update your information and indicate if there have been any changes in your financial situation, investment objectives or restrictions.
- It is your responsibility to inform us of any material change in your financial circumstances that might affect the manner in which your assets should be invested. Failure to do so could affect the suitability of the services that we are providing to you.

We will act on any changes deemed to be material or appropriate as soon as practical after we become aware of the change.

### **Client Contact with Portfolio Managers**

We will make our investment advisory and support personnel reasonably available for consultation with you if you request. You can request assistance by phone at (855) 283-5567.

### **Additional Information**

#### **Disciplinary Information**

We are both a broker-dealer and investment advisory Firm. The disciplinary events listed below are related to the activities of the broker-dealer, investment advisor, or predecessor firms.

For more information on broker-dealer related disciplinary events you may visit:  
<http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/>

Our investment advisory disciplinary history is available by going to: <http://www.adviserinfo.sec.gov/>

- On December, 21, 2016, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC agreed to a settlement with FINRA regarding allegations that the Firms failed to maintain approximately one million electronic brokerage records in non-erasable and non-rewritable format, which is intended to prevent the alteration or destruction of broker-dealer records stored electronically. The findings also stated that for approximately 1.5 million accounts, the Firm failed to preserve customer account form templates containing the terms and conditions related to the opening and maintenance of accounts, failed to retain certain communications and failed to notify FINRA at least 90 days prior to using new storage media to store electronic broker-dealer records. FINRA also found that the Firms failed to implement an audit system for those records, failed to provide its third party vendors full access to the storage systems, failed to implement an adequate supervisory system and failed to enforce written procedures. Without admitting or denying the findings, the Firms agreed to a censure and fine, jointly and severally, of \$1,500,000. The Firms also consented to a review of its policies and procedures.
- On December 5, 2016, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC agreed to a settlement with FINRA regarding allegations that the Firms failed to establish, maintain and enforce reasonable supervisory systems for the use of consolidated reports generated by their registered representatives through available applications. The findings stated that these applications allowed the Firm's representatives to manually enter information

regarding customers' external accounts, assets and liabilities into a centralized table which the Firms maintained. This information would then be used to populate reports, including those that would be sent to the Firms' customers. FINRA found that the Firms did not have systems in place to review the contents of the reports, including information about customer holdings away from the Firms. In addition, the Firms' supervisory systems and procedures were inadequate because there was no mechanism allowing representatives to designate which reports were actually provided to customers and the system could not distinguish between draft reports and completed reports that were sent to customers, which should have been subject to the Firms' supervisory systems designed to review customer communications. Without admitting or deny the findings, the Firms agreed to a censure and fine, jointly and severally, of \$1,000,000.

- In December 2014, Wells Fargo Advisors agreed to a settlement with FINRA regarding allegations that the Firm failed to comply fully with requirements to verify the identity of each customer opening a new account under its Customer Identification Program ("CIP"). Due to a design flaw in the Firm's CIP system, 220,000 accounts, out of the total 6.9 million accounts opened during the period from October 2003 through October 2012, were not subject to the Firm's CIP review. When considering sanctions, FINRA took into consideration that WFA discovered the system flaw through self-testing, performed remediation CIP on approximately 100,000 accounts that remained open, made system changes to prevent recurrences and reported the violations in accordance with FINRA Rule 4530(b). Without admitting or denying the allegations, the Firm agreed to a settlement that included a censure, and payment, jointly and severally with its affiliate Wells Fargo Advisors Financial Network, of a \$1,500,000 fine.
- On September 22, 2014, the Securities and Exchange Commission ("Commission") entered an order against Wells Fargo Advisors, LLC following the firm's offer of settlement. The order stated that the firm did not adequately establish, maintain or enforce policies and procedures to prevent the misuse of material nonpublic information, particularly concerning the risk that its associated persons could obtain material nonpublic information from its customers or advisory clients. The order also stated that during the Commission's investigation, the firm unreasonably delayed production of certain documents and produced a document that was altered by an employee. The firm admitted the Commission's findings of fact, acknowledged that its conduct violated the federal securities laws and agreed to retain an independent compliance consultant to review relevant policies and procedures, as well as the making, keeping, and preserving of certain required books and records. The order censured the firm, required that the firm cease and desist from violating the federal securities laws cited in the order and imposed a civil money penalty in the amount of \$5,000,000.
- In May 2012, Wells Fargo Advisors agreed to a settlement with FINRA regarding allegations that the Firm failed to establish and maintain supervisory systems, including written procedures, reasonably designed to achieve compliance with applicable FINRA rules in connection with the sale of leveraged, inverse and inverse-leveraged exchange-traded funds. Without admitting or denying the allegations, the Firm agreed to a settlement that included a censure, and payment, jointly and severally with its affiliate Wells Fargo Advisors Financial Network, of a \$2,100,000 fine and restitution to specified clients.
- In May 2011, Wells Fargo Advisors agreed to a settlement with FINRA regarding allegations that the Firm failed to deliver prospectuses to customers on a timely basis and failed to timely file certain amendments to Uniform Applications for Securities Industry or Transfer ("Forms U4") and Uniform Termination Notices for Securities Industry Registration ("Forms U5"). Without admitting or denying the allegations, The Firm agreed to a censure and a \$1,000,000 fine. The Firm also agreed to adopt and implement systems and procedures reasonably designed to achieve compliance with the federal securities laws and FINRA rules applicable to timely filing of Forms U4 and U5.
- In 2009 and 2010, Wachovia Securities agreed to settlements with the SEC and multiple state regulatory agencies regarding allegations that the Firm misrepresented the liquidity risks of auction rate securities sold to customers. Without admitting or denying the allegations, the Firm agreed to pay \$50,000,000 in fines to state regulatory agencies. The Firm also agreed to offer to repurchase auction rate securities, not subject to current calls or redemptions in the relevant class, that were the subject of unsuccessful auctions. The Firm complied with all terms of these settlements as of June 30, 2010.
- In May 2009, WFA agreed to a settlement with FINRA regarding allegations the Firm failed to deliver prospectuses and product descriptions to certain customers who purchased investment products, failed to have adequate supervisory systems and appropriate written supervisory procedures in place to ensure that offering documents were being sent to customers in connection with transactions, and failed to adequately supervise the submission of information to FINRA staff and ensure that its submissions were accurate, complete and timely submitted. Without admitting or denying the allegations, the Firm agreed to a censure and a \$1,400,000 fine. In addition, the Firm completed a subsequent review and certification that it had adopted and implemented supervisory systems and procedures reasonably designed to achieve compliance with the federal securities laws and FINRA rules applicable to the delivery of prospectuses and product descriptions.
- In February 2009, Wachovia Securities agreed to a settlement with FINRA regarding allegations that it failed to accurately make certain customer mailings. FINRA noted that the Firm failed to send customers confirmation of changes to: investment objectives, customer addresses and certain asset movements. In addition, customer profile information verification forms were not delivered to customers. Without admitting or denying the allegations, the Firm consented to a fine of \$1,100,000 and agreed to hire an outside consultant to conduct a review of the Firm's policies, procedures, testing and systems related to these issues, which was completed on or about August 2009.
- In February 2009, Wachovia Securities agreed to a settlement with FINRA regarding allegations that the Firm (1) made recommendations through its registered representatives to customers to purchase Class B and Class C mutual fund shares where an equal investment in Class A shares would have been more advantageous for certain clients; (2) did not provide certain eligible customers with the benefit of net asset value ("NAV") transfer programs in connection with mutual fund purchases and sales discounts in connection with purchases of unit investment trusts ("UIT"); and (3) failed to

establish, maintain and enforce supervisory systems and procedures reasonably designed (a) to provide consideration, on a consistent basis, of the benefits of various mutual fund classes as they applied to individual customers, (b) to identify opportunities for investors to purchase mutual funds at NAV and (c) to ensure that sales charge discounts were applied to eligible UIT purchases by customers. Without admitting or denying the findings, the firm consented to a censure, a fine of \$4,410,000 and undertakings that included remediation to certain customers. In determining appropriate sanctions, FINRA considered the Firm's proactive remedial actions taken upon its discovery of, and before FINRA's inquiry into, certain conduct. After identifying failures to provide certain customers with NAV pricing and UIT sales discounts, the Firm acted promptly and in good faith to repay customers approximately \$5,400,000 and correct its systems and procedures.

- In October 2008, Wachovia Securities entered into a settlement with FINRA, regarding allegations that it permitted an individual to function as a principal without being properly licensed as a General Securities Principal ("GP"), permitted an individual to supervise its equity research analysts without being properly licensed as a Research Principal ("RP") and failed to ensure that a GP or RP manage and supervise the Firm's Advisory Services Group. Without admitting or denying the allegations, the Firm consented to a censure and a \$75,000 fine.
- In September 2007, Wachovia Securities entered into a settlement with the SEC regarding allegations that the Firm entered into an agreement to allow a registered representative to market time in an affiliate mutual fund in excess of trading limits set forth in the fund's prospectus. Without admitting or denying the allegations, the Firm agreed to a censure, to pay disgorgement of \$1 and a civil penalty of \$500,000, and to cease and desist any further violations of this kind.
- In June 2007, Wachovia Securities entered into a settlement with the NASD regarding alleged supervisory failures in connection with its fee in lieu of commission account program based on low activity, opening accounts below stated minimums and distributing a piece of sales literature that inaccurately stated that the fee in lieu account was a fee based advisory account. Without admitting or denying the findings, the Firm agreed to a censure, a \$2,000,000 fine and paid restitution to specified clients.

### **Other Financial Industry Activities and Affiliations**

We are a national securities firm providing investment and other financial services to individual, corporate and institutional Clients. We are a registered broker-dealer and investment adviser.

WFCS is a member of all principal stock exchanges in the United States, including the New York Stock Exchange and NASDAQ. WFCS is also a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). We may also route Client transactions through its affiliate, Wells Fargo Securities, LLC.

We are a non-bank affiliate of Wells Fargo. We are not a bank or thrift and are a separate and distinct corporate entity from our affiliated banks. **Unless otherwise stated as the case, the investment advisory services offered and the underlying stock, bonds, mutual funds and other securities bought or sold through us are not deposits of any bank and are not insured or otherwise protected by the Federal Deposit Insurance Corporation ("FDIC") or another government agency. They are not obligations of any bank or any affiliate of us; are not endorsed or guaranteed by Wells Fargo, WFA, or any bank or any affiliate of us; and involve investment risk including possible loss of principal. Cash balances in your Accounts may be held in a depository product sponsored by a Wells Fargo entity. Deposit products, like the cash sweep program, are protected by FDIC insurance up to applicable limits.**

Our obligations and commitments do not extend to any affiliated bank or thrift, and any such bank or thrift is not responsible for securities we sell or purchase. As a general matter, unless otherwise stated, we may be a principal or engaged in underwriting securities for which we are providing broker, advisory or other services to our Clients. We may also purchase those securities from an affiliate or sell them to an affiliate. In addition, we or our affiliates may act as an investment adviser to issuers whose securities may be sold to you.

From time to time, a bank or thrift affiliated with us may lend money to an issuer of securities underwritten or privately placed by us. The prospectus or other offering documentation provided in connection with such underwriting or private placement will disclose to the extent required by applicable securities laws:

- The existence of any material lending relationship by any affiliate of ours with such an issuer and
- Whether the proceeds of an issuance of such securities will be used by the issuer to repay any outstanding indebtedness to any of our affiliates.

We have a number of related persons who may provide investment management and related financial services to our advisory Clients. The advisory services these investment advisers offer are described more fully in their Disclosure Documents and/or Form ADV, Part 2A. The identity of these related persons and summary of the products and services follows.

- **Wells Fargo Advisors Financial Network, LLC** is an affiliate of WFA that also provides retail brokerage and investment advisory services.
- **Wells Fargo Funds Management, LLC** is a registered investment adviser and wholly owned subsidiary of Wells Fargo & Company that provides investment advisory services to the Wells Fargo Advantage Funds. These funds may be purchased in WFA brokerage Accounts and certain advisory Programs offered by us. Wells Fargo Funds Management, LLC is also an advisor to certain cash sweep vehicles that may be available to Program Clients.
- **Wells Capital Management Incorporated, First International Advisors, LLC, Metropolitan West Capital Management, LLC, Golden Capital Management, LLC and Galliard Capital Management** are all affiliates of Wells Fargo & Company and may serve as advisers and/or sub-advisers through WFA's Separately Managed Account

Programs and to certain of the Wells Fargo Advantage Funds.

- **Wells Fargo Investment Institute, Inc.** (known prior to November 1, 2014 as Alternative Strategies Group, Inc. and before that as Wachovia Alternatives Strategies, Inc.) is a registered investment advisor and wholly owned subsidiary of Wells Fargo & Company that provides advisory services and research to WFA.

**Access to Research.** WFII also provides research and strategy recommendations to other affiliates of WFA and within other Programs offered. While all the affiliates have similar access to the research, due to the operation differences, manner and size of the advisory programs, certain affiliates may be able to implement and trade on these recommendations prior to another affiliate. The ability to implement and trade on these recommendations first, may give the clients of one affiliate an advantage over clients of other affiliates.

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

### **Code of Ethics**

Our Associates are subject to a Code of Ethics that is designed to ensure our business activities are performed with the highest possible standards of ethics and business conduct, and to comply with all applicable laws, rules, and regulations that govern our businesses. Key requirements of our Code of Ethics are summarized below.

- Conduct all aspects of Wells Fargo's business activities in an honest, ethical, and legal manner, and in accordance with all applicable laws, rules, and regulations and our policies and procedures.
- Provide accurate and complete information in dealings with Clients and others, including disclosure of conflicts of interest when they exist.
- Prepare and maintain accurate business records.
- Refrain from improper disclosure or misuse of confidential Client information and material, non-public information. Wells Fargo protects the private, personal, and proprietary information of Clients and others.
- Avoid conflicts of interest in personal and business activities.
- Rules specific to personal trading.

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

Under the Program, we are generally appointed as sole and exclusive broker by you for the execution of transactions. The Program fee covers transaction costs when transactions are executed through us. However, on occasion, Clients may also designate, or the law may require, the use of other brokers, taking into consideration a number of factors such as best execution, research services, and other qualitative factors. Keep in mind that:

- When transactions are executed with other firms, including our affiliates, the cost of execution is imbedded in the price of the security.
- Any imbedded execution costs on trades done away from us are in addition to the Program fee.

For these transactions, we may act as agent or, where permitted by law, principal (including when we are acting as underwriter or selling group members). We may effect and execute brokerage transactions, including on a national exchange, as permitted by current provisions of Section 11(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and rules promulgated thereunder including any future amendments or changes to such statutes and rules. For more information see the "Brokerage Practices" section.

**Relationships with Publicly Traded Companies.** We or our affiliates may have investment banking or other relationships with certain publicly traded companies. These relationships may from time to time require us to restrict trading in the securities of these companies. As a result of these investment banking or other activities, our affiliates may acquire confidential or material non-public information that may prevent us or our affiliates, for a period of time, from purchasing, selling or recommending particular securities for your account. We and our affiliates are not permitted to divulge or to act upon this information with respect to our advisory or brokerage activities.

**Policies, Restrictions, and Training.** We have certain restrictions, internal procedures, and client disclosures regarding conflicts of interest that we may have with respect to our participation or interest in client transactions. We communicate our policies and procedures related to participation in Client transactions to our Associates through compliance policies and procedure manuals and program-specific policy guidelines.

### **Personal Trading**

We have policies and procedures to mitigate conflicts of interest between your transactions and those in the personal investment Accounts of our associates and their immediate family members. To ensure associate trading requirements are observed:

- Certain associate trading activity is subject to pre-approval.
- All associates are subject to regular review by their supervisors and independent oversight by our Compliance Department.
- Systemic controls are used to automatically restrict entry of certain orders and generate related surveillance reporting.

## **Review of Accounts**

Program services include review and monitoring of your Account by our personnel and facilities. Through the Website, we will provide you with Account information which will include a calculation of your Account's performance.

**Confirmations and Statements.** We will provide you with the following:

- Trade confirmations reflecting all transactions in securities
- A statement of Account activity at least quarterly

These documents will be delivered to you electronically.

## **Client Referrals and Other Compensation**

From time to time, we initiate incentive programs for our Associates that may compensate them for:

- Attracting new assets and Clients
- Referring business to our affiliates (such as referrals for mortgages, trusts, or insurance services)
- Promoting investment advisory services
- Promoting green initiatives (such as raising Client awareness of paperless options)
- Meeting total production criteria
- Preparing Envision investment plans
- Participating in advanced training
- Improving Client service

Associates who participate in these incentive programs may be rewarded with cash and/or non-cash compensation, such as deferred compensation, bonuses, training symposiums, and recognition trips.

Because portions of these programs may be subsidized by external vendors or our affiliates, such as mutual fund companies, insurance carriers, or investment advisers, associates may have a financial incentive to recommend the programs and services included in these incentive programs over other available products and services we offer.

## **Brokerage Practices**

Under a brokerage compensation arrangement, the Manager will be directed to effect all transactions in securities for your Account with or through us. Notwithstanding the foregoing, the Manager shall have no obligation to effect a particular transaction with or through us, if in their reasonable judgment it would be unlawful to do so.

**Principal Trades and Agency Cross Transactions.** We do not generally execute principal trades or agency cross transactions in our advisory Programs even though we may be permitted by agreement and by law to do so. Although in some instances, we may be able to provide a more favorable market price to you if we participate in a principal trade or an agency cross transaction with Client Accounts, we do so only on a case by case basis, when consistent with regulations and our obligations to provide best execution. If the trade is a principal transaction, we will provide you with specific disclosures (including whether we are a market maker in the security) and obtain your consent.

**Agency Cross Transactions.** If the transaction is an agency cross transaction, in which we act as your broker or agent by purchasing or selling securities from or to one of our brokerage Clients, we will obtain your written consent and will provide you with a written confirmation at or before the completion of the transaction which describes its nature, provides information about its date and time and the remuneration which may be received by the investment advisor or other person.

At least annually, we will provide you with a written disclosure statement identifying the total number of agency cross transactions for your Account during the period, and the total amount of our commissions or other compensation for these transactions, if any. We generally will not affect agency cross transactions between Clients if we have recommended the security to both Clients.

Principal trades and agency cross transactions are also subject to additional restrictions, procedures, and controls that are not required for other securities transactions in advisory Accounts. As discussed more fully below, we seek to obtain the best execution for each of our advisory Clients.

**Cross-Transactions.** We also may affect cross-transactions between advisory Client Accounts, where one Client purchases a security held by another Client. Neither we nor any related party receives any compensation in connection with a cross-transaction. We effect these transactions only when we deem the transaction to be in the best interests of both Clients and at prices that we have determined to reflect fair value.

**Trade Corrections.** If WFA is responsible for a trade processing error, it is WFA's policy to correct the issue as soon as possible and return the account to the economic position that it would be in absent the error. If correction processing generates a shortfall to the account, we make the account whole by paying the shortfall. If correction processing generates an overage (i.e., an amount in excess of what would be in the account if the error did not occur), WFA retains the overage.

**Rollovers.** If you are rolling over assets from an employer-sponsored Qualified Retirement Plan ("QRP"), such as a 401(k), to an Individual Retirement Account ("IRA") with us, you should carefully evaluate all choices which are typically available. These four options include: leaving your assets in your former employer's plan (if permitted), rolling over the assets to your new employer's plan (if permitted), rolling your assets to an IRA with us or another firm, or cashing out the account value. You should consider the following factors, among others, in deciding whether to keep assets in a QRP, roll over to an IRA or cash out: investment options, fees and expenses, ability to make penalty-free withdrawals and differences in creditor protection. We

have a conflict of interest in connection with a rollover of your assets into an IRA and the investment of the assets with us as opposed to leaving the assets in your former employer's plan or electing one of the other options. The conflict arises because we will likely earn no compensation if you were to leave the assets in your former employer's plan or transfer to your new employer's plan. In addition, the costs of maintaining and investing assets in an IRA with us will generally involve higher costs than the other options available to you. While we typically offer a broader range of investment options and services than an employer-sponsored QRP, there are no guarantees that the additional investment options will outperform your employer-sponsored QRP.

**Order Flow.** We may receive additional compensation in the form of order flow payments from options trades. In addition, we may receive compensation from one or more of the firms we route equity orders to as a fee for providing execution services to those firms. However, the orders routed to these firms are not contingent on pre-existing arrangements. Please refer to the "Fees and Compensation" section for a discussion of additional fees that you may incur.

**Best Execution Committee.** We have a Best Execution Committee that reviews trading activity and the vendors and systems we use to process transactions, among other things. Both advisory Client and non-advisory brokerage trades orders are treated with the same priority and procedural flow, except to accommodate the trading restrictions placed on these Accounts with respect to principal trades and agency cross Transactions.

To seek a more advantageous net price, it is our practice to aggregate orders, when feasible, for the purchase (or sale) of a particular security for the Accounts of several Program Clients for execution as a single transaction. Any benefit of such aggregation generally is allocated pro-rata among the Client Accounts that participated in the aggregated transaction.

Client transactions are monitored regularly by branch supervisors, and product management personnel monitor Program exceptions as part of their general oversight responsibility for the Programs. In addition, we use system controls and identification to restrict advisory Accounts from being charged commissions. We also regularly review reports to determine if you have been charged commissions in error and correct Accounts where appropriate.

**Order Handling.** The securities traded for you may be traded in one or more marketplaces or may employ an alternative trading system ("ATS") to execute fixed income transactions. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements, we may use our discretion in selecting these marketplaces or ATSs to enter or execute your orders.

We route Client orders for over-the-counter equities and listed equity securities to execution venues as appropriate, with best execution being the highest priority.

- We consider a number of factors when determining where to send Client orders, including execution speed and price, price improvement opportunities, the availability of efficient and reliable order-handling systems, the level of service provided, and the cost of executing orders.
- We strive to execute all held orders at prices equal to or better than the displayed national bid/offer price, up to the displayed size, at the time of execution.
- Not-held orders are worked for best price by the trading desk. We may utilize non-affiliated third-party Authorized Participants ("APs") when transacting large blocks of ETFs. APs are typically large institutions like market makers or specialists who can create ETFs by trading the underlying securities.

As a result of the over-the-counter nature (the lack of a market exchange) of fixed income securities, the available trading methods differ from that of equity securities. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements, we may use our discretion in selecting the appropriate ATS and/or broker-dealers with which to execute Client orders. We consider a number of factors when determining where to execute Client orders, including the product type (which may influence the liquidity in the market) and the size of the order.

For both equity and fixed income securities, we regularly review transactions for quality of execution, and take action, as appropriate, for price improvement and to fulfill our best execution obligations. At all times, our foremost concern is to obtain the best execution for our Clients, regardless of any compensation factor.

If any such prices are unavailable or believed to be unreliable, we will determine prices in good faith so as to reflect our understanding of fair market value.

**Additional Considerations Associated with Pledging Advisory Accounts.** In addition to the risks mentioned above, with respect to investment advisory account(s) that are pledged or otherwise used as collateral for margin or any other securities-based lending product, the exercise of our rights and powers over the assets in your advisory account(s), including the disposition and sale of any and all assets pledged as collateral may be contrary to your interests and the investment objective of your advisory account(s). Any recommendation to use margin or a securities-based lending product, as well as the related compensation that we or our affiliate may receive, could create conflicts of interest between you and us or, if applicable, our affiliate. For example, such recommendation to use margin or a securities-based lending product could result in a situation in which we are required to liquidate securities that we or your money manager would otherwise not sell, and which may not otherwise be in your best interests to sell, to satisfy a maintenance call. We or a third-party money manager will seek to manage your advisory account(s) as agreed under your advisory Program agreement(s), provided that, if a maintenance call takes place, we or your money manager may not be able to manage your advisory account(s) consistent with our or the money manager's overall strategy. Any action taken by us, or an affiliate, against the assets in your advisory account(s) pursuant to the use of margin or a securities-based lending product will not constitute a breach of our fiduciary duties as an investment advisor to you under your advisory Program agreement(s). In addition, the costs associated with

using margin or a securities-based lending product, including the costs associated with a maintenance call, are not included in your advisory program fees and may result in additional compensation to us and our affiliate.

**Privacy.** We will not sell your information to other companies for marketing purposes. We employ strict security standards and safeguards to protect your personal information and prevent fraud. In addition, we will continue to protect your privacy even if you are no longer our Client.

For more information, please read our Privacy Statement or call (855) 283-5567. With your written permission, obtained via Client Agreement or other written communication, we may provide your information electronically to your investment adviser and/or agent of such adviser. We reserve the right, at our discretion, to refuse to provide such requested information. Furthermore, in compliance with our Privacy Policy, we accept your instructions to discontinue providing such information.

### **Financial Information**

We have no financial condition that is likely to impair our ability to meet our contractual commitments to you.