



**BANCWEST INVESTMENT SERVICES, INC.  
WRAP FEE PROGRAM BROCHURE**

This wrap fee program brochure provides information about the qualifications and business practices of BancWest Investment Services, Inc. If you have any questions about the contents of this brochure, please contact us at 1-800- 338-3919. The contents of this brochure have not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about BancWest Investment Services, Inc. (“BWIS”) also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by our firm's CRD number, which is 29357.

BancWest Investment Services, Inc.  
13220 California Street  
Second Floor  
Omaha, NE 68154-9750  
[www.bankofthewest.com/personal-banking/investments.html](http://www.bankofthewest.com/personal-banking/investments.html)

February 15, 2018

**Investment and Insurance Products:**

NOT FDIC INSURED	NOT BANK GUARANTEED	MAY LOSE VALUE	NOT A DEPOSIT	NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
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## Item 2

### **NOTICE OF MATERIAL CHANGES**

We update this Wrap Fee Brochure (“Brochure”) no less frequently than on an annual basis.

This Item 2 summarizes the material changes to the Brochure since the version of this Brochure dated January 16, 2018. For more details on any matter, please see the item in this Brochure indicated below.

#### **February 14, 2018 Material Update**

FX Settlements: On January 25, 2018, BNP Paribas USA, Inc., pursuant to a settlement agreement, pled guilty to a one-count information in the United States District Court for the Southern District of New York relating to violations arising out of conduct in BNP Paribas USA, Inc.’s foreign exchange trading business during the 2011-2013 period. The registrant, was not named in the settlement agreement. (Item 9)

#### **January 16, 2018 Material Update**

This Brochure has been updated to reflect that upon written request, Program account assets may be “pledged” or used as collateral, with our consent, in connection with loans obtained through the Bank of the West securities based lending Investment Line of Credit program. (Item 4)

Below are material changes to the Brochure since the version dated March 30, 2017. For more details on any matter, please see the item in this Brochure indicated below.

## Item 3

### **BANCWEST INVESTMENT SERVICES, INC. WRAP FEE PROGRAM BROCHURE**

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## Item 4 – Services, Fees and Compensation

BancWest Investment Services, Inc. (“BWIS,” “Registrant,” “we” or “us”) is registered as an investment adviser with the Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940, as amended (“Advisers Act”). BWIS is also registered with the SEC as a broker-dealer, and is a member of the Financial Industry Regulatory Authority (“FINRA”). BWIS is a subsidiary of Bank of the West (“BOTW”), which is an affiliate of First Hawaiian Bank (“FHB”). BOTW is wholly-owned by BancWest Holding Inc. (“BWHI”). BWHI is a wholly-owned subsidiary of BNP Paribas USA, Inc. BNP Paribas USA, Inc. is a wholly owned subsidiary of BNP Paribas, SA, a publicly-owned limited liability banking institution organized in France (“BNP Paribas”).

This information is current as of the date of this Brochure and is subject to change at our discretion.

### Investment Advisory Solutions

BWIS sponsors various investment advisory programs (“Program” or “Programs”). The Programs described in this Brochure are provided to clients through a “wrap fee” arrangement where the fee is asset-based, rather than based on the transactions in the account (i.e. commissions). The wrap fee covers advisory, brokerage and custodial services related to the Programs. Such services generally include investment advice or counsel provided by BWIS advisory representatives, professional portfolio management, the execution of client transactions, custody services, account servicing, and performance reporting, in addition to other standard services.

BWIS is the sponsor of the following types of Programs:

1. Fund Strategist Portfolios (“FSPs”)
2. Separately Managed Accounts (“SMAs”); and
3. Unified Managed Accounts (“UMAs”).

#### *Our Advisory Role*

With the assistance of an advisory representative, each client completes an investment profile questionnaire (“Questionnaire”) seeking information about the client’s investment objectives, risk tolerance, and time horizon for the assets designated for the advisory account (each, an “Account”). The advisory representative reviews the Questionnaire responses and any other relevant information that a client may provide to understand the client’s investment objectives, financial circumstances, investment experience, risk tolerance, and reasonable restrictions the client may wish to impose on management of their assets (collectively, “Client Information”). Our advisory representatives assist clients in analyzing their investment objectives and risk tolerance and making a suitable initial Program selection. The decision to

invest in a Program and the ultimate Program selection is solely that of the client. Based on the results of the discussion with the client and responses to the Questionnaire, the advisory representative prepares and reviews with the client a customized Statement of Investment Selection (“SIS”). The SIS incorporates an investment profile summary, summarizes the information the client provided in the Questionnaire and recommends one or more Programs for the client’s portfolio. The client reviews and either approves or rejects the recommendation. If approved, the client executes the SIS, which also specifies the annual Program Fee (defined below) to be charged, and enters into an investment advisory agreement (“Client Agreement”) with BWIS. The Client Agreement discusses the services to be provided to the client and other terms and conditions associated with the Program(s).

Clients are responsible for promptly notifying BWIS in writing of any material changes in the information furnished by the client in the Questionnaire or information that is otherwise material to the client’s financial situation, investment objectives, time horizon, risk tolerance and investment strategy or if they wish to impose any reasonable restrictions upon BWIS’ management services. In the event that a client notifies the Adviser of changes to the information in their client profile, BWIS will review such changes and recommend any necessary changes to the client’s portfolio. BWIS meets with clients periodically to review the client’s investment goals and current advisory portfolios.

The Programs offer clients discretionary investment management in that clients have the option to select which Program and subsequent models or strategies to invest in as described above, however, once selected and agreed upon, clients do not retain day-to-day authority to make investment decisions with respect to the purchases and sales of assets in their Account. The actual investment selection and implementation of client assets is delegated to the appropriate discretionary manager which varies based on Program selected. In no case does BWIS or its advisory representatives assume any discretionary investment authority in any Program.

Clients who participate in a Program establish a brokerage account for which BWIS serves as the introducing broker and Pershing, LLC (“Pershing”) serves as the clearing broker and custodian (collectively, “Brokers”). Clients enter into separate brokerage account agreements directly with BWIS which governs the brokerage services provided.

#### *Advisory Roles of Others*

BWIS receives certain services from other parties that are integral to the advisory services we offer to clients, which includes “Model Providers,” “SMA Managers” and “Overlay Manager.”

In the FSP Programs, “Model Providers” construct asset allocation models for a range of client investment objectives and risk tolerances. Model Providers’ work includes research and selection of the portfolios’ individual components, which include mutual funds (“Funds”), exchange traded funds (“ETFs”) and potentially other pooled investment vehicles. Current Model Providers in the FSP Programs include Portfolio Management Consultants (“PMC”), an affiliate of Envestnet Portfolio Solutions, Inc. (“Envestnet”), Russell Investment Management Company (“Russell”), Vanguard Advisers, Inc. (“Vanguard”), BlackRock Investment Management, LLC (“BlackRock”), and BOTW’s Investment Strategy and Advisory Team (“ISAT”).

ISAT is part of BOTW, and as such, is affiliated with BWIS. ISAT creates and maintains various investment models, including the Bank of the West Mutual Fund Strategies and the Bank of the West ETF Strategies (“BOTW Models”) as described herein.

In the SMA Program, third-party investment managers are referred to as “SMA Managers.” The SMA Managers offered have varying investment objectives, styles, and strategies and invest in varying types of securities to achieve those objectives. The SMA Program has two operational structures for the provision of advice, either: 1) manager traded, where the SMA Manager manages and executes client assets directly or 2) model traded, where the SMA Manager acts as a Model Provider.

In Programs where a Model Provider is used, the Model Provider will provide its model and any subsequent updates to the model to an “Overlay Manager” who will then implement transactions in the client’s Account in accordance with the Program and/or model selected by the client, subject to reasonable client imposed investment restrictions. Envestnet currently serves as the Overlay Manager for BWIS. BWIS will provide the ADVs of any Model Providers upon request by the client.

BWIS utilizes Envestnet’s advisory, administrative and technological services to make available its advisory programs to BWIS clients. Envestnet is a registered investment adviser, and provides investment management and investment advisory services through independent investment advisers. Envestnet, directly and through its affiliates, also provides proprietary research, an asset management platform, and related technology, operational and administrative support services.

Envestnet also offers BWIS access to managed investment portfolios chosen from a roster of SMA Managers from a variety of disciplines. Envestnet retains the SMA Managers for portfolio management services through separate agreements entered into between Envestnet and the SMA Manager. PMC also serves as both a Model Provider and an SMA Manager, and is part of Envestnet’s portfolio consulting group. Envestnet also makes available the asset allocation strategies developed

by the various Model Providers available through the BWIS FSP Programs.

A summary of our Programs follows below.

## **Program Summaries**

### **FSP Programs:**

**PMC Mutual Fund Strategies.** This mutual fund model portfolio Program enables clients to invest in a model portfolio of Funds representing a range of potential investment objectives constructed by PMC.

PMC serves as Model Provider and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account’s investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

**Bank of the West Mutual Fund Strategies.** This mutual fund model portfolio Program enables clients to invest in a model portfolio of Funds representing a range of potential investment objectives constructed by ISAT.

ISAT serves as Model Provider and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account’s investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

**PMC ETF Strategies.** This ETF Program enables clients to invest in a model portfolio of ETFs (investment companies, whose shares are traded on a stock exchange, that track a specific index or benchmark) representing a range of potential investment objectives constructed by PMC.

PMC serves as Model Provider and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account’s investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

**Bank of the West ETF Strategies.** This ETF Program enables clients to invest in a model portfolio of ETFs representing a range of potential investment objectives constructed by ISAT.

ISAT serves as Model Provider and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account’s investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

**PMC Enhanced Index Strategies.** This Program enables clients to invest in a model portfolio of Funds and ETFs representing a range of potential investment objectives constructed by PMC.

PMC serves as Model Provider and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account's investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

**Russell Model Strategies.** This Program enables clients to invest in a model portfolio of Funds constructed by Russell representing a range of investment objectives.

Russell serves as Model Provider and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account's investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

**Vanguard ETF Strategic Model Portfolios– Core Series.** This Program enables clients to invest in a model portfolio of ETFs representing a range of potential investment objectives constructed by Vanguard.

Vanguard serves as Model Provider and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account's investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

**BlackRock Target Income Model Portfolios.** This Program enables clients to invest in a model portfolio of fixed income mutual funds and ETFs with a primary investment objective of regular income generation. The models are constructed by BlackRock.

BlackRock serves as Model Provider and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account's investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

**BlackRock Focused Income Model Portfolios.** This Program enables clients to invest in a model portfolio of mutual funds and ETFs with a primary investment objective of regular income generation while seeking to protect against one of the three following potential risks: principal protection against volatility, rising interest rates, or inflation. The models are constructed by BlackRock.

BlackRock serves as Model Provider and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account's investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

#### **SMA Program:**

**Separately Managed Accounts.** This Program enables clients to invest in third-party investment managers (SMA Managers) that offer varying investment objectives, styles, and strategies and invest in varying types of securities to achieve those

objectives. Our advisory representatives assist clients in selecting SMA Managers, typically after reviewing Client Information and materials about the SMA Managers. Depending on the strategy selected, SMA Managers may directly implement transactions in accordance with the client's investment objectives, or serve as a Model Provider, in which case Envestnet serves as Overlay Manager.

#### **UMA Programs:**

**Unified Managed Accounts.** This Program provides clients the ability combine certain FSP Model Providers and certain SMA Managers together, in a single account. Depending on the FSPs and/or SMAs selected by the client for the UMA, the account may contain Funds, ETFs and individual equities or other securities types as determined by the FSPs and/or SMA Managers. The aggregation of the client's various FSP and/or SMA selections will be used to determine the account's overall investment objective.

The FSPs and/or SMAs in a UMA account will vary depending upon the client's selection. The FSPs available in the UMA program serve as Model Providers and Envestnet serves as Overlay Manager. If an SMA Manager is selected, the SMA Manager may directly implement transactions in accordance with the client's investment objectives, or serve as a Model Provider in which case Envestnet would serve as Overlay Manager. Rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the clients' UMA selections.

**PMC Unified Managed Accounts.** This Program provides a range of pre-determined model portfolios that enable clients to invest in Funds, ETFs and have portions of their assets managed by one or more SMA Managers, together in a single account.

PMC serves as Model Provider and is responsible for the selection of the SMA Managers, and Envestnet serves as Overlay Manager. After the client has selected a model portfolio representing the account's investment objective, the rebalancing, reallocating and monitoring of client assets are conducted by Envestnet in accordance with the model.

The PMC UMA program is closed to new investors.

#### **Additional Considerations**

**Client-Imposed Investment Restrictions.** Clients may impose reasonable restrictions on the management of their Accounts, including that particular securities (or types of securities) may not be purchased or should be sold. This option however, is not intended to permit a client to direct the purchase of certain securities (or types of securities). Any account restrictions may result in the development of a customized asset allocation for the client that may deviate from the allocation a Model Provider or SMA Manager would otherwise propose. If the request for restrictions is deemed reasonable by BWIS, applicable Model Providers, SMA Managers and Overlay Manager, replacement

securities may be purchased as appropriate. Restrictions placed on an account may positively or negatively affect account performance, and may cause the account to perform differently than a like account with no restrictions. Restrictions cannot be implemented on the underlying securities held by pooled investment vehicles (i.e. mutual funds, exchange traded funds, etc.). Clients should promptly notify their BWIS advisory representative of any changes to their investment restrictions.

Limited Customization of Model Portfolios. Clients should know that the assets that they designate in each model portfolio Program are likely to be managed in a manner similar to other clients having similar investment objectives and risk tolerance.

There are additional limits to the customization of the advice we provide. While non-Program assets may be considered in the formulation of investment recommendations (particularly initial recommendations), generally advice is not offered on those assets and those assets likely will not be taken into account in the course of periodic asset allocation adjustments.

Mutual Funds. In the event of termination of a client's participation in a Program, the client's Fund shares will not be automatically redeemed. Fund shares will be transferred out of the Programs, unless the client provides instructions to redeem the shares. If all assets are Fund shares, a client's ability to purchase new Fund shares may be restricted, and we or Envestnet may take other actions, as deemed appropriate. Clients should be aware that the Program Fee (as defined below) will be imposed on all Fund shares that a client designates as Program assets, including Fund shares on which the client may have previously paid a sales charge or fee structure. Also, to the extent that cash used for investment in Funds comes from redemptions of a client's other Fund investments not held in the Programs, clients should consider the cost, if any, of any sales charge or fee structure previously paid and redemption fees that would be incurred. These redemption fees would be in addition to the Program Fee on those assets. Finally, clients should be aware that Funds bear a variety of expenses directly, including investment advisory fees and brokerage expenses. As a shareholder in a Fund, a client will indirectly incur a pro rata share of these expenses.

Client Rights. Clients retain the right to proceed directly as a security holder against any issuer of any security that constitutes assets and are not obligated to join any person involved in the operation of the Programs or any other client in the Programs as a condition precedent to initiating any such proceeding.

Need for Independent Tax Advice. We do not offer tax advice to clients. Investing in our Programs and certain transactions such as liquidating assets and redeeming or exchanging Funds might have tax consequences. Clients should consult with their independent tax advisors prior to investing in our Programs, liquidating assets or redeeming or exchanging Funds.

Trade Errors. If a trade error is made in a Client's Account, BWIS will take action to make the account whole. Pursuant to our trade error procedure, BWIS maintains an error account to facilitate handling trading errors. Gains will be offset by losses in the error account. If an outside investment adviser causes a trade error, the outside investment adviser's trade error procedure will govern.

Loans and Collateral. Upon your written request, your account assets may be "pledged" or used as collateral, with our consent, in connection with loans obtained through certain affiliated loan programs, such as, but not limited to, the securities based lending Investment Line of Credit program (the "Lending Program"). Under the Lending Program, you may receive loan proceeds as a result of an arrangement whereby your account is pledged to Bank of the West, an affiliate of us. If you have elected to participate in a Lending Program, the terms and conditions applicable to that Lending Program are governed by the applicable loan documents and other service agreements and are not included or described further in this Brochure. The terms of the loan documents and other agreements may result in the prohibition of purchasing or holding certain assets as collateral which could disrupt your selected Model Provider's or SMA Manager's investment strategy for the Account. The terms of the loan document and related documents may also restrict or prevent withdrawals of assets from your account. You should carefully review the terms, conditions, and any related risk disclosures for the Lending Program and understand that such risks may be heightened in the event you hold a concentrated position in your pledged Account or if your pledged Account makes up all, or substantially all, of your overall net worth or investable assets. A collateral call could disrupt your selected Model Provider or SMA Manager's investment strategy for the Account. If an account is pledged as collateral for a loan and the lender has initiated a liquidation of securities in the account pursuant to the terms of the collateral agreement, your account may not be invested in accordance with the model portfolio or your investment objective for a period of time. You, your financial adviser, or your selected Model Provider or SMA Manager may not be provided with prior notice of a liquidation of the securities in your pledged Account. You, your financial adviser, and your selected Model Provider or SMA Manager may not be entitled to choose the securities which are to be liquidated by the lender and may result in unforeseeable and/or undesirable tax consequences for which neither Bank of the West nor BancWest Investment Services have any responsibility to consider in making decisions to liquidate assets pledged as collateral. Liquidation of certain assets may also result in early termination fees, penalties, and losses not included or described in this brochure. The costs associated with such a lending arrangement under the Lending Program are not included in the Program Fees and will result in additional compensation to us, our affiliate(s) and our Financial Advisors. You should consult with your own independent tax advisor in order to fully understand the tax implications associated with pledging your Account as loan collateral and the potential liquidation of pledged assets. You are encouraged to speak with your Financial Advisor to the

extent you have questions about how your Account may be used in connection with the Lending Program and how such arrangement should be taken into consideration when discussing the management of your Account.

### **Program Fees**

Each client will be charged an asset-based fee (the “Program Fee”) in exchange for the services provided under each Program. The Program Fee applicable to all accounts opened is the Derived Fee Rate (discussed below). There are no minimum account fees in Program Accounts.

Negotiated asset-based fees may be available at the discretion of BWIS. Factors involved in this negotiation may include the nature and size of the overall client relationship with BWIS, the level and type of advisory or other financial services being or expected to be provided, and BWIS’ or its affiliates’ policy with respect to discounts. The client understands that unless a lower rate has been negotiated, they should expect that BWIS will charge fees based upon the applicable standard fee schedule detailed below for each program account.

All Program Fees are annualized and charged on a quarterly basis in arrears based on the Program Account’s average daily fair market value of assets under management during the preceding calendar quarter. In computing the market value of Fund assets, Fund shares are valued at their respective net asset values as calculated in accordance with each Fund’s prospectus. Any such valuation will not be deemed a guarantee of any kind whatsoever with respect to the value of those Fund assets. If a Program Account is opened during any calendar quarter, such account will be billed *pro rata* in arrears based on the average daily fair market value of assets during the portion of the quarter the account was open. Upon termination of any Program Account, any earned, unpaid fees will be due and payable *pro rata*. The Program Fee will be deducted directly from the Program Account.

The Program Fee depends on the Program option selected and the amount of the client’s assets. The Program Fee is typically assessed at a tiered and blended rate meaning as the total market value of the Program Account assets reaches various thresholds, the asset values above each threshold will be charged successively lower fee rates. This results in a blended effective rate calculated as a percentage of all Program Account assets. The blended effective rate will vary due to fluctuations in market value and changes in asset levels invested (i.e. due to contributions, withdrawals, etc.).

### ***Derived Fee Rate***

Accounts are assessed a fee which includes advisory services offered by BWIS, as well as the execution, clearing, custodial, and reporting services provided by BWIS and Pershing (the “BWIS Fee Rate”). The BWIS Fee Rate does not include, however, the asset-based fee relating to Envestnet’s provision of services under the Programs (“Envestnet Platform Fee”), or the advisory services provided by the Model Providers and SMA Managers participating in our Programs (“Manager Fees”). Together, the BWIS Fee Rate, Envestnet Platform Fee and Manager Fees, are collectively referred to as the “Derived Fee Rate”.

Neither the Envestnet Platform Fee nor the Manager Fees are negotiable. The Manager Fees are determined by the relevant Model Providers, SMA Managers and Envestnet, as applicable. The BWIS Fee Rate may be negotiable, and may differ from client to client, based upon a number of factors, including, but not limited to, the total assets invested by a client, assets invested in a related account, and the client’s overall relationship with BWIS. In negotiating the BWIS Fee Rate, it is possible that not all factors will be considered or weighted equally among clients. For the purpose of reducing the BWIS Fee Rate, clients may request that their advisory representatives aggregate certain eligible accounts, which include accounts of immediate family members who reside at the same legal address (including a spouse, domestic partner, parent, child, or other dependent). Such client requests to aggregate accounts for purposes of a discounted BWIS Fee Rate are subject to approval by BWIS to confirm account eligibility. Neither BWIS nor its advisory representatives are responsible for identifying accounts that may be eligible for aggregation; clients are solely responsible for identifying the accounts that should be aggregated for purposes of BWIS Fee Rate discounts. In addition, BWIS advisory representatives have the discretion to further negotiate BWIS Fee Rate discounts and to aggregate other accounts not specified above in order to reduce the BWIS Fee Rate. Advisory representatives have aggregated client accounts in the past, which could result in such clients paying a reduced overall BWIS Fee Rate. BWIS and its advisory representatives earn higher fees when a BWIS Fee Rate is not reduced as a result of account aggregation or other negotiated discounts, and BWIS addresses this conflict of interest by disclosing it to clients so that they may discuss the Program Fee with their advisory representatives.

**ISAT Fees.** For its advisory services with respect to BOTW Models, ISAT receives a portion of the BWIS Fee Rate, specifically, 0.15%. The amounts paid to ISAT are included in the overall BWIS Fee Rate paid by clients rather than being in addition to the BWIS Fee Rate clients pay.

The standard fee schedule for Accounts subject to the Derived Fee Rate is set forth below.

## BWIS Fee Rate

<u>Value of assets</u>	<u>BWIS Fee Rate</u>
First \$250,000	1.42%
Next \$250,000	1.17%
Next \$500,000	1.02%
Next \$1,000,000	0.92%
Over \$2,000,000	0.87%

## Envestnet Platform Fee

The Envestnet Platform Fee varies based on Program selected and typically ranges from 0.05% - 0.12% of Program Account assets.

## Manager Fees

The Manager Fee varies based on Program, Model Provider, and SMA Manager selected. FSP Model Provider fees typically range from 0.00% to 0.15% of Program Account assets. SMA Manager Fees typically range from 0.25% - 0.60% of Program Account assets. Envestnet may retain a portion of the Manager Fee for its administrative services conducted on behalf of the SMA Managers and Model Providers.

**Householding.** BWIS offers a householding option whereby the market values of certain eligible Program accounts (“Eligible Accounts”) may be aggregated for fee calculation purposes. Eligible Accounts include all Program accounts of immediate family members who reside at the same legal address (including a domestic partner, spouse, parent, child, or other dependent). The aggregation of Eligible Accounts may reduce the effective Program Fee for each Program account in the household and there may be costs savings available to you if you elect to household your Eligible Accounts. If you have Eligible Accounts that you do not elect to household, this potential cost savings will not be available to you. In order to household your Eligible Accounts, BWIS requires that clients complete the BWIS Investment Advisory Solutions Householding Form (“BWIS IAS Householding Form”) provided at account opening. Note that you will not receive any householding benefit, until you have completed the BWIS IAS Householding Form, it has been reviewed and accepted by BWIS, and your Eligible Accounts are linked together by BWIS for billing calculation purposes. The householding benefit will start as of the billing period your Eligible Accounts are linked together for billing purposes and will not be retroactive to any prior time period. Neither BWIS nor its advisory representatives are responsible for identifying Eligible Accounts; clients are solely responsible for identifying Eligible Accounts to be included in a household via the BWIS IAS Householding Form. BWIS and its advisory representatives earn higher fees if clients elect not to Household Eligible Accounts. BWIS addresses this conflict of interest by disclosing it to clients so that they may discuss the Program Fee with their advisory representatives.

If Program accounts are househanded, all accounts in the household are billed at a rate based on the aggregate average daily market value of the assets over the quarter (“aggregate market value”) for all accounts in the household. Depending

on the aggregate market value of your househanded accounts, you may benefit from a reduced Program Fee rate. Specifically, the aggregate market value of Househanded accounts must cross the first breakpoint (i.e. \$250K) of the Derived Fee Rate pricing schedule in order to receive the cost savings associated with householding.

A simplified householding example: Assume a client has two Eligible Accounts for householding.

- Account 1 = \$250k market value
- Account 2 = \$250k market value
- Sample tiered fee schedule:

\$0-\$250k	1.50%
\$250k - \$500k	1.25%

If the two accounts were househanded, the rate for each account would be based on the aggregated market values of both accounts (\$500k). Based on the sample tiered fee schedule above, the first set of assets from \$0 - \$250k is charged 1.50% and the second set of assets from \$250k - \$500k is charged 1.25%, resulting in a blended effective rate of 1.375%. If billed on an individual basis, the rate for each account would be subject to the tiered fee schedule based on its own market value at the \$0 - \$250k breakpoint. Based on the sample tiered fee schedule, each account would be charged an annual advisory fee rate of 1.50% if it were not househanded. In this example, with householding applied, both accounts would be charged a blended effective rate of 1.375% versus 1.50%, resulting in a net cost savings of 0.125% which based on \$500k aggregate market value that equates to a \$625 annual savings across both accounts.

Affiliated Products. As discussed above, ISAT is part of BOTW, and as such, is affiliated with BWIS. As discussed in greater detail below, if a client selects a BOTW Model, the portion of fees attributable to BWIS or its affiliate, BOTW (through ISAT), may be greater than if the client participated in another strategy or Program. As such, BWIS may have an incentive to encourage clients to select a BOTW Model.

## ***Additional Information Regarding Program Fees & Related Expenses***

BWIS and Advisory Representative Fees. We and our advisory representatives receive a portion of the Program Fee paid by clients for the services we provide. The amounts paid to BWIS vary depending on the Program selected, and are included in the overall Program Fees paid by clients rather than being in addition to the Program Fees clients pay. Our advisory representatives are paid based on a portion of the revenues we earn, net of certain expenses. Additionally, our advisory representatives may receive additional compensation for one year following a client’s initial investment in one of our advisory programs. The amount of this compensation is not necessarily, but may be, more than what the advisory representative would receive if the client participated in BWIS’ other programs or paid separately for investment advice,

brokerage, and other services. As such, the advisory representative recommending the Program may have a financial incentive to recommend the Program over other non-advisory products or services.

Additional information about the compensation to BWIS, advisory representatives and BWIS affiliates is discussed below.

**Fee Reductions and Waivers.** BWIS employees and affiliates (including advisory representatives), and members of the families of these persons, may participate in the Programs with a reduced Program Fee.

**Additional Fees.** In addition to the above fees, there may be postage and handling charges per trade, as well as other charges. The Program Fee does not cover, and the client shall be responsible for: any national securities exchange fees; fees imposed by the SEC, FINRA or other Regulators; charges for transactions not executed through the Brokers; costs associated with exchanging currencies; fees and expenses charged by Funds selected by the client or any investment company in which assets may be invested (as described below); account servicing fees imposed by Pershing; and other fees required by law.

Specific information regarding the additional fees potentially charged for each client's Account is provided in the brokerage account agreement.

**Additional Program Fee Information.** Program Fees do not include any performance fee or fees based on a share of capital gains or capital appreciation of Program assets.

**Mutual Fund Fees.** All Program Fees are separate and distinct from the fees and expenses charged by Funds to their shareholders. Clients owning Funds in a Program will pay these fees as shareholders of the Funds. These fees and expenses are described in each Fund's prospectus and generally include management fees, other fund expenses, and distribution fees. Distribution fees are commonly referred to as 12b-1 fees. In instances where BWIS receives 12b-1 fees in retirement account types governed by the Employee Retirement Income Security Act (ERISA) and Individual Retirement Accounts, we credit such client Accounts an amount equal to any such 12b-1 fees we receive on such assets held in a client Account in order to offset the advisory fees paid to us for the advisory services we provide.

Clients may invest in Funds directly without our assistance, which may result in lower fees. In such case, the client would not receive the services provided by us which are designed, among other things, to assist the client in determining which Funds, products and SMA Managers are most appropriate for the client's financial condition and objectives and risk tolerance. Accordingly, clients should review both the fees charged by Funds and the individual products, and the Program Fees to fully understand and compare the fees they would pay by investing in Funds without our assistance

against the fees they would pay by investing through one of the Fund Programs.

**Bundled Services and Fees.** Clients also should consider that, depending upon the level of the Program Fee charged, the amount of portfolio activity in the client's Program Account and the value of services which are provided under the Program, the aggregate amount of the Program Fee, which is for bundled services, could total more or less than purchasing the services separately. Clients may also be able to obtain some or all of the types of services available through the Programs from other firms, and fees may be higher or lower for comparable services, assuming such services are available. Clients are responsible for reviewing other services or investments available with their advisory representatives to determine whether they may be more appropriate than the Programs offered in this Brochure. In comparing the relative costs, clients should consider various factors, including, but not limited to:

- Client preference for an advisory or brokerage relationship;
- Client preference for a fee-based or commission-based relationship;
- Investment products available from each service;
- Whether a particular investment strategy is available through another BWIS program or service;
- The amount of trading activity expected in the client account;
- The amount of assets expected to be allocated to cash;
- The frequency and type of client-profiling reports, performance reporting and account reviews available in each product or service;
- Historical or expected size of the account

**Account Funding.** Program accounts may be funded with cash or existing securities. Existing securities transferred into a Program account will be sold on behalf of the client without regard to potential tax implications and the proceeds invested into the strategy selected for the account. If clients elect a dollar cost averaging (DCA) strategy and choose to invest their account over time according to an agreed upon schedule, any cash in the Program account that is not invested is included in the billing calculation of the account.

**Non-Program Assets and Unsupervised Assets.** Non-Program assets are not allowed to be held in Program Accounts. The purchase and sale of assets to be held in a Program account is at the discretion of the Model Provider or SMA Manager. This means, any non-Program assets you transfer into a Program account may be sold at any time without regard to potential tax implications, and the proceeds of which invested into the strategy selected for the account. BWIS, at its sole discretion, may allow a non-Program asset to be held in a Program account and designate that asset as "unsupervised". If such

accommodation is made, the unsupervised asset is excluded from billing, reporting, and trading. BWIS has no obligation to provide advice or oversight of unsupervised assets and is not responsible for performance of such types of assets.

**Billing on cash.** All cash and cash equivalents held in a Program account are considered part of the Program account assets and are included in the billing calculation. This includes a small cash position that is maintained in all Program accounts at all times in addition to any cash raised in a Program account as requested by the client. If you choose to raise cash in your Program account, it will be included in the billing calculation. We encourage clients who raise cash in their Program account to take action and move the cash from their Program account as soon as practicable.

## **Item 5 - Account Requirements & Types of Clients**

### *Minimum Account Requirements*

Clients may choose to invest in one or more Programs, provided they meet the initial and ongoing minimum asset requirements. An account established under the Program is not considered “managed” pursuant to the investment advisory agreement until it has been fully funded to the account minimum level. Additionally, all required account opening paperwork and/or documentation must be submitted and considered by BWIS to be in good order. For example, BWIS will not generally consider an account to be managed (or the advisory agreement to be effective) until all reasonable and necessary account paperwork has been submitted and processed by BWIS, even though the account has otherwise been fully funded and a client-signed investment advisory agreement has been submitted to BWIS.

The following FSP Program requires a minimum asset contribution of \$25,000:

- Vanguard ETF Strategic Model Portfolios–Core Series

The following FSP Programs require a minimum asset contribution of \$50,000:

- PMC Mutual Fund Strategies
- PMC ETF Strategies
- PMC Enhanced Index Strategies
- Russell Model Strategies
- Bank of the West Mutual Fund Strategies
- Bank of the West ETF Strategies
- BlackRock Target Income Model Portfolios
- BlackRock Focused Income Model Portfolios

Separately Managed Accounts require a minimum asset contribution of \$100,000 for equities and \$250,000 for fixed income. The UMA program requires a minimum asset contribution of \$250,000. PMC Unified Managed Accounts require a minimum asset contribution of \$250,000.

Should a Program Account fail to meet the ongoing minimum asset requirement, BWIS may, upon written notice to the client, terminate the advisory relationship and convert the account to a commission-based brokerage account. Should you request a withdrawal of cash or transfer of assets from your advisory account that drops the market value of your account below the Program minimum, BWIS may terminate the advisory relationship and convert the account to a full service commission-based brokerage account.

### *Minimum Account Size Reductions and Waivers*

We may waive or reduce minimum account requirements. Similarly, at our sole discretion, we may impose a higher investment minimum with respect to certain Programs.

Clients should be aware that certain SMA Managers may also impose additional minimum requirements for their portfolio management services, and certain Funds may impose additional minimum requirements to invest.

The minimum account size requirement may be reduced or waived in its entirety for BWIS employees or our affiliates (including advisory representatives), and members of the families of these persons, who maintain an “employee related” account.

### *Processing Times*

BWIS has established workflow procedures for various processing activities such as the opening of new accounts; Program, Model Provider or SMA Manager changes; the investment of cash contributions; disbursement requests; establishing or modifying periodic payment and investment plans; and account terminations. Processing times for these activities differ for a variety of reasons, including the documentation requirements, the types of securities being bought or sold, and the level of complexity involved. Processing activities may require up to seven business days under normal market conditions. Some processes, such as those involving investments in fixed income transactions, may take the investment manager up to eight weeks under normal market conditions. BWIS will process instructions or requests in an as efficient and timely manner as practical, and generally in the order received, provided account paperwork is in good order.

### *Types of Clients*

We, our affiliates and advisory representatives provide both brokerage services and investment advisory services. Our investment advisory services are available to any current or prospective clients, including, but not limited to, individuals, who comprise the largest portion of our client base, trusts, estates, charitable organizations, and corporations or other business entities. Investment minimums will apply as described in this Brochure.

**Item 6 - Portfolio Manager Selection & Evaluation** Our advisory services, including assisting clients in identifying and selecting Model Providers and SMA Managers, are intended to offer clients various investment products and options that may be appropriate based on the Client Information. The Model Provider and SMA Manager selection process for our Programs leverages the Envestnet proprietary research process, which aims to provide a list of appropriate Model Providers and SMA Managers across varying types of risk tolerance, investment styles, philosophies, methodologies, and investment vehicles.

#### *Envestnet Process*

FSP Model Providers and the PMC UMA Program create asset-allocated investment strategies composed of a combination of Funds, ETFs, and in the case of PMC UMA, individual securities selected by SMA Managers. Envestnet typically evaluates Model Providers (except ISAT, which is discussed separately below) using the following methodology and criteria:

- Compliance Questionnaire  
Envestnet evaluates responses to this annual questionnaire to determine whether a Model Provider meets a sufficient level of quality and stability through its internal controls, policies, and practices. The responses include information about each Model Provider's compliance program, Code of Ethics, investigations and reviews by regulators, material changes to the strategies, Form ADV review, proxy voting procedures, key personnel changes, trading practices, and material trading errors.
- In-Depth Research & Due Diligence Questionnaire  
Envestnet evaluates responses to this questionnaire to assess the Model Provider's business continuity, history, and governance. Additionally, the questionnaire covers, among other information, a Model Provider's investment team, investment philosophy, investment objectives, risk management, and performance.
- Risk Score Questionnaire  
Envestnet calculates risk scores for each of the model strategies that are available to clients through the Envestnet platform. Envestnet's methodology is designed to calculate the risk scores of these strategies in an effort to calibrate a client's risk profile with the potential risk a Model Provider's strategy may assume.

The SMA Manager selection process is also driven by research conducted by Envestnet, and is summarized as follows:

- Compliance Questionnaire  
This annual questionnaire review process is the same as the one described above for Model Providers.
- Envestnet's Business Partners Acceptance Committee Review ("BPAC")  
Envestnet's BPAC, a cross-section of individuals from Envestnet's Compliance, Legal, Research, Strategic Partners, Manager Services, Business Development, Product, and Sales departments meets periodically to review responses to Compliance and Due Diligence questionnaires and any additional supporting materials that may be applicable to its review of SMA Managers. BPAC considers quantitative and qualitative factors to determine whether to make available the services of a given SMA Manager.
- Ranking  
All SMA Managers approved by BPAC are subject to Envestnet's proprietary ranking model. The ranking model scores each SMA Manager and seeks to identify those that have demonstrated consistent risk-adjusted results. The SMA Managers Envestnet uses are generally required to have submitted three to five years of performance history information to Morningstar.

Envestnet may terminate or replace Model Providers and SMA Managers who do not meet Envestnet's compliance, risk and performance standards. If a manager or strategist is terminated, BWIS will notify clients. A termination may cause disruption to your account during which time management of assets and performance reporting may be discontinued until new paperwork is submitted and approved by BWIS to resume account management.

Envestnet recommends certain Model Providers and SMA Managers that are affiliates of Envestnet, which creates a potential conflict of interest in recommending such affiliates' proprietary strategies. Based on information provided on its Form ADV, Envestnet believes the conflict is mitigated because their strategies are based on a "manager of managers" approach rather than traditional stock picking. Clients should review the Form ADV for Envestnet for additional information on its process for selecting Model Providers and SMA Managers.

#### *BWIS Review Process*

BWIS has developed an internal Oversight Committee to review and monitor the Model Providers, including ISAT. With respect to ISAT and the BOTW Models, we believe they present unique opportunities to our clients, including the

relevance of the Programs to our clientele, the availability/accessibility of the ISAT portfolio management team across our market footprint, and the offerings available through the BOTW Models. As discussed above, ISAT is part of BOTW, the parent company of BWIS, which creates a potential conflict of interest due to ISAT's receipt of compensation for its services as a Model Provider related to the management of the BOTW Models. To mitigate this potential conflict of interest, ISAT is required to complete the annual In-Depth Research and Due Diligence questionnaire and Risk Score questionnaire for review by Envestnet. Additionally, the BWIS Oversight Committee also reviews information similar to that required by Envestnet's In-Depth Research and Due Diligence questionnaire and, based on the performance and other information, determines whether the BOTW Models present appropriate investment opportunities for our clients. The BWIS Oversight Committee also periodically reviews performance and other information on Model Providers, including ISAT, and may terminate or replace Model Providers in the event it determines that it is no longer prudent to continue to offer them to our clients.

#### **Item 7 - Client Information Provided to Portfolio Managers**

At a minimum, Model Providers and SMA Managers are provided with information concerning Accounts' investment objectives and risk tolerance, which is updated in the event they change. Envestnet as Overlay Manager receives additional information regarding specific client accounts.

#### **Item 8 - Client Contact with Portfolio Managers**

We do not place any restrictions on clients' ability to contact and consult with any of the advisors to our Programs.

#### **Item 9 - Additional Information**

##### **Disciplinary Information**

As of the date of this Brochure, there are no reportable legal and disciplinary events for our "management persons" as that term is defined on Form ADV. Other than the BNP Paribas matters reported below, we are not aware of any legal or disciplinary events that may be material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. We note that the disciplinary reporting requirements for broker-dealers and investment advisers differ in some ways, with broker-dealers required to report on matters that may not be required to be reported by investment advisers. Since BWIS operates as both a broker-dealer and investment adviser, BWIS files the information as required by each entity. Please refer to [www.brokercheck.finra.org](http://www.brokercheck.finra.org) or [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) for additional information.

On January 25, 2018, the U.S. Department of Justice (the "DOJ") filed a one-count criminal information (the "Information") in the United States District Court for the Southern District of New

York ("District Court") against BNP Paribas USA, INC. ("BNPP USA"). The DOJ's information charged BNPP USA with entering into and engaging in a combination and conspiracy to suppress and eliminate competition by fixing prices for Central and Eastern European, Middle Eastern, and African ("CEEMEA") currencies traded in the United States and elsewhere, from at least as early as September 2011 and continuing until at least July 2013, in violation of the Sherman Antitrust Act, 15 U.S.C. §1. Under the settlement agreement with the DOJ (the "Settlement Agreement"), BNPP USA pled guilty to the charge set out in the Information. BNPP USA expects that the District Court will enter the judgment against BNPP USA that will require remedies that are materially the same as set forth in the Settlement Agreement. BNPP USA also agreed to pay a criminal fine of \$90 million. BNPP USA will also be subject to certain additional obligations thereunder, including continuing cooperation.

The Registrant was not named in the Settlement Agreement.

On July 17, 2017, BNP Paribas S.A., BNP Paribas USA, Inc. and BNP Paribas Securities Corp. (together, "BNPP") consented to the entry of an Order to Cease and Desist and order of Assessment of a Civil Money Penalty Issued Upon Consent Pursuant to the Federal Deposit Insurance Act, as Amended (the "Consent Order"), by the Board of Governors of the Federal Reserve System (the "Federal Reserve") relating to BNPP's Covered FX Activities (i.e., buying and selling U.S. dollars and foreign currency for its own account and soliciting and receiving orders through communications between customers and sales personnel that are executed by traders in the spot market) from June 2007 through October 2013. Specifically, the Federal Reserve found that BNPP lacked adequate governance, risk management, compliance and audit policies and procedures to ensure that the firm's Covered FX Activities complied with safe and sound banking practices, applicable U.S. laws and regulations, including policies and procedures to prevent potential violations of the U.S. commodities, antitrust and criminal fraud laws, and applicable internal policies.

Without admitting or denying the violations, BNPP consented to the entry of the Consent Order on July 17, 2017 by the Federal Reserve, pursuant to which BNPP shall: (A) pay a civil monetary penalty of \$246,375,000; (B) comply with the undertakings set forth in the Consent Order, including submitting written proposals for approval by the Federal Reserve Bank of New York covering BNPP's internal controls and compliance program, compliance risk management program, and internal audit program regarding to the Covered FX Activities and other FX trading and related sales activities; and (C) agree to not re-employ in the future certain employees who were involved in the misconduct and subsequently resigned or were terminated.

The Registrant was not named in the Board Order.

On May 24, 2017, BNP Paribas S.A. and its New York Branch and the New York State Department of Financial Services ("DFS") entered into a consent order (the "Order") to settle DFS' investigations into alleged violations of New York

Banking Law (the “Banking Law”) arising out of conduct in BNPP’s foreign exchange (“FX”) trading business during the 2007-2013 period. The Order is captioned In the Matter of BNP Paribas S.A. and BNP Paribas S.A., New York Branch.

The Order finds that BNP Paribas S.A. and its New York Branch violated Banking Law §§ 10, 44 and 44-a by conducting business in an unsafe and unsound manner, Banking Law § 200-c by failing to maintain and make available true and accurate books, accounts, and records reflecting all transactions and actions and § 300.1 of New York Codes, Rules and Regulations by failing to submit a report to the Superintendent immediately upon discovering fraud, dishonesty, making of false entries or omission of true entries, or other misconduct.

BNP Paribas S.A. and its New York branch consented to the entry of a Consent Order under Banking Law §§ 39, 44 and 44-a by the DFS. As per the Order, BNP Paribas S.A. was required to pay a civil monetary penalty of \$350 million, which was paid on June 1, 2017. The Order also requires BNP Paribas S.A. and its New York Branch to submit written proposals for approval by the DFS covering its senior management oversight, internal controls and compliance program, compliance risk management program, and internal audit program regarding their FX trading business and related sales activities. The Order requires BNP Paribas S.A. and its New York Branch to agree to not re-employ in the future certain employees who were involved in the misconduct and subsequently resigned or were terminated.

The Registrant was not named in the Order.

From at least 2004 through 2012, BNP Paribas, knowingly and willfully moved over \$8.8 billion through the U.S. financial system on behalf of Sudanese, Iranian, and Cuban sanctioned entities, in violation of U.S. economic sanctions, including more than \$4.3 billion in transactions involving entities that were specifically designated by the U.S. Government as being cut off from the U.S. financial system. BNP Paribas engaged in this criminal conduct through various sophisticated schemes designed to conceal from U.S. regulators the true nature of the illicit transactions. On June 30, 2014, the U.S. Department of Justice (the “Department of Justice”) and the Office of the U.S. Attorney for the Southern District of New York (the “SDNY”), and together with the Department of Justice, the “DOJ”) filed a notice of intent to file a one-count criminal information in the District Court for the Southern District of New York (the “District Court”), and the New York County District Attorney’s Office (“DANY”) filed a two-count criminal information in the Supreme Court of the State of New York, County of New York (the “Supreme Court”) against BNP Paribas. The DOJ’s information, which was filed on July 9, 2014, charged BNP Paribas with conspiracy to commit violations of the International Emergency Economic Powers Act and the Trading with the Enemy Act, and regulations issued thereunder. DANY’s information charged BNP Paribas with the crime of falsifying business records in the first degree and conspiracy in the fifth degree. BNP Paribas agreed to resolve the action

brought by DANY through a plea agreement dated June 30, 2014 and the action brought by the DOJ through a plea agreement dated June 28, 2014 (the “Plea Agreements”). The Plea Agreements required BNPP to plead guilty to the charges set out in the respective informations and to pay over \$6.2 billion to the U.S. and New York state governments. The Plea Agreements also required BNP Paribas to lawfully undertake certain remedial actions to address the conduct described in the Plea Agreements and the attachments thereto (the “Conduct”). BNPP also entered into regulatory settlements relating to the Conduct. BNPP agreed to enter into a Cease and Desist Order Issued Upon Consent with the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the French Autorité de Contrôle Prudentiel et de Résolution (the “ACPR”) to resolve certain findings by the Federal Reserve and ACPR relating to the Conduct. BNP Paribas also agreed to enter into an Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent with the Federal Reserve to resolve certain findings by the Federal Reserve relating to the Conduct. BNP Paribas and the DFS entered into a Consent Order to resolve certain findings by the DFS relating to the Conduct. Additionally, BNP Paribas entered into a Settlement Agreement with the United States Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) to resolve certain findings by OFAC relating to the Conduct. The settlement with the Federal Reserve required BNP Paribas to pay \$508 million to the Federal Reserve, while the settlement with the DFS required BNPP to pay \$2.2434 billion to the DFS.

Neither BWIS nor any other affiliate of BNP Paribas registered with the SEC as an investment adviser under the Advisers Act or a broker-dealer under the Securities Exchange Act of 1934 was named in any of these settlements or involved in the Conduct underlying these settlements. BWIS is committed to observing the highest standards of integrity and regulatory compliance in all aspects of its work.

### **Other Financial Industry Activities & Affiliates**

As a dually registered investment adviser and broker-dealer affiliated with a bank, we have a number of relationships with affiliates and receive referrals from those affiliates. As described at the beginning of this Brochure, BWIS is a subsidiary of BOTW, which is an affiliate of FHB. BOTW is wholly-owned by BWHI. BWHI is a wholly-owned subsidiary of BancWest Corporation, which is wholly owned by BNP Paribas USA, Inc. BNP Paribas USA, Inc. is a wholly owned subsidiary of BNP Paribas, a publicly-owned limited liability banking institution organized in France. These firms and their affiliates may be recommended to our clients in need of banking and/or investment management services if we believe that those services would be helpful to them. We, through our advisory representatives, may suggest or recommend that clients, including GRPS Program clients, purchase our products or products of an affiliate. Where our or our affiliate’s services are used or products are purchased by clients, we and our affiliates will receive fees and compensation. Advisory representatives may, as permitted by applicable law, receive

compensation (the amount of which may vary) in connection with these products and services. We have overlap in our employees and managers, and certain of our principal executive officers, all of whom are employed by BOTW.

BWIS and its affiliates (the “Firm”) and their managing directors, directors, officers and employees (“Personnel”) may have multiple advisory, transactional and financial and other interests in securities, instruments and companies that may be purchased, sold or held by Pershing for the Account. Personnel may serve as directors of companies the securities of which the Account may purchase, sell, or hold.

We potentially benefit from our economic interest in affiliated companies and whenever such entities or their affiliates receive compensation. The extent of this benefit may be greater than when we or our affiliates do not have an economic interest in the firm providing such services. We address conflicts that arise as a result of these affiliations through disclosure in this Brochure. Moreover, our advisory representatives are required to recommend strategies that are suitable for their clients based upon the Client Information.

#### **Fees and Other Compensation to BWIS and Advisory Representatives**

We and the advisory representative recommending the Programs to clients may receive more compensation than if the client participated in other advisory services or paid separately for investment advice, brokerage, and other services. Thus, advisory representatives may have a financial incentive to recommend these Programs over other programs or services. Additionally, the compensation that BWIS, advisory representatives, and Model Providers (including ISAT) receive in connection with a client’s participation in a given Program may differ from the fees received for the client’s participation in another Program or strategy. To the extent that the amount of compensation received by the foregoing parties varies based on the selection of the Program, such parties may have a conflict of interest in making available or recommending to clients a particular Program.

Pershing acts as the clearing agent for transactions in the Program and provides incentive compensation to BWIS for maintaining a certain percentage of BWIS assets on the Pershing platform. To the extent that the compensation received by BWIS varies based on maintaining assets with Pershing, BWIS may have a conflict of interest in only maintaining its assets on the Pershing platform. This conflict of interest is mitigated by BWIS conducting a quarterly best execution review of the fees charged by Pershing for transactions on the Pershing platform.

In addition to providing services as a registered investment adviser, BWIS is also a registered broker-dealer. In this capacity, we can provide brokerage services to clients for separate and distinct compensation under the terms of a separate contract. No advisory client is obligated to use us or

Pershing for brokerage services that are offered separately from the Programs.

#### **Advisory Representative Activities & Compensation**

A portion of the Program Fees will be paid to advisory representatives in connection with the Program accounts as well as the provision of supplemental and other client-related services. Such payments may be made for the duration of the client’s investment in Program Accounts. Our advisory representatives may be offered various types of non-monetary awards to encourage them to recommend advisory programs to clients.

Advisory representatives may act in various capacities. In addition to the advisory services they provide through BWIS, they also may act, for example, in the capacity of registered representatives and insurance agents. In their capacity as registered representatives or insurance agents, advisory representatives may recommend insurance, variable life insurance and annuity funds, mutual funds, brokerage products, and trust services offered by affiliated and unaffiliated providers, and be compensated for sales of such products (through, for example, overrides, commissions, trailers, and referral fees) at the same time they are receiving advisory fees.

#### **Sweep-Related Conflicts**

All uninvested cash or credit balances in Program accounts will automatically be swept into and invested in either a money market fund or a BOTW deposit account (“Sweep Options”), as set forth in the brokerage account agreement and documentation and directed by the client. Issuers of money market funds used as Sweep Options may pay us a distribution fee with respect to such investments as well as additional compensation based on Program account balances held in such Sweep Options. Such compensation is in addition to the Program Fee and will be retained by us where permitted under applicable law. The BOTW Sweep Account (“Sweep Account”) is a cash Sweep Option offered by BOTW and is intended for the investment of available cash balances from clients’ accounts for transfer into a BOTW deposit account. The rate clients earn from the Sweep Account may be higher or lower than the rates available to depositors from other deposits at BOTW, from other types of accounts or investment alternatives at Pershing, including money market funds, or from comparable accounts in other depository institutions. Nevertheless, BOTW deposits in which IRA and ERISA plans invest will bear a reasonable rate of interest as required by 29 C.F.R. section 2550.408b-4(b)(2). BWIS receives accounting credit from BOTW that is reflected as revenue in the financial statements equal to 50% of the margin earned on customer cash balances swept to BOTW. The stated interest clients earn on their deposits with BOTW is not affected by these credit allocations. BOTW also benefits from these deposits in the form of receiving a stable, cost-effective source of funding to finance its general business and activities, including lending and investments. This benefit can generally be viewed as the

difference or “spread” between the interest paid to the client on the deposit and the interest rate and other income earned by BOTW with respect to such general business activities. The benefit that BOTW will have the opportunity to earn through the use of the Sweep Account balances is expected to be greater than the fees and compensation earned by us and our affiliates with respect to investments in the money market funds.

### **Client-Related Conflicts**

We may act as an investment adviser to numerous client accounts and may provide brokerage services to clients. We may give advice with respect to any Program accounts, or take action for recommendations we make with respect to non-Program brokerage accounts. We are not obligated to recommend, or to refrain from recommending, any security that we may buy or sell for our own accounts or for any other account we advise.

Similarly, we have an arrangement with Model Providers to provide model portfolios and other research and administrative services. For example, Envestnet maintains research separate from us that advises our clients, directly and indirectly, with respect to Model Providers and SMA Managers. These recommendations may conflict with recommendations made by us or other Model Providers (e.g., ISAT recommends selling a Fund that Envestnet advises buying) or occur ahead of one another (e.g., ISAT recommends selling a Fund ahead of Envestnet making the same recommendation). Although this practice is expected to have little impact on clients, the absence of coordination among the Model Providers and SMA Managers could have a potentially detrimental effect on clients.

Each Model Provider or SMA Manager selected, including Envestnet, may perform, among other things, investment management services for other clients and earn fees and other consideration therefore, and may take action in the performance of its duties to any other clients that may differ from the timing or nature of the action taken with respect to the assets it manages through the Programs. If a client selects more than one Program, each Model Provider or SMA Manager may take action with respect to the assets it manages in a particular Program that may differ from (i) the timing or nature of action it takes with respect to another Program it manages, or (ii) action taken by a different Model Provider or SMA Manager with respect to management of assets. Thus, a particular security purchased for a client in one Program may be sold for the client in another Program.

In the course of performing its investment advisory and brokerage activities, we and other service providers, including Envestnet, may acquire confidential or material non-public information. We and they are not permitted to divulge to any client, Model Provider or SMA Manager, or to act upon, such information, except as permitted by applicable laws and regulations.

We may from time to time enter into joint marketing activities with SMA Managers, Model Providers and/or Funds and ETFs in the Programs.

The Firm and Personnel may give advice, and take action, with respect to any of the Firm’s clients or proprietary accounts that may differ from the advice given, or may involve a different timing or nature of action taken, than with respect to any one or all of the BWIS advisory accounts, and effect transactions for such clients or proprietary accounts at prices or rates that may be more or less favorable than for the Account. Clients may also have other accounts with us or Envestnet in which management fees are not charged. The payment of commissions or fees in these accounts is negotiated on an entirely separate basis from the payment of Program Fees.

On occasion, BOTW, BWIS’ parent company, may lend to Fund companies whose funds are independently selected for inclusion in the ISAT models.

### **Compensation-Related Conflicts**

SMA Managers participating in the Programs are compensated based on individually-negotiated fee rates and any fee that may be paid to a SMA Manager may be higher or lower depending on the SMA Manager providing services. This variation in payments may occur between SMA Managers across investment strategies as well as within an investment strategy. To the extent that the compensation received by Envestnet or other service providers varies based on the selection of SMA Managers, Envestnet or the provider may have a conflict of interest in making available or recommending to clients a particular SMA Manager or one of the Programs that offers SMA Managers. Also, because SMA Managers may receive differing amounts that are negotiated by Envestnet, our recommendations may be conflicted because BWIS may have an incentive to recommend lower cost SMA Managers.

We receive payments from certain Funds, including money market funds, pursuant to a 12b-1 distribution plan or other such plan as compensation for distribution or administrative services and are distributed from the fund’s total assets. The 12b-1 arrangements will be disclosed upon client request and are available in the applicable Fund’s Prospectus. In instances where BWIS receives 12b-1 fees in retirement account types governed by the Employee Retirement Income Security Act (ERISA) and Individual Retirement Accounts, we credit such client Accounts an amount equal to any such 12b-1 fees we receive on such assets held in a client Account in order to offset the advisory fees paid to us for the advisory services we provide. In addition, Brokers, other program service providers, and their respective affiliates, may receive a fee from certain employee benefit plans for record-keeping services. Brokers or other Program service providers, and their respective affiliates, also may receive fees for acting as custodian or passive trustee to certain individual retirement accounts or employee benefit plans or as trustee to certain trust accounts.

**Pershing Fees.** Pershing receives revenue from certain Funds that it makes available on its platform and may share a portion of that revenue with us.

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

We have adopted a Code of Ethics (“Code”) designed to address, among other things, our fiduciary responsibilities as an investment adviser and the potential conflicts of interest associated with personal securities transactions by advisory personnel who make securities recommendations or have access to client holdings. The Code sets out general ethical standards and requirements for when we act in a fiduciary capacity and requirements concerning management and disclosure of conflicts of interest. The Code also incorporates our personal securities trading policy, which contains reporting and monitoring controls which are designed to deter and prevent insider trading and front running of client trades.

Our Code also requires our supervised persons to comply with the federal securities laws, acknowledge receipt of the Code and report violations of the Code. We will provide a copy of the Code to any client or prospective client upon request and without charge. In addition to the Code, our staff is subject to all applicable compliance manuals, policies and procedures.

### **Review of Accounts**

We periodically review client Accounts as follows. Through “Quarterly Performance Reports,” clients are requested to contact us if there have been any changes in Client Information, or if they would like to modify or impose any reasonable restrictions on their Accounts. At least annually, advisory representatives contact their clients regarding Account performance, time horizon and any changes to their circumstances. Advisory representatives may work with clients to restructure investment goals and restrictions, and to communicate Client Information to Envestnet. Advisory representatives are available to meet with clients on a regular basis.

Clients are provided with a variety of information to facilitate review of their Accounts. In addition to brokerage statements reflecting account activity, the Quarterly Performance Reports clients receive may contain investment and general market commentary, current account holdings and a summary of the client’s total portfolio of Account investments. Clients are advised to provide updated Client Information to their advisory representatives as changes occur. Clients also receive forms required for tax reporting at the end of each year.

The Firm and Personnel may obtain and keep any profits, commissions and fees accruing to them in connection with their activities as agent or principal in transactions for the

Account and other activities for themselves and other clients and their own accounts.

### **Other Special Risk Considerations**

Certain investment strategies in the Programs use ETF shares, which are shares of investment companies and which invest in a basket of securities in an effort to track the performance of a specified market index or benchmark, or REITs, which are corporations or business trusts, whose shares are usually traded publicly, that invest primarily in income-producing real estate and/or real estate-related loans or mortgages. Clients will bear, in addition to the Program Fee, a proportionate share of any fees and expenses associated with ETFs and REITs in which assets are invested. Selecting strategies that uses these types of investments may cause the client to incur these additional fees and expenses on assets the client designates for management according to such strategy. These fees and expenses may include investment advisory, administrative, distribution, transfer agent, custodial, legal, audit and other customary fees and expenses.

The value of the securities held by ETFs, and consequently the value of ETFs (which trade at a discount or premium to net asset value), will fluctuate. Shares of closed-end Funds that trade in the secondary market may also trade at a discount or premium to net asset value.

REITs are subject to risks similar to those associated with direct ownership of real estate which include, but are not limited to, economic conditions, declines in real estate values, changes in government regulations, increases in property taxes and defaults by borrowers. In addition, due to their concentration in the real estate industry, REIT portfolios may be riskier and more volatile than a portfolio of common stocks that is not concentrated in a particular industry or group of industries.

To the extent that cash used for investment in the Programs comes from redemptions of a client’s other non-Program Fund investments, clients should consider the cost, if any, of any sales charges previously paid and redemption fees that would be incurred. Such redemption fees would be in addition to the Program Fee on those assets.

### **Brokerage Considerations**

Since the Program Fee does not include charges for brokerage transactions not executed by or through the Brokers, transactions for Program clients are generally effected through the Brokers so as to avoid the client incurring incremental charges that would be invoked by use of other brokers. However, by generally effecting securities transactions through the Brokers, the client may be foregoing any benefit from execution at a potentially better execution cost than might be available through another broker. Because the Program Fee includes charges only for transactions executed through the

Brokers, each client will direct in the Client Agreement that transactions for the purchase and sale of securities and other investments in the Program account(s) be effected through the Brokers. Transactions will be effected through a broker or dealer other than the Brokers only when consistent with a manager's duty to obtain best execution or if required by applicable law. In instances where a transaction is executed through a broker or dealer other than the Brokers, the client may incur a transaction fee, commission, and/or other charges in addition to the Program Fee.