



**Member BNP Paribas Group**

## **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.gov](http://www.adviserinfo.gov).**

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July 9, 2014

**Item 2****NOTICE OF MATERIAL CHANGES**

Please see below for material changes since our last annual update of March 31, 2014. We update this Wrap Fee Brochure (“Brochure”) no less frequently than on an annual basis.

A material change to this Brochure dated July 9, 2014 has been made since the last annual update of the Brochure on March 31, 2014. This update has been made to reflect Disciplinary Information on Item 9 related to Plea Agreements between the Department of Justice and BNP Paribas S.A. (“BNPP”) and the District Attorney of New York County and BNPP. The Plea Agreements settle actions pursuant to which BNPP pleaded guilty in federal court to conspiracy to violate U.S. sanctions laws and in New York state court to conspiracy and falsifying banking records, both of which actions cover the time period 2004 through 2012. No other changes have been made in this Brochure.

# BANCWEST INVESTMENT SERVICES, INC. WRAP FEE PROGRAM BROCHURE

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## Item 4 – Services, Fees and Compensation

BancWest Investment Services, Inc. (“BWIS,” “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 and FHB are wholly-owned by BancWest Corporation (“BWC”). BWC 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 is the sponsor of the following “wrap fee” advisory programs (“Programs”):

1. Mutual Fund (“Fund”) Strategies;
2. Exchange-Traded Funds (“ETF”) Strategies;
3. Enhanced Index Strategies;
4. Separately Managed Accounts (“SMAs”);
5. Unified Managed Accounts (“UMAs”); and
6. Client Directed Accounts, which are closed to new accounts and therefore not discussed in this Brochure.

#### *Our Advisory Role*

With the assistance of an advisory representative, each client completes a questionnaire seeking information about the client’s investment objectives, risk tolerance, and time horizon for the assets designated for the proposal (“*Questionnaire*”). 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 the assets (collectively, “*Client Information*”). Our advisory representatives assist clients in analyzing their investment objectives and risk tolerance and making a suitable initial Program selection.

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 based on information provided in the Questionnaire. After reviewing and signing the SIS, which specifies the fees to be charged to that client, the client 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.

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*”).

#### *Advisory Roles of Others*

BWIS receives certain services from other parties that are integral to the advisory services we offer to clients. “*Model Providers*” construct asset allocation models for a range of investment objectives and risk tolerances. Model Providers’ work includes research and selection of the portfolios’ individual components, which may include Funds, ETFs and potentially other investment products. Model Providers also research and select “*Sub-Managers*.” Sub-Managers make the investment decisions for all or a portion of the assets in some of the Programs as described below. An “*Overlay Manager*” implements transactions in accordance with the Program and/or model selected by the client, subject to reasonable client imposed investment restrictions.

The Model Providers and Sub-Managers that participate in the Programs include Portfolio Management Consultants (“*PMC*”), an affiliate of Envestnet Portfolio Solutions, Inc. (“*Envestnet*”), BOTW’s Investment Strategy and Advisory Team (“*ISAT*”), and Russell Investment Management Company (“*Russell*”).

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*”).

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 access to managed investment portfolios chosen from a roster of Sub-Managers from a variety of disciplines. Envestnet retains the Sub-Managers for portfolio management services through separate agreements entered into between Envestnet and the Sub-Manager. PMC also serves as a Model Provider and Sub-Manager, and is part of Envestnet’s portfolio consulting group. Envestnet also makes available asset allocation strategies developed by various Model Providers, including third-party Model Providers such as Russell.

A summary of our Programs follows below.

## Program Summaries

**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.

**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.

**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.

**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.

**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.

**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.

**Separately Managed Accounts.** This is a Program where Sub-Managers use either a model portfolio strategy or otherwise manage client assets. Our advisory representatives assist clients in selecting Sub-Managers, typically after reviewing Client Information and materials about the Sub-Managers. Depending on the strategy selected, Sub-Managers may directly implement transactions in accordance with the client's investment objectives, while in a model portfolio strategy, Envestnet serves as Overlay Manager.

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

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.

**Client-Directed UMA.** This Program is closed to new accounts and is described in prior versions of this Brochure.

## Additional Considerations

**Client-Imposed Investment Restrictions.** Clients may request reasonable restrictions on the management of their accounts, including that particular securities (or types of securities) may not be purchased or should be sold. Any account restrictions may result in the development of an asset allocation proposal for the client that deviates from the allocation we or a Model Provider or Sub-Manager would otherwise propose. Clients may not require that particular securities be purchased. Unless there are restrictions on the management of assets, it is likely that the client's assets will be managed in a manner very similar to that of other clients that use the same strategy. Clients should promptly notify us 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.

## **Program Fees**

Each client will be charged an asset-based fee (the "*Program Fee*") in exchange for the investment advisory services offered by us and our advisory representatives, Model Providers, Overlay Managers and Sub-Managers, as well as for the execution, clearing, custodial, and reporting services provided by BWIS and Pershing.

Program Fees are annualized and are based on a percentage of assets under management and generally range from 1.0% to 1.80% (the "*Program Fee Rate*"). The Program Fee Rate depends on the Program option selected and the amount of the client's assets, and is assessed at a tiered and blended rate. If the Program Fees are charged using a tiered rate, the Program Fee Rate will be blended (i.e., as the value of the Program assets reaches various thresholds, the assets above each threshold will be charged successively lower Program Fee Rates). The Program Fee will be 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. This results in a blended total rate as a percentage of all Program account assets. 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 Rate may be negotiable, and may differ from client to client, based upon a number of factors.

Our current standard fee schedule is set forth below. Client assets that were invested with us prior to November 13, 2012 are assessed fees based on an earlier version of our standard fee schedule, with different standard rates.

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:

<u>Value of assets</u>	<u>Program Fee Rate</u>
First \$250,000	1.50%
Next \$250,000	1.25%
Next \$500,000	1.10%
Over \$1,000,000	1.00%

Minimum annual fee: \$675

PMC Unified Managed Accounts and Separately Managed Accounts:

<u>Value of assets</u>	<u>Program Fee Rate</u>
First \$500,000	1.80%
Next \$500,000	1.75%
Next \$1,000,000	1.70%
Over \$2,000,000	1.65%

Minimum annual fee equity SMA: \$1,620

Minimum annual fee fixed income SMA and UMA: \$4,050

**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 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 products or services.

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

**Envestnet Fees.** For its advisory and administrative services provided in the Programs, Envestnet receives a portion of the Program Fees. These fees typically range from approximately 0.13%-0.55% of client assets. The rate of Envestnet's fee may

be greater when PMC serves as the Model Provider and provides services to smaller accounts. The amounts paid to Envestnet are included in the overall Program Fees paid by clients rather than being in addition to the Program Fees clients pay.

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

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.

**Sub-Manager and Third-Party Model Provider Fees.** Any Sub-Manager or third-party Model Provider fees and expenses are negotiated by Envestnet and are paid out of the Program Fee. We believe these fees typically range from 0.25% to 0.50%, depending on the asset class, style of management, Program account value and other factors. The amounts paid to Sub-Managers and third-party Model Providers are included in the overall Program Fees paid by clients rather than being in addition to the Program Fees clients pay.

**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; COMMAND<sup>sm</sup> Account service charges (if applicable); 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.

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 Sub-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 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

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

### *Minimum Account Requirements*

Clients may choose one or more Programs, provided they meet the minimum assets requirement.

The following 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

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

#### *Minimum Account Size Reductions and Waivers*

We may waive or reduce minimum account requirements, which may have the effect of increasing the Program Fee Rate. Similarly, at our sole discretion, we may impose a higher investment minimum with respect to certain Programs.

Clients should be aware that certain Sub-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.

#### *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 Sub-Managers, are intended to offer clients various investment products and options that may be appropriate based on the Client Information. The Model Provider and Sub-Manager selection process for our Programs leverages the Envestnet proprietary research process, which aims to provide a list of appropriate Model Providers and Sub-Managers across varying types of risk tolerance, investment styles, philosophies, methodologies, and investment vehicles.

#### *Envestnet Process*

Model Providers create asset-allocated investment strategies composed of a combination of Funds, ETFs, and in the case of UMA, individual securities selected by Sub-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 Sub-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 Sub-Managers. BPAC considers quantitative and qualitative factors to determine whether to make available the services of a given Sub-Manager.
- Ranking  
All Sub-Managers approved by BPAC are subject to Envestnet’s proprietary ranking model. The ranking model scores each Sub-Manager and seeks to identify those that have demonstrated consistent risk-adjusted results. The Sub-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 Sub-Managers who do not meet Envestnet’s compliance, risk and performance standards.



Envestnet recommends certain Model Providers and Sub-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 Sub-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 Sub-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. 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.

From at least 2004 through 2012, BNPP, 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. BNPP 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 BNPP. The DOJ's information, which was filed on July 9, 2014, charged BNPP 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 BNPP with the crime of falsifying business records in the first degree and conspiracy in the fifth degree. BNPP 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 BNPP 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. BNPP 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. BNPP and the New York State Department of Financial Services (the "DFS") entered into a Consent Order to resolve certain findings by the DFS relating to the Conduct. Additionally, BNPP 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 BNPP 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 the Registrant nor any other affiliate of BNPP registered with the Commission as an investment adviser under the Investment Advisers Act of 1940 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. The Registrant 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. Both BOTW and FHB are subsidiaries of BWC. BWC is a wholly-owned subsidiary of BNP Paribas. 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 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 and other employees are also employed by BOTW or FHB.

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.

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 and brokerage products offered by affiliated and unaffiliated providers, and be compensated for sales of such products (through, for example, overrides, commissions, and trailers) at the same time they are receiving advisory fees.

### **Sweep-Related Conflicts**

All uninvested cash or credit balances in Program accounts may automatically be swept into and invested in a money market fund or a BOTW deposit account ("*Sweep Options*"), as set forth in the brokerage account agreement and documentation. 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. 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. We receive from BOTW a percentage of the income earned by BOTW from clients' deposits in Sweep Accounts. BOTW's payments to us do not reduce the stated interest clients earn on their deposits with BOTW.

### **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 Sub-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 Sub-Managers could have a potentially detrimental effect on clients.

Each Model Provider or Sub-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 Sub-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 Sub-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 Sub-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 Sub-Managers, Model Providers and/or Funds in the Programs.

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**

Sub-Managers participating in the Programs are compensated based on individually-negotiated fee rates, and any portion of the Program Fee that may be paid to a Sub-Manager may be higher or lower depending on the Sub-Manager providing services. This variation in payments may occur between Sub-Managers across

investment strategies as well as within an investment strategy. To the extent that the amount of the Program Fee retained by Envestnet or other service provider varies based on the selection of Sub-Managers, Envestnet or the provider may have a conflict of interest in making available or recommending to clients a particular Sub-Manager or one of the Programs that offers Sub-Managers. Also, because Sub-Managers may receive differing amounts that are negotiated by Envestnet, and because clients pay the same Program Fee regardless of the SMA Sub-Manager selected, our recommendations may be conflicted because BWIS may have an incentive to recommend lower cost Sub-Managers.

We may 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 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. On a quarterly basis, advisory representatives review their client accounts for continued suitability in the Program. Also, 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 discuss with their clients 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 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.

### **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.

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