

**Wrap Fee Program Brochure**  
(Part 2A Appendix 1 of Form ADV)

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**<https://www.usbank.com/wealth-management.html>**

This Wrap Fee Program Brochure provides information about the qualifications and business practices of U.S. Bancorp Investments, Inc. (referred to as “we”, “us” or, “USBI” throughout the document). If you have any questions about the contents of this brochure, please contact us at 800-888-4700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about USBI also is available on the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for USBI is 17868.

USBI is a registered investment adviser. However, that registration does not imply a certain level of skill or training.

**August 7, 2020**

## Item 2      Material Changes

This section describes the material changes to our wrap-fee Programs since the last annual amendment of our Form ADV on March 30, 2020.

- Trade Delays – Information regarding possible trade delays has been added to the ‘Investing in Securities Involves Risk’ discussion. (See Item 6, “Portfolio Manager Selection and Evaluation”.)
- Quasar Distributors, LLC – Quasar Distributors, LLC is no longer an affiliate of U.S. Bancorp Investments, Inc., as the entity was sold by our parent company, U.S. Bancorp.
- Disciplinary Information Update – On June 1, 2020, the SEC issued an Order against USBI related to our mutual fund share class practices from October 2012 through November 2017 in our capacity as an investment adviser. Details of the Order can be found in the ‘Disciplinary Information’ section of this brochure. (See Item 9, “Additional Information”.)

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## Item 4 Services, Fees and Compensation

U.S. Bancorp Investments, Inc. (USBI) is owned by U.S. Bancorp and has been incorporated since 1974. We acquired an entity with an investment adviser that was state registered in 1996 and became SEC registered in 2007.

We are an investment adviser as well as a broker-dealer registered with the SEC. We are a member of the Financial Industry Regulatory Authority, known as FINRA, and also a member of the Securities Investor Protection Corporation, known as SIPC.

We provide managed account and financial planning services in our capacity as an investment adviser. This brochure explains only our managed account services. Information regarding our financial planning services can be found in a separate disclosure brochure and is available upon request.

We provide a Client Relationship Summary ("Form CRS", or Part 3 of Form ADV) to retail investors to assist with the process of deciding whether to engage us or our financial professionals, and whether to establish an investment advisory or brokerage relationship. It allows you to gain a better understanding of the nature of the relationship and services you can expect from us in each type of relationship and to compare us to other broker-dealers and investment advisers. Our Form CRS is available upon request and contains information about the types of client relationships and services we offer; our fees, costs, conflicts of interest, and standard of conduct; any reportable legal or disciplinary history for us; and how to obtain additional information about us and our financial professionals.

### Services

We provide managed account services through the USBI Personal Portfolios Program, also referred to as the "Program(s)". The Personal Portfolios Program is a group of account management programs, each of which includes the following services:

- Development of an investment strategy
- Construction of portfolios which may include mutual funds, exchange-traded funds ("ETFs"), individual equities, fixed income investments, Model Providers (registered investment advisers acting as third-party providers of research services offering and/or directing purchase and sale recommendations in the form of model portfolios), Sub-Account Managers (registered investment advisers made available by Envestnet providing portfolio management services) and model portfolios provided by the Asset Management Group ("AMG") of our bank affiliate U.S. Bank, National Association ("U.S. Bank") as well as other investments.
- Brokerage and custodial services
- Quarterly investment performance reporting

We use Envestnet Portfolio Solutions, Inc. ("Envestnet", or "Sub-Adviser"), a registered investment adviser and provider of asset allocation advice, as a sub-adviser and/or administrator for the Personal Portfolios Programs. We may add to these Programs from time to time.

All Model Providers have discretionary responsibility and authority to select their underlying investment choices based on their due diligence. Provider has oversight over the entire program but not portfolio management authority in the Managed Account Strategies.

### Managed Account Strategies

Accounts in these Programs are managed by Envestnet.

#### Managed Account Strategies – Mutual Funds

Within Managed Account Strategies – Mutual Funds are various sub-programs whereby the Sub-Adviser will purchase mutual funds on the client's behalf based on the appropriate asset allocation strategy identified for the client as a result of the information provided to the financial advisor. Sub-

Adviser will utilize the Model Provider's asset allocations to develop and manage an investment portfolio for the Program account.

#### Managed Account Strategies – General Securities

Within Managed Account Strategies – General Securities are various sub-programs whereby the Sub-Adviser will purchase certain general securities on the client's behalf based on the appropriate asset allocation strategy identified for the client as a result of the information provided to the financial advisor. Sub-Adviser will utilize the Model Provider's asset allocation to develop and manage an investment portfolio for the Program account.

The mutual funds are offered on a "no-load" or "load-waived basis". Envestnet acts as account manager on your account, with full authority to supervise and direct your investments, making fund or allocation changes as necessary. Rebalancing will be conducted as needed.

#### **Advisor Select**

Accounts in this Program are directed by you. You may purchase mutual funds, ETFs, individual equities, fixed income investments, and other certain securities. You will approve all transactions. Financial advisors will recommend investment vehicles for your portfolio and will act on a non-discretionary basis. Financial advisors have the option to utilize advice provided by AMG in making account recommendations to the client. AMG also provides tactically managed asset allocation guidance for use in accounts for each of the investment objectives. The asset allocations conform to the guidance provided by AMG. U.S. Bank does not receive separate compensation from USBI when an AMG asset allocation is considered.

#### **Advisor Select Separately Managed Account**

Accounts in this Program will consist of sub-accounts managed by Sub-Account Managers, who are registered investment advisers made available by Envestnet through your financial advisor. The recommended asset allocation and Sub-Account Managers are based on your risk profile developed with you as a result of the information you provided to your USBI financial advisor. You will select all Sub-Account Managers who act on a discretionary basis.

#### **Unified Managed Account**

As of July 7, 2017, USBI is no longer accepting new accounts in this Program. Accounts in this Program are managed by Envestnet. Envestnet has arrangements with other Model Providers who provide Envestnet with purchase and sale recommendations in the form of model portfolios. Envestnet will manage a portion of your account in accordance with these specific investment strategies. Your account may consist of a combination of individual securities recommended by Model Providers, sub-accounts managed by Sub-Account Managers, mutual funds and/or ETFs. Mutual Funds are purchased on a "no load" or "load-waived basis". Recommendations for the model portfolio selection will be based on information provided by you. Envestnet has full authority to supervise and direct your investments within the parameters of the selected portfolio model. Rebalancing of the portfolio will be conducted as needed. As manager, Envestnet will coordinate the trading activity of all underlying investment products.

#### **Discretionary Programs**

If you choose to participate in one of our Discretionary Programs, the discretionary Investment Advisory Agreement you enter into with USBI by signing the Statement of Investment Selection authorizes USBI to make investment decisions for your discretionary account, with the authority to determine the amount, type and timing with respect to buying and selling securities and other assets in your account, subject to your investment objective. The Agreement also grants us complete and unlimited trading authorization for the account. As a result, we are unable to accept unsolicited trade orders for execution in any account where USBI or a USBI financial advisor has been granted discretion.

In certain circumstances, we agree that you may limit our discretionary authority; for example, we may agree to not purchase certain types of securities for your account. Accounts with restrictions may perform differently from accounts without restrictions and that performance may vary.

Accounts in these programs will be monitored to help ensure they are aligned with Discretionary Program guidelines. Items generally reviewed include, but are not limited to, levels of security and cash concentration, principal transactions and trade rotation.

As discussed further below, USBI offers certain model portfolios which are managed by AMG, a division of our affiliate U.S. Bank, National Association.

### **Advisor Discretion**

USBI discretionary financial advisors seek to meet the client's particular investment needs by developing an investment strategy based upon guidelines that are jointly established by the client and the client's discretionary financial advisor. At the commencement of services, the client's discretionary financial advisor reviews the client's investment objectives and risk tolerance. Based upon that review and other information provided by the client, the discretionary financial advisor makes a subsequent recommendation to the client as to which investment style the discretionary financial advisor believes is appropriate for the client. The client's discretionary financial advisor will manage the client's discretionary account in accordance with the investment style selected based on the information the client provides to the client's discretionary financial advisor. The financial advisor may consider advice provided by AMG in making the initial account recommendation to the client, and/or the ongoing management of the account, but AMG does not manage client portfolios or provide trade execution services in the Advisor Discretion service model.

### **Fund Managed Portfolio ("FMP")**

Accounts in this Program are managed by a USBI financial advisor on a discretionary basis. Your account may consist of mutual funds and ETFs. Financial advisors create the model portfolios. In some cases, financial advisors may choose to utilize model portfolios provided by AMG as guidance in managing portfolios. Mutual Funds are purchased on a "no load" or "load-waived basis", taking into account fees and expenses associated with the share classes. USBI financial advisors have full authority to supervise and direct your investments within the parameters of the investment objective. Rebalancing of the portfolio will be conducted as deemed necessary by the financial advisor. AMG does not manage client portfolios or provide trade execution services in the FMP service model.

### **Unified Managed Portfolio ("UMP")**

Accounts in this Program are managed by a USBI financial advisor on a discretionary basis. Envestnet will provide certain sub-advisory services in connection with your account. The USBI financial advisor will build the model portfolio used for your account based on the client's needs and objectives. Your account may consist of mutual funds, ETFs, Model Providers, sub-accounts managed by Sub-Account Managers and/or model portfolios provided by AMG. Mutual Funds are purchased on a "no load" or "load-waived basis", taking into account fees and expenses associated with the share classes. The USBI financial advisor will provide the model portfolio and any updates to Envestnet, and Envestnet provides overlay management services on your account based on the model and model changes provided to Envestnet by the USBI financial advisor. Envestnet submits trade orders based on the directions of the investment strategies contained in the UMP portfolio, except when AMG model portfolios are utilized. In those situations, USBI will direct and supervise the investments in the AMG model portfolios. Rebalancing of the model portfolio will be conducted as deemed necessary by the financial advisor. AMG does not manage client portfolios or provide trade execution services in the UMP service model. As manager, Envestnet will coordinate the trading activity of all underlying investment products. USBI will vote proxies on your behalf.

When fixed income Sub-Account Managers are utilized in UMP accounts, the Sub-Account Manager will act with discretion and coordinate/direct all trading and rebalancing for the sub-account. Although USBI will act as the custodian, primary trading will be conducted on a step-out basis with external executing broker-dealers. Additional information regarding this trading process can be found in the *Brokerage Practices* section of this brochure.

AMG also provides tactically managed asset allocation guidance for use in FMP and UMP accounts for each of the investment objectives. The asset allocations conform to the guidance provided by AMG. U.S. Bank does not receive separate compensation from USBI when an AMG asset allocation is considered in the FMP and UMP service model.

### **Firm Discretion**

When the firm (USBI) has discretion, a USBI financial advisor will develop an investment strategy based on guidelines jointly established by the client and the USBI financial advisor. The USBI financial advisor will review the client's investment objectives and risk tolerance and, based upon that review, identify and implement an asset allocation strategy using model portfolios provided by AMG. On an ongoing basis, USBI will review model portfolio changes provided by AMG to ensure they are aligned with the investment style selected for clients.

### **U.S. Bancorp Investments Managed Portfolios**

Accounts in this Program are managed by USBI on a discretionary basis. Based on client information provided to the USBI financial advisor, an asset allocation strategy will be identified and implemented using model portfolios provided by AMG. Accounts in this Program will consist of mutual funds and/or ETFs. USBI will supervise and direct the trading in the client's account based on the asset allocation strategy identified by the AMG model portfolios. Envestnet will provide certain administrative services in connection with your account and coordinate all trading activity.

USBI has retained AMG to provide the proprietary AMG model portfolios as part of an exclusive agreement. For USBI client accounts managed in accordance with AMG model portfolios, AMG acts in a role similar to that of a Model Provider (although AMG is not a registered investment adviser), and Envestnet, pursuant to a services and sub-license agreement with USBI, performs administrative and/or trade order implementation duties.

USBI's financial advisors may recommend clients purchase a model portfolio managed by AMG over other non-affiliated investment managers available on the Envestnet platform. This creates a conflict of interest for USBI which is addressed by the supervisory oversight and monitoring of investment recommendations to help determine that clients are appropriately invested based on factors such as their stated investment objectives and risk tolerance. USBI financial advisors do not receive any additional compensation for recommending model portfolios managed by AMG. U.S. Bank receives an annual negotiated flat fee for AMG's ongoing management of the model portfolios for USBI clients, as well as other services provided to USBI; this fee does not vary based on the USBI assets managed by AMG, and the client does not pay any additional fee to USBI or U.S. Bank for the investment advisory services AMG provides to USBI.

AMG provides actively managed model portfolios comprised of mutual funds and/or ETFs selected to meet stated investment objectives of each model portfolio. AMG utilizes proprietary research to allocate assets, select investment vehicles, construct portfolios, and monitor the models' performance and composition. The team builds the model portfolios based on an established process to align with each investment strategy's objective.

These model portfolios focus on seven diversified investment strategies that are managed to meet various risk tolerance and time horizon considerations of clients. AMG reviews and adjusts these model portfolios ongoing for both strategic and cyclical considerations.

To build model portfolios AMG uses a process that includes asset allocation research, investment vehicle selection, and portfolio construction. Asset allocation research studies a range of factors across time horizons. This include secular trends such as demographics and productivity, cyclical trends across the current business and credit cycles and short term such as monetary policy and corporate profits. Using these assessments, we seek to identify investable asset classes and estimate risk premia, or the compensation for taking on the risk of loss, for asset classes. Investment vehicle selection considers quantitative and qualitative characteristics of potential funds



for inclusion in the program. Quantitative screening may include performance relative to benchmark and peers, risk measures, manager tenure, style score, and expense ratios. Qualitative work focuses on factors such as the research and portfolio management team, firm structure, investment philosophy, and investment process. Model portfolio construction combines outputs from asset allocation and investment vehicle selection to select model portfolio structures most aligned with stated objectives. AMG monitors these model portfolios on an ongoing basis to ensure they remain consistent with the requirements for inclusion in the program. The team uses various third-party analytical and data services, in addition to proprietary research described.

Note: There is no separate manager fee paid to AMG for AMG model portfolio accounts through USBI. Similar strategies are also made available by U.S. Bank directly to investors who meet certain investable asset qualifications within U.S. Bank. These strategies may offer qualified investors a lower rate for the annual fee but may require a substantially higher minimum account fee than the strategies offered through Envestnet by USBI. Bank client fees may be negotiable within U.S. Bank.

## Program Fees

Assets in the Personal Portfolios Program, which includes cash and assets within the U.S. Bancorp Investments, Inc. Sweep Program, are charged an asset-based fee, called a wrap fee (referred to as a program fee throughout this brochure), for the services provided. The program fee may be negotiable and is agreed upon by you and your financial advisor. U.S. Bancorp employees may pay a discounted program fee. The following are some examples when the fee may be negotiable:

- Overall relationship with U.S. Bancorp
- Total client assets under a Program account
- Types of investments or strategies being utilized

The program fee is based on various factors including the specific services being provided, the type and size of your account, any Model Providers and/or Sub-Account Managers utilized, historical or anticipated transaction activity, the range of additional services provided to your account, and the amount of your overall assets in the Personal Portfolios Program.

The program fee represents payment for the following services, where applicable:

- Development and ongoing management of asset allocation and investment strategies
- Sub-Account Manager and Model Provider search
- Due diligence and monitoring services of investment companies, Sub-Account Managers, Model Providers and AMG
- Portfolio manager investment management services
- Account administration and reconciliation services
- Clearing and custody charges
- Brokerage execution services
- Monthly custodial statement with transactional activity, otherwise quarterly
- Quarterly evaluation of investment performance
- Tax reporting
- Advice provided by your financial advisor and Sub-Adviser

The following fee schedule applies to all Personal Portfolios Program accounts.

<b>Assets</b>	<b>Portfolio Fee</b>
First \$250,000	2.00%
Next \$250,000	1.80%
Next \$500,000	1.60%



Next \$1,000,000	1.35%
Amounts over \$2,000,000	1.10%

In accounts that do not include a Model Provider and/or Sub-Account Manager, the portfolio fee is your program fee. Depending on the Program, you will also pay manager fees charged by Model Providers, Sub-Adviser and/or Sub-Account Managers for their investment management advice and related administration. This manager fee added to the portfolio fee detailed above makes up your program fee. Your specific program fee, inclusive of fees referenced above, is disclosed to you on your Statement of Investment Selection.

### **General Information about Fees**

Fees are quoted as an annualized percentage of assets. Fees are blended, which means that as the portfolio value reaches each threshold in the above tables, the assets above that threshold are charged successively lower percentages. An exception to this is for Unified Managed Portfolio accounts established prior to July 7, 2017 and have not been moved to the new fee schedule; those accounts are billed on a breakpoint basis.

To provide you the opportunity to take advantage of reduced fees based on your consolidated asset value reaching higher thresholds, multiple Program accounts for yourself and family members may be linked together, also referred to as householding. In addition to being able to take advantage of reduced fees, accounts that are part of a household will receive a single performance report.

Generally, accounts will be set up as a household at account opening, if applicable, however this can be done at any time at your direction. Additionally, we will perform periodic reviews in an effort to identify accounts for householding purposes that meet certain criteria, such as common tax identification number and account ownership. Those identified accounts may be linked together without notification to you but will be evidenced by a single performance report. You may opt-out of householding status and unlink your accounts at any time by contacting your financial advisor, however doing so will eliminate the benefits of householding outlined above including the potential for a reduction in fees.

Fees will be based on the value of the assets in the Program account. For this purpose, asset value means the average fair market value of the eligible securities in your Program account, including where applicable, the value of margin loans and options, dividends and accrued interest.

As part of the U.S. Bancorp Investments, Inc. Sweep Program ("Sweep Program") free credit cash balances resulting from sales, cash deposits, or interest or dividend credits will automatically be swept on a daily basis into shares of a money market fund made available by USBI at their then current net asset value. Account assets invested in money market funds in the Sweep Program are included in the program fee calculation and charged the program fee. Except in ERISA, some IRA accounts and our Discretionary Programs, First American Money Market Funds are utilized, mutual funds that are advised by U.S. Bancorp Asset Management, Inc., an affiliate. Mutual funds, including First American Money Market Funds, charge their own management and other fees as set forth in the fund's prospectus. Because First American Money Market Funds are managed by an affiliate of USBI and the affiliate of USBI earns a management fee, USBI has a conflict of interest with respect to these funds; USBI has a financial incentive to increase the allocation of cash in the account. The fact that USBI financial advisors do not share in the management fee earned by the First American Money Market Funds, and USBI monitors accounts for excessive cash concentrations, mitigates this conflict of interest.

Model Provider and Sub-Account Manager fees are included in the program fee on the Statement of Investment Selection. Their portion of the fee is set by each Model Provider and Sub-Account Manager and will vary. Typically, this ranges between .0% - 1.00% depending on the size of the account and type of services provided. Model Provider and Sub-Account Manager fees may not allow for certain billing exclusions or provide a discounted fee based on the household value. As a result, the annual fee

percentage relative to the billable value on your quarterly performance report may be higher than the program fee on your Statement of Investment Selection.

You should consider that the program fee may be more or less than the cost of services if they were provided separately or from another source. This can depend on several things such as the amount of the program fee, the amount of activity in your account, the value of custodial and other services. You will also receive the value of the consulting service provided by your financial advisor and Sub-Adviser in designing and monitoring your investment strategy. They will also assist you with periodically determining your asset allocation as well as the suitability of the Model Providers and/or Sub-Account Managers. To determine the reasonableness of the fee, you should consider the costs of the development and ongoing management of an asset allocation or investment strategy, the gathering and monitoring of information on Model Providers and Sub-Account Managers, transaction costs, fees and taxes, commissions or markups/markdowns on transactions, custodial costs, quarterly performance reports, and tax statements.

Custodial fees are included in the program fee except for items such as: interest on debit balances, the public offering price for securities purchased in a distribution, exchange fees, regulatory transaction fees, transfer taxes, liquidation fees for non-cash assets brought to a Program, electronic fund and wire transfer fees, trade-away charges, trust service charges, and short-term redemption fees. Mutual funds and ETFs also charge their own management fees and expenses which are disclosed in the fund's prospectus or disclosure statement. We will also charge interest on any outstanding margin loan balances to clients who borrow money from us. In addition, rebalancing will not occur if the account has a margin debt.

We act as a broker-dealer in addition to acting as an investment adviser. If you open your Personal Portfolio Program account with securities previously purchased through us, you will already have paid a commission on the purchase to us. In certain circumstances, we will credit your Program account the amount of brokerage commissions paid on recently purchased securities transferred into your Program account. Similarly, if you open your account with cash proceeds from the sale of securities through us, we may have already received commissions. There may be instances in which specific account holdings are excluded from billing in your Program account. These holdings are still managed by your financial advisor and will also be included for reporting purposes. There may also be instances in which specific account holdings are ineligible for trading and continue to be held in your Program account. These holdings are not managed, reported, or billed on by us. For additional information on these holdings contact your financial advisor.

In our broker-dealer capacity, we receive shareholder servicing fees from certain mutual fund companies based on USBI client assets held in their mutual funds. These fees cover costs for delivering client statements, confirmations, tax forms, prospectuses, proxies and other shareholder related back office processes such as recordkeeping, escheatment, and call-center support. The shareholder servicing fees vary by mutual fund company and by fund and are based on the assets held in USBI client accounts, and therefore clients are indirectly paying the shareholder servicing fee to USBI.

## **Billing**

We deduct fees from your Program account, or other eligible account, a quarter in advance. This is the only method of billing used and you may not select another method. Changes to the program fee (either an increase or decrease) for existing accounts will be applied to the account the following quarterly billing cycle.

When you open a new account, the initial fees are billed using the value of the account at the end of the day it was opened at the inception of the account and prorated for the remainder of the calendar quarter. Ongoing quarterly fees for new and existing accounts, calculated by Envestnet, are determined by the market value of assets on the last business day of the previous quarter. We have the authority to place trades in your account to make cash available to cover fees without prior consultation with you. Individual deposits or withdrawals of equal to or more than \$10,000 made to/from any advisory account will generate a fee/rebate based on the market value of those assets and applied on a pro-rated basis.

Quarterly reports holdings and statement of management fees display a total account value less any margin loans held in your account. Because the billing calculation does not deduct the value of margin loans, the amount on which we calculate your fee may be higher than the account value displayed on your report.

For example:

If you have \$1,000,000 in assets and use a margin loan to purchase an additional \$50,000 in securities, the billable account value will be \$1,050,000. The report value will be \$1,000,000.

### **Product Change Billing**

In certain circumstances, you may see a billing adjustment in your account in the form of “product change billing” during a billing cycle. Product change billing generally occurs when there is a change to the Program, the manager(s) (Model Provider, Sub-Account Manager), the model and/or a change in allocations. When such a change occurs in your account, the previous product or allocation will be terminated, and the new product or allocation will be added in its place. This will appear as a refund in the amount of the previously billed product or allocation (that was based on the last quarterly fee bill) and a charge for the new product or allocation (based on the market value of assets that day) for the remaining period of the billing cycle. The rate charged for the new product or allocation may be more or less than the rate charged for the terminated product or allocation.

### **Refund of Fees Upon Termination of Agreement**

You may terminate the investment advisory agreement with a full refund of any fees paid within five business days of your execution of the Statement of Investment Selection. You may also terminate at any other time but the fees will be pro-rated through the termination date. The daily pro-rated amount upon termination will usually result in a refund of the unearned portion of the quarterly fee. You may be charged a per trade liquidation fee in the event you request that assets be converted to cash prior to termination.

If you decide to terminate any of the Program accounts custodied with us, in most cases you will receive a refund via electronic transfer to another trading account or bank account. If the account is closed before the end of the quarter and you are due a refund, you will receive the refund the month following account closing. If you decide to terminate a Program account held at Fidelity, a refund will be sent directly from Fidelity.

For Advisor Select, we may choose to cover all existing short positions when you close your Advisor Select Account. Those liquidations will be executed in our capacity as broker-dealer and creditor and may, as permitted by law, result in executions on a principal basis in your Program account.

Upon termination, you are responsible for monitoring the securities in your account, and neither USBI nor your financial advisor will have any further obligation to act or offer advice with regard to those assets.

### **Advisor Compensation**

Financial advisors who recommend the Programs and/or manage client accounts will receive compensation as a result of your participation. This compensation may be more than what the financial advisor would receive if you participate in other investment services offered by us or if you paid separately for investment advice, brokerage, and other services. Financial advisors also receive certain revenue rewards based on their production amount, business mix and net new assets. As such, your financial advisor may have a financial incentive to recommend the Program over other programs or services.

## **Item 5 Account Requirements and Types of Clients**

The minimum account size generally required for accounts is listed below. Under certain circumstances, accounts may be opened with lower amounts. Should an account fail to meet enrollment criteria within a

certain period of time after opening, the account may be closed without notification to you or converted to a brokerage account upon notification to you. Enrollment criteria includes but is not limited to; funding the account and meeting the required minimum, providing complete and accurate paperwork, passing suitability review and receiving account approval without restriction.

## Non-Discretionary Programs

Managed Account Strategies		Advisor Select	Advisor Select
Mutual Funds	General Securities		Separately Managed Account
\$25,000	\$25,000 *	\$25,000	\$100,000 *

## Discretionary Programs

Fund Managed Portfolio	Unified Managed Portfolio	U.S. Bancorp Investments Managed Portfolios
\$25,000	\$250,000 **	\$25,000

\* Some Model Providers and Sub-Account Managers have higher minimums.

\*\* Account minimum may be higher based on allocations and Model Providers chosen.

We provide advisory services to a wide range of clients including individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and other businesses.

## Item 6 Portfolio Manager Selection and Evaluation

Depending on the Program, USBI utilizes either Envestnet, a registered investment adviser, or AMG, a bank affiliate of USBI, to provide due diligence, selection and monitoring of Model Providers and Sub-Account Managers. Envestnet provides due diligence and/or research services to USBI on AMG model portfolios and some Sub-Account Managers. AMG provides due diligence services to USBI on third-party Model Providers and some Sub-Account Managers. The fact that AMG provides these services on third-party Model Providers and Sub-Account Managers constitutes a conflict of interest because AMG competes with those third-party Model Providers and Sub-Account Managers, although it is a separate group within AMG that provides the due diligence services, and U.S. Bank does not earn any marginal revenue when a financial advisor recommends an AMG service over a third-party service. U.S. Bank's compensation for providing AMG's due diligence services to USBI is part of USBI's annual flat fee payment to U.S. Bank.

Model Providers and Sub-Account Managers are selected for each of our Programs based on a number of factors which may include:

- Referrals from consultants
- Periodicals and databases containing information about Model Providers and Sub-Account Managers
- Analysis of portfolio returns
- Disclosure brochure review
- Contact with clients and references provided by the Model Provider and Sub-Account Managers
- On-site visits

Envestnet will typically not recommend an affiliated Model Provider.

If you would like to have some of your assets managed by an investment adviser who is not recommended by us, they may manage your assets as a provisional manager for a period of time while we conduct a more formal review. In general, we will not provide any investment advice to you regarding the provisional manager or your assets until the provisional manager has been approved. If the provisional manager is

not accepted, you will need to choose an approved Model Provider. Your assets will become unmanaged until you choose a new approved Model Provider.

For certain Program accounts, model portfolios and/or advice provided by AMG may be utilized to assist financial advisors in the management of portfolios. In U.S. Bancorp Investments Managed Portfolios accounts, AMG model portfolios are utilized under the discretionary management of USBI. Envestnet performs due diligence and risk analysis including the collection of data and qualitative information (such as firm, process, philosophy, personnel and administrative information), on AMG.

On an ongoing basis, the performance of each Model Provider, Sub-Account Manager and AMG is monitored relative to major market indices and to comparable style indices. This monitoring also usually includes a review of AMG, the Model Provider's and/or Sub-Account Manager's absolute performance, the risk-adjusted performance and the attributes of the performance, asset allocations, and the style and sector emphasis of the Model Provider or Sub-Account Manager.

When necessary, we will recommend that you terminate a Model Provider, Sub-Account Manager or AMG model portfolio and will usually recommend a replacement, which could result in a change to your fee. Reasons for the recommended termination may include one or more of the following: ownership changes, key employee turnover, adverse or wrongly focused performance record, manager capacity, changes in investment philosophy, failure to follow the stated investment discipline or other similar concerns.

We will make available to you a quarterly evaluation of investment performance prepared by Envestnet using a time-weighted calculation standard to adjust for significant asset flows into the account. Other generally accepted methods of calculation exist which may yield different results. Performance information provided by Model Providers, Sub-Account Managers and mutual funds is not verified by us.

USBI financial advisors must qualify for participation in our Advisor Discretionary Programs. Qualification is based on past experience, training, and/or education. Additional product training is required prior to participation.

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## **Advisory Business**

### **Types of Advisory Services Offered**

We offer three types of advisory services for individuals, businesses and institutional clients: managed account services, which for some clients will include selection of other advisers, automated investment services and financial planning services. We do not specialize in any one type of advisory service. This document will focus on our managed account services. Separate documents that explain our automated investment and financial planning services are available upon request.

Investment advisory services create a fiduciary relationship with you. This means that we must place your interests above our own. This brochure explains your rights and obligations in providing you with advisory services. Please read it carefully and keep it for your records. Please note that although we act as your investment adviser in providing services to you, this does not affect any other relationship you may have with your financial advisor or USBI. The nature of your existing USBI accounts, your rights and obligations relating to these accounts, and the terms and conditions of any USBI account agreement in effect does not change in any way.

### **Tailored Advice when Using Personal Portfolios Program**

Our group of managed account services is called the Personal Portfolios Program, also referred to as the "Program(s)" throughout this document.

We provide individually tailored solutions and ongoing advice to you regarding your investments based on your individual needs. We do this through personal conversations with you, in which goals and objectives are discussed. During this data gathering process, we will help you determine your investment objectives,

risk tolerance, anticipated contributions and withdrawals, the importance of liquidity to you, and your income, as well as other factors. You may also place any reasonable restriction on investing in certain securities, types of securities or industry sectors, this may include state preference/specification for municipal fixed income sub-accounts. Any reasonable restrictions imposed on the management of your account(s) may negatively impact or otherwise affect performance. If it is determined that the restrictions you wish to impose are unreasonable or otherwise prevent your advisor, Model Provider or Sub-Account Manager from implementing the portfolio strategy, we may choose not to accept your account(s). You agree to inform USBI promptly, in writing, of any change in your reasonable restrictions. Any change to your reasonable restrictions will not be effective until they are received and accepted. We will develop a strategy based on your risk profile.

## **Description of Managed Account Services**

Each Personal Portfolios Program includes the development of an asset allocation, and construction of portfolios which may include mutual funds, ETFs, individual equities, fixed income investments, Model Providers, Sub-Account Managers and model portfolios provided by AMG, as well as other investments. In addition, brokerage and custodial services provided by USBI are part of the Personal Portfolios Program. These Programs are offered on a wrap fee basis, in either a discretionary or a non-discretionary relationship. This means that one fee is charged that includes investment advisory services, custodial services, sponsorship and brokerage execution, including commissions. We receive a portion of the fee for our services.

U.S. Bancorp is the parent company of U.S. Bank, National Association and USBI. AMG is part of U.S. Bank, National Association, which is an affiliate of USBI. AMG creates and maintains model portfolios for use in certain Personal Portfolio Program accounts. In addition, AMG provides advice to USBI financial advisors in the ongoing management of certain Program accounts. The advice provided to the financial advisor may include, but is not limited to, recommendations concerning the sale, exchange or retention of account assets, changes within model portfolios and/or changes to Sub-Account Managers. The advice will be provided directly to the financial advisor, although certain client information may be shared with AMG such as investment objectives, account holdings and any other account information deemed necessary to formulate the account advice. USBI pays AMG a flat fee for their advice services; however this fee is not passed through to clients.

AMG model portfolios are utilized in managing your account in the U.S. Bancorp Investments Managed Portfolios program and are an option in Unified Managed Portfolio Program accounts. USBI will act with discretion in the U.S. Bancorp Investments Managed Portfolios accounts, reviewing AMG model portfolio changes to ensure they are aligned with the investment style selected for clients. When AMG model portfolios are utilized within Unified Managed Portfolio accounts, USBI will act with discretion regarding the AMG model portfolios; however the USBI financial advisor will maintain discretion over the allocation and selection of funds and model providers in your Unified Managed Portfolio account.

For mutual funds held in your account and advised by us, we generally utilize an advisory share class, if available. In certain circumstances, we will utilize a different mutual fund share class if no equivalent advisory share class is available to us. Additionally, on a periodic basis, we will review your account for any mutual fund positions and convert existing mutual fund shares to advisory class shares, when available, without further notification to you.

Certain securities, such as U.S. Bancorp stock, First American Funds and primary offerings underwritten by USBI, are prohibited in accounts where USBI or a USBI financial advisor has discretion and an unaffiliated Model Provider and/or Sub-Account Manager is not utilized. However, in accounts where Model Providers and/or Sub-Account Managers (who are not affiliated with U.S. Bancorp) are utilized, the Model Providers and/or Sub-Account Managers may recommend those securities for purchase in your accounts.

When USBI has discretion, either the USBI financial advisor or the firm (USBI) acts with discretionary authority to determine the securities and amount to be bought/sold. Consistent with our policies and as a



best practice, USBI, including financial advisors, strives to balance fair and equitable allocation with best execution in trade allocations to client accounts.

In certain circumstances, you will work with a team of financial advisors in the opening and managing of your Program account. Generally, you will open the account with one financial advisor, who will explain this team model approach and what to expect in the future with your Program account. At the appropriate time, you will be introduced to another financial advisor team member who will assume responsibility of your account, including any account reviews that are completed.

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

We do not use a performance-based fee structure. As previously explained, our fees are based on a percentage of assets managed.

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

### **Methods of Analysis and Investment Strategy**

Your personal investment strategy is based on the objectives you discuss with your financial advisor and may be different for each of your accounts. Investment strategies may include asset allocation, long-term purchases, short-term purchases, trading, and other strategies your financial advisor will discuss with you. It is important to keep your financial advisor updated when any of your information changes so your goals and objectives can be updated accordingly.

Financial advisors have access to a variety of tools that help them determine your investment objectives, time horizons and other factors. These tools help your financial advisor reach an investment strategy based on your individual needs. In addition, financial advisors have access to information from third-party providers of research services and U.S. Bank affiliated research services. In accounts in which your financial advisor has discretion, such as the FMP or UMP Programs, financial advisors are not required to follow any specific research and may, when you authorize discretion, take positions for your account that contradict the research issued by these third-party providers of research services.

Information regarding AMG's methods of analysis and investment strategies can be found in the *U.S. Bancorp Investments Managed Portfolios* section.

As a normal course of business, the investment portfolios offered by us are wrap fee accounts. However, based on individual circumstances, it may be in your best interest to use an account that is outside of this strategy and move to a brokerage account and pay commissions per trade.

### **Investing in Securities Involves Risk**

All securities and investment strategies carry some level of risk. You may lose money as the value of the security fluctuates. You should be prepared to bear the risk for each type of security in which you invest, including the possibility of losing some or all of your invested money. Thinking about long-term investment strategies and tolerance for risk can help determine what type of investment is best suited for you. Keep in mind past performance of securities is not a reliable indicator of future performance.

Depending on the types of securities you invest in, you may face some of the following investment risks:

- **Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less appealing, causing their market values to decline.
- **Market Risk:** Prices of an equity, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This risk can be caused by things independent of the security's underlying circumstances. Political, economic and social conditions may trigger market events.



- **Inflation Risk:** When any type of inflation is present, your dollar today will have less purchasing power than it will tomorrow because it is eroding at that rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Fixed Income Risk:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk and market risk. These risks may occur from fluctuations in interest rates, a change to an issuer's individual situation or industry, or events in the financial markets.
- **Structured Products Risk:** These products, which are generally not allowed in Program accounts, often involve a significant amount of risk and may only be appropriate for our clients who can carry such risk. Those clients should carefully read and consider the product's offering documents, as they are often based on derivatives. Structured products are intended to be "buy and hold" investments.
- **Small and Mid-Cap Risk:** Stocks of small or emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.
- **Diversification Risk:** Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments, including the potential for greater volatility.
- **Trade Delay Risk:** Reasonable efforts will be used to execute trade orders on the day they are received. However, for various reasons including delays in submitting trade requests, market volatility, peak demand or systems upgrades or maintenance, there could be delays in the amount of time it takes to direct trades to the executing broker-dealer, for the broker-dealer to place the trades and for the trades to be executed. Except in Advisor Select and Fund Managed Portfolio accounts, trade requests cannot be guaranteed to be processed the same day. Any such trade delays could reduce, perhaps materially, the profit client gains from the transaction or could cause a material loss. In any such case, USBI shall not be liable for a reduction in gains or a material loss.

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## Voting Client Securities

As a matter of policy, in Advisor Select, Managed Account Strategies and Fund Managed Portfolio accounts we do not vote proxies on your behalf. We provide no advice to you for specific voting issues. Generally, you retain sole responsibility for voting. You will receive proxies and other company solicitations for the securities you own from the custodian or transfer agent.

However, the Unified Managed Account, in which Envestnet has discretion, may require that proxy voting be handled by another party. In those situations, you may obtain a copy of the appropriate proxy voting policy upon request and without charge. For Advisor Select Separately Managed Accounts, you may elect to have the Sub-Account Manager or Sub-Adviser vote proxies on your behalf. In the event you elect the Sub-Account Manager or Sub-Adviser to vote such proxies, you may obtain a copy of the appropriate Sub-Account Manager or Sub-Adviser's proxy voting policy upon request and without charge to the Sub-Account Manager or Sub-Adviser. You may also obtain a report of all proxies voted in your account upon request to the Sub-Account Manager or Sub-Adviser.

For the Unified Managed Portfolio (USBI advisor discretionary) accounts and the U.S. Bancorp Investments Managed Portfolios (USBI firm discretionary) accounts, the Investment Advisory Agreement you enter into with USBI by signing the Statement of Investment Selection authorizes USBI to vote proxies with respect to securities held in your account. We do not permit you to direct particular votes once you have granted USBI discretionary voting authority. We will vote proxies in accordance with our established policies and procedures, which were created to reasonably ensure that votes cast are in the client's economic interest. Subject to exceptions as noted below, it is our policy to vote client shares based on the recommendations of Glass-Lewis & Co. Glass-Lewis & Co. is an independent third-party research provider that issues recommendations based on their own internal guidelines. Relying on Glass-Lewis & Co. recommendations

assists our firm in limiting the possible conflicts of interest between USBI and our clients. If you hold similar securities elsewhere, or with an affiliate, it is possible that a given proxy vote for your account with us could differ from the vote on an account held elsewhere.

In certain circumstances, Glass-Lewis & Co. does not provide a recommendation for voting, as some proposals require special consideration or the firm to make a decision on a case-by-case basis. In these cases, USBI will abstain from voting.

All votes will be cast using the electronic voting platform of ProxyEdge, a third-party service provider offered by Broadridge Financial Solutions, Inc. USBI has engaged the ProxyEdge services for vote execution and record keeping.

You may obtain a copy of our Proxy Voting policies and procedures upon request. If you have questions regarding voting proxies in general, or wish to obtain information concerning how securities in your account were voted, please contact your financial advisor.

### **Voluntary Corporate Reorganizations**

In Advisor Select accounts you will retain the right to make an election for voluntary corporate reorganizations. In Advisor Select Separately Managed Account, UMA and UMP accounts, the Model Provider, Sub-Account Manager or AMG will make the election, although you may still receive notification on an informative basis. For all other Program accounts, you will retain the right to make an election, however your financial advisor, the Model Provider or AMG may override that election. If you have any questions, please contact your financial advisor.

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

You and your financial advisor will discuss your objectives, risk tolerance, anticipated contributions and withdrawals, the importance of liquidity, income, growth, and safety of principal, as well as any reasonable restrictions that you may wish to impose on your account. If applicable to the Program(s) you choose, relevant information including your investment strategies or allocations will be shared with the Sub-Account Managers of the Program you choose. This information may be shared with some of their employees. You should tell your financial advisor immediately of any significant change in your financial circumstances. You will be asked if you wish to change any investment instructions on your account. This information may also be shared with your account Sub-Account Managers.

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

If you need to contact your Sub-Account Manager(s), it is preferred that you do so through your financial advisor.

## **Item 9 Additional Information**

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### **Disciplinary Information**

The disciplinary event listed below is related to the activities of USBI acting in our capacity as an investment adviser.

#### **Mutual Fund Share Class Selection Practices**

SEC alleged the following violations:

Investment Advisers Act of 1940 ("Advisers Act") Sections 206(2) and 206(4), and Rule 206(4)-7

USBI did not:

- Seek best execution for client mutual fund transactions by recommending share classes that charged 12b-1 and shareholder servicing fees when a share class with a more favorable value was available.
- Adequately disclose the conflicts of interest related to (a) receipt of 12b-1 fees and shareholder servicing fees and (b) selection of mutual fund share classes that pay such fees.
- Adopt and implement written policies and procedures designed to prevent violations of the Advisers Act and the rules thereunder related to disclosure of conflicts of interest under mutual fund share class selection and making mutual fund share class recommendations that were in the client's best interest.

This disciplinary action from the SEC is related to our mutual fund share class selection practices and receipt of shareholder servicing and 12b-1 fees during the period of October 2012 through November 2017. During this time, we recommended and purchased mutual fund shares for clients that charged 12b-1 and shareholder servicing fees instead of the lower-cost share classes of the same funds that were available. In addition, disclosure of the conflict of interest related to these fees and our selection of these share classes was inadequate.

We began rebating 12b-1 fees on all non-qualified accounts beginning in February 2016 (we were already rebating 12b-1 fees in qualified accounts), and in December 2017 we initiated the process of converting existing mutual fund positions to the lowest-cost share class available on our platform. In March 2018 we enhanced our disclosure language related to our receipt of 12b-1 fees and shareholder servicing fees. All impacted advisory clients will be notified of the settlement terms within 30 days of the SEC order.

We submitted an Offer of Settlement to the SEC and agreed to the following sanctions under the SEC Order dated June 1, 2020:

- Cease and desist from committing or causing any violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.
- Censure.
- Pay disgorgement and prejudgment interest of \$15,992,441 to affected advisory clients.
- Pay a civil penalty of \$2.4 million to the SEC.

The disciplinary events listed below are related to the activities of USBI acting in our capacity as a broker-dealer.

### **Large Options Positions Reporting**

FINRA alleged the following rule violations:

NASD Rules 2860(b)(5), 2110 and 3010

FINRA Rules 2360(b)(5) and 2010:

USBI failed to:

- Report positions to the Large Options Positions Report ("LOPR").
- Establish and maintain a supervisory system, including a system of follow-up and review that was reasonably designed to achieve compliance with the applicable securities laws and regulations and FINRA rules, concerning the reporting of options positions to the LOPR.
- Include written supervisory procedures providing for the reporting of options positions to the LOPR in our supervisory system.

We self-identified and subsequently self-reported to FINRA the failure to submit LOPRs and promptly took action to correct the violative activity, including establishing a reporting structure with the Options Clearing Corporation and revising our supervisory policies, procedures and reviews governing the submission of LOPRs. These steps were taken prior to the conclusion of FINRA's investigation of the matter.

We submitted a letter of Acceptance, Waiver & Consent for the purpose of proposing a settlement of the alleged rule violations described above. Without admitting or denying the allegations, we agreed to a

censure and fine of \$60,000. The terms of the letter of Acceptance, Waiver & Consent were accepted by FINRA on 6-2-14. The fine was paid on 6-10-14.

### **Unit Investment Trusts**

FINRA alleged the following rule violations:

NASD Rules 3010(a) and 3010(b)

FINRA Rule 2010:

USBI failed to:

- Identify and apply sales charge discounts to certain customers' eligible purchases of Unit Investment Trusts (UITs).
- Establish, maintain and enforce a supervisory system and written supervisory procedures reasonably designed to ensure customers received sales charge discounts on all eligible UIT purchases.
- Effectively inform and train registered representatives and supervisors to ensure that representatives followed these procedures and identified and applied all applicable discounts.

We submitted a letter of Acceptance, Waiver & Consent for the purpose of proposing a settlement of the alleged rule violations described above. Without admitting or denying the findings, we agreed to a censure and fine of \$150,000, and to pay \$144,456 in restitution to customers. The terms of the Acceptance, Waiver & Consent were accepted by FINRA on 2-19-16. The firm has paid restitution to all affected customers and the fine was paid on 2-25-16.

### **Mutual Fund**

FINRA alleged the following rule violations:

NASD Rule 3010

FINRA Rules 3110 and 2010:

USBI failed to:

- Identify and apply available sales charge waivers to eligible retirement accounts.
- Adequately notify and train financial advisors regarding the availability of mutual fund sales charge waivers
- Maintain adequate written policies or procedures to assist financial advisors in determining the applicability of sales charge waivers.
- Reasonably supervise the application of sales charge waivers to eligible mutual fund sales.
- Adopt adequate controls to detect instances in which mutual fund sales charge waivers were not applied.

We self-identified and subsequently self-reported to FINRA the failure to identify and apply sales charge waivers to eligible customers. We promptly established a plan of remediation for eligible customers and took action to correct the violative conduct. Additionally, we employed subsequent corrective measures, prior to detection or intervention by a regulator, to revise our procedures to avoid a recurrence of the misconduct.

We submitted a letter of Acceptance, Waiver & Consent for the purpose of proposing a settlement of the alleged rule violations described above. Without admitting or denying the allegations, we agreed to a censure and to pay \$100,401 in restitution to customers. The terms of the letter of Acceptance, Waiver & Consent were accepted by FINRA on 4-20-16.

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

We are an affiliate of U.S. Bank, National Association, a national bank providing traditional banking and trust services. Our financial advisors and other personnel are registered with FINRA under our broker-dealer. In addition to providing financial advice to clients, some financial advisors offer insurance and investment products through our broker-dealer.

Financial advisors may refer clients who request portfolio management and trust services to our affiliates. In certain instances, there will be an arrangement in place under which the financial advisors receive credit towards their revenue, which creates a conflict of interest. Some clients will incur additional charges for such services provided by affiliates.

Except in ERISA, some IRA accounts and our Discretionary Programs, financial advisors generally utilize First American Money Market Funds, mutual funds that are advised by U.S. Bancorp Asset Management, Inc., an affiliate. Mutual funds, including First American Money Market Funds, charge their own management and other fees as set forth in the fund's prospectus. Because First American Money Market Funds are managed by an affiliate of USBI and the affiliate of USBI earns a management fee, USBI has a conflict of interest with respect to these funds; USBI has a financial incentive to increase the allocation of cash in the account. The fact that USBI financial advisors do not share in the management fee earned by the First American Money Market Funds, and USBI monitors accounts for excessive cash concentrations, mitigates this conflict of interest.

In certain Program accounts, financial advisors have the option to utilize model portfolios and/or account advice provided by AMG, a division of U.S. Bank. As previously mentioned, Envestnet will monitor and execute due diligence and risk analysis of AMG and their model portfolios. USBI will pay AMG a flat fee for their services, but this fee is not passed through to clients. Financial advisors who choose to utilize AMG model portfolio advice can customize the model as appropriate to address individual client circumstances. Financial advisors who seek account management advice from AMG may or may not choose to implement the advice received.

In the U.S. Bancorp Investments Managed Portfolios accounts, AMG model portfolios are utilized under the discretionary management of USBI but are generally not customized to individual clients. On an ongoing basis, USBI will review model portfolio changes provided by AMG to ensure they are aligned with the investment style selected for clients. For USBI client accounts managed in accordance with AMG model portfolios, AMG acts in a role similar to that of a Model Provider (although AMG is not a registered investment adviser), and Envestnet, pursuant to a services and sub-license agreement with USBI, performs administrative and/or trade order implementation duties.

Financial advisors do not receive any additional compensation for the use of AMG model portfolios and/or advice, which helps to mitigate any conflicts of interest.

### **Brokerage Practices**

For most of our Personal Portfolios Programs, USBI's broker-dealer division will execute trades on behalf of our advisory clients. We do not require you to direct us to execute transactions through a specific broker. In instances where you designate the use of other brokers to execute transactions, you may bear the third-party costs and transactions fees that arise from the use of a broker-dealer other than USBI, or costs attributable to dealer mark-ups, mark-downs or "spreads". When you direct brokerage to other broker-dealers, we may not be authorized to negotiate commissions and we may not be able to obtain volume discounts or best execution.

When fixed income Sub-Account Managers are utilized in a Unified Managed Portfolios account, trades are directed to USBI for liquidations of fixed income securities only. Primary trading will be conducted on a step-out basis with an external executing broker-dealer. Additional information regarding step-out trades can be found in our Step-Out Trading Disclosure that is provided to you and is available upon request with your financial advisor.

### Custody

For the majority of Personal Portfolios Program accounts, assets will be held by USBI as a brokerage custodian. In our capacity as custodian, we will provide periodic account statements which you should thoroughly review.

### Order Aggregation

Although each of our accounts is individually managed, there may be times when we aggregate our transactions in order to achieve a trade minimum. In most instances, transactions for client accounts are traded separately from other clients.

### Best Execution

Consistent with our policies and as a best practice, financial advisors strive to balance fair and equitable allocation with best execution in trade allocations to client accounts. A sampling of trades for our advisory clients is reviewed monthly by a best execution committee as part of USBI best execution review. This committee reviews the overall execution quality of those sampled trades. The review is documented and maintained with our records.

### Soft Dollars

As a broker-dealer, we do not directly participate in any soft dollar arrangements. We may at times benefit indirectly from affiliates engaged in soft dollar arrangements with other broker-dealers for research services. For instance, we may leverage an affiliate for assistance in conducting due diligence on securities or strategies held in your Program account. The affiliate's conclusions could have been informed (aided) by research they received as part of soft-dollar arrangements with other broker-dealers. Research services received indirectly may be used to service all or some of our managed accounts.

As this benefit is not directly received by USBI, we do not have any formal arrangements and/or agreements with other broker-dealers for these services and do not charge our clients in connection with these services.

### Principal and Agency Cross Transactions

USBI does not execute transactions in a principal capacity for investment advisory accounts. The only exceptions to this are when the investment advisory client wishes to dispose of a worthless security for tax purposes and/or fractional shares held in the account. In these cases, USBI will accommodate the client and purchase the securities as principal into its own account for a nominal amount or at market value if a price is available. USBI will disclose to clients in writing before the completion of each transaction the capacity in which it is acting and obtain the client's consent to the transaction.

Agency cross transactions are prohibited in investment advisory accounts.

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## **Code of Ethics**

Financial advisors are subject to the USBI Investment Adviser Code of Ethics ("the Code"). We understand that our business is built on trust – trust between you and us, our suppliers, our business partners and one another. The Code covers a wide range of business practices and procedures for carrying out each employee's responsibilities on our behalf and observing the highest standards of ethical conduct. Our employees must conduct themselves according to these standards and must seek to avoid even the appearance of improper behavior. Our employees are responsible for reviewing the Code annually and for acting in compliance with the Code.

In addition to the Code, all of our employees also agree to abide by the U.S. Bank Code of Ethics and Business Conduct. It represents building values of our organization and helps instill ethically sound



behavior and accountability among our employees. Every employee certifies compliance with our standards annually.

We will provide copies of both upon request.

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## **Participation or Interest in Client Transactions, Margin and Lending, Personal Trading and Trade Errors**

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

As a matter of practice, we make investments in various securities for our benefit, but these securities are not offered to our retail clients. There is no discussion that occurs between our traders who handle our client orders and the traders that handle our business, because we consider that self-dealing. As such, we generally do not trade securities with you on a principal basis without your consent.

Should a situation arise that an investment made for our benefit was considered appropriate for retail clients, the investment would go through a rigorous due diligence process to ensure it was an appropriate investment. Also, your risk tolerance would need to be matched with the risk of the investment.

### **Margin and Lending**

We may, from time to time, approve margin on an exception basis when requested by a client or for use in specialized strategies available in non-retirement Advisor Select and/or certain discretionary accounts.

Using margin in a non-retirement Program account is considered a more aggressive, higher risk approach to pursuing your investment objectives. Before you decide to use margin in your non-retirement Program account, you must carefully consider:

- Whether or not you can afford, and want, to assume the additional risks that losses in your account may be significantly greater than if you decide not to invest with borrowed funds.
- That the use of leverage will increase your costs of investing, as well as your risks, and depending upon the return achieved through the use of margin, may make your investment objectives more difficult to realize.
- If we provide a margin loan to you, you will pay us interest on the outstanding loan balance. Since the program fee is calculated as a percentage of assets under management, the use of margin to purchase securities will generally increase the amount of (but not the percentage of) the program fee that you pay to us. This will result in additional compensation to us, your financial advisor and Envestnet.

The decision to use leverage in a Program account rests with you and should only be made if you understand:

- The risks of margin borrowing and the impact of the use of borrowed funds as it relates to leverage
- How the use of margin may affect your ability to achieve investment objectives
- You may lose more than your original investment
- You may not benefit from using margin in a Program account if the performance of your account does not exceed the interest expense being charged on the loan plus the additional Program account fees incurred by your account as a result of the deposit of loan proceeds.

You should also understand the risks of default. Clients with margin accounts may need to deposit additional cash or collateral or repay all or part of the margin loan if the value of the portfolio declines below the required loan-to-value ratio.

Failure to promptly meet a request for additional collateral or repayment or other circumstances (i.e. a rapidly declining market) could cause us to liquidate, at our discretion, some or all of your funds to meet the



margin loan requirements. Depending upon market conditions, the prices obtained for the securities may be less than favorable. Liquidations may impact your long-term investment objectives and may result in adverse tax consequences.

Neither USBI nor its financial advisors will act as your investment adviser with respect to the liquidation of securities held in an advisory account to meet a margin call. As creditors, USBI or its affiliates may have interests that are adverse to you. Liquidations will be executed in our capacity as a broker-dealer and creditor and may, as permitted by law, result in executions on a principal basis in your account.

## **Personal Trading**

Our Code of Ethics prohibits use of material non-public information and regulates personal securities trading by employees.

From time to time, financial advisors and other employees of ours may purchase securities for their personal accounts that are available to our clients. These financial advisors will not compete with clients in connection with such transactions.

Our financial advisors' personal trading accounts are monitored so that you are treated fairly, and the securities purchased for you are done so prior to a financial advisor personal transaction.

## **Trade Errors**

It is USBI policy that if there is a trade error for which USBI is responsible, trades will be adjusted or reversed as needed in order to put the client's account in the position that it would have been in as if the error had not occurred. Errors caused by USBI advisors or USBI will be corrected at no cost to client's account, with the client's account not recognizing any loss from the error. The client's account will be compensated for any losses incurred as a result of any such error. If the trade error results in a gain, the gain may be retained by USBI but such gain is not given to or shared with any USBI Advisors or USBI associate. For ERISA covered accounts, this gain is considered additional compensation for ERISA Section 408(b)(2) purposes.

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## **Review of Accounts**

We have various policies and procedures applicable to the review and supervision of client accounts in our Programs. Those policies are designed to comply with the requirements of the Investment Advisers Act of 1940, and where applicable, ERISA and other applicable rules and regulations.

Your financial advisor will review your accounts with you at least annually. During this review, the financial advisor may recommend changes in that reflect the changing needs of your situation. At any time, you need to inform us of any changes in your financial condition, goals or objectives that would affect the management of your account. In addition, USBI periodically reviews managed accounts. If it is determined by USBI at any time that your account would be better suited for a brokerage account under our broker-dealer, we will end our advisory relationship and change your account to a brokerage account upon written notice to you. Information on how your account billing will be handled upon advisory account termination can be found in the *Refund of Fees Upon Termination of Agreement* section of this document. This is monitored on a case by case basis.

Periodically, reviews are conducted on selected accounts to conform to company policies and procedures. In addition, we review a percentage of accounts on a random basis during the year.

We will review your account at any time you request.

We offer a detailed consolidated quarterly investment performance evaluation report. In addition, you will receive a periodic brokerage statement from the custodian reflecting all the holdings and activity in your account during the previous month, unless you specify otherwise. We urge you to compare our reports with the statements received from the custodian.

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## **Client Referrals and Other Compensation**

Financial advisors and other USBI employees are eligible to receive compensation for referrals made to our affiliates. From time to time, U.S. Bank, an affiliate, pays a nominal fee to their employees to refer clients to us that may result in advisory services.

From time to time, we offer an incentive program to our financial advisors to encourage an increase in assets under management or an increase in sales. These programs include sales awards such as trips or other prizes (or an increase in the percentage of your fee the firm pays/remits to the financial advisor). In addition, some financial advisors are eligible for other compensation upon joining our firm. This could include an upfront cash advance subject to a repayment agreement, one or more backend bonuses, or both.

We also have solicitation arrangements under which either we and/or our financial advisor receive compensation for referring clients to a third party who will provide investment advisory or other services to the client. The compensation we receive is usually a portion of the advisory fee the third party receives from its clients. It is our practice to disclose to the client being referred the terms of the arrangement, including the maximum compensation payable to us and/or our financial advisors or a third party, as the case may be.

In certain Program accounts, a portion of the financial advisors' compensation is based on products and services provided directly to you by our bank affiliate, U.S. Bank.

### **Compensation Received as a Broker-Dealer**

As a custodian we receive 12b-1 fees from certain mutual funds in which clients are invested. The 12b-1 fees are additional fees used for promotion, distribution, and/or marketing expenses of the mutual fund's shares. Mutual funds and ETFs charge their own management fees and 12b-1 fees. All accounts custodied with us will be credited with the amount of any 12b-1 fees received by us. However, for accounts custodied elsewhere, such as at Fidelity, we don't determine the 12b-1 rebating policy. We believe the rebating of 12b-1 fees mitigates the conflict of interest these payments would otherwise present.

While providing services to the account, we also receive networking rebates from certain mutual fund companies. Networking rebates are payments by the mutual fund companies to USBI to help offset our Network Level 3 processing expenses for recordkeeping, tax reporting, disclosure mailings and other activities. These amounts are paid pursuant to agreements between USBI and the mutual fund companies. The networking rebates vary by mutual fund company, but are generally based on the number of accounts in the particular fund. The networking rebates range from \$1 to \$5 per year/per account invested in the fund. Not all mutual fund companies pay these amounts. These networking rebates present a conflict of interest because they provide an incentive for USBI to recommend mutual funds that pay networking rebates. Our financial advisors do not share in revenue from networking rebates, which mitigates the conflict of interest that they represent.

We receive shareholder servicing fees from certain mutual fund companies based on USBI client assets held in their mutual funds. These fees cover costs for delivering client statements, confirmations, tax forms, prospectuses, proxies and other shareholder related back office processes such as recordkeeping, escheatment, and call-center support. The shareholder servicing fees vary by mutual fund company and by fund and are based on the assets held in USBI client accounts. This presents a conflict of interest for USBI, however, our financial advisors do not receive any portion of shareholder service-related compensation received by USBI. We have a clearing arrangement with Charles Schwab & Co., Inc. ("Schwab") whereby Schwab maintains an omnibus account with certain mutual fund families for USBI on behalf of USBI clients. Under the clearing arrangement, Schwab provides clearing services for nearly all funds. USBI pays Schwab a fee for the clearing service. Under the arrangement Schwab passes through to USBI the compensation that Schwab receives from those funds for recordkeeping, shareholder communication, and other administrative services (collectively "shareholder services") that USBI provides

to clients who invest in those funds. The receipt of shareholder servicing fees creates a conflict of interest because it provides USBI an incentive to favor funds that provide higher compensation. We also have a limited number of agreements direct with mutual fund companies (including First American Funds, an affiliate) to receive shareholder servicing payments. These shareholder servicing payments do not apply to any assets in money market funds used in the Sweep Program. Your account may or may not hold these mutual funds. Our financial advisors do not share in revenue from shareholder servicing fees (either through Schwab or directly), which mitigates the conflict of interest that they represent. The shareholder servicing fees generally fall within the following ranges:

*Load mutual funds:*

- Per position/CUSIP: \$5-\$30 per position/CUSIP
- Basis points: 0-30 basis points

*Load waived / No-load mutual funds:*

- Basis points: 0-40 basis points

As a normal course of business, we recommend load waived or no-load funds.

You always have the option of purchasing the investments through other broker-dealers or agents not affiliated with us.

We do not charge additional commissions or markups in the Personal Portfolio Programs.

#### Related-Party Compensation

U.S. Bancorp Asset Management, Inc. ("USBAM") is an affiliate of ours and is the adviser to the First American Money Market Funds. We have entered into a shareholder services agreement with USBAM in which they pay us for certain shareholder services we provide to our clients invested in the First American Money Market Funds. The amount of these payments range from 0.00% to 0.25% of the average daily balances held in the First American Money Market Funds, depending on the share class, and they can be waived at USBAM's discretion. We receive these payments in addition to any sales charge payments and distribution fees described in the prospectuses and statements of additional information for the First American Money Market Funds. This creates a conflict of interest to use these affiliated funds and to increase the allocations to cash in accounts. These shareholder servicing payments do not apply to any assets in money market funds used in the Sweep Program. At any time USBI may choose not to receive, or USBAM may choose to suspend, payment of the shareholder servicing fees if agreed to by both parties.

#### Product Partner Arrangements

USBI has entered into agreements through which certain firms (our approved "Product Partners") provide financial contributions to USBI, which are used to support the marketing of their products, training and education of our financial advisors about their products, and other purposes. In addition, approved Product Partners have access to our financial advisors, distribution network communications, and opportunities to participate in corporate marketing and training functions. In recent years, the annual lump sum payments from Product Partners range from \$0 to \$100,000. The annual lump sum payment is generally based on the nature of our total relationship with that Product Partner, which includes advisory accounts, and is based on the type and number of products offered. Please note that advisory accounts are not considered for the purpose of determining any Product Partner payments that are based on the amount of purchases or investments in a Product Partner product. These amounts are paid to USBI; our financial advisors do not directly receive any portion of this compensation. USBI has entered into an arrangement with our affiliate, First American Funds, where First American Funds has similar access to our financial advisors as our other Product Partners, however USBI does not receive any form of payment under this arrangement. This arrangement creates a conflict of interest.

Occasionally Product Partners, including First American Funds, and other vendors reimburse expenses or pay directly for our financial advisors to attend training and educational seminars and conferences. In addition, USBI employees may receive promotional items of diminutive value, meals or entertainment or

other non-cash compensation from Product Partners and other vendors, subject to applicable regulatory limits and reporting requirements.

A conflict of interest exists when we are paid more from a Product Partner if you purchase one type of product instead of another. A conflict of interest also exists if one Product Partner provides more in financial payments over another. We receive compensation or other benefits from selling such products. We and our affiliates provide banking, trust and custody, trading and/or other services ("Ancillary Services") to some of our Product Partners. Our Product Partners include mutual fund, annuity, insurance and other companies that provide products or services you receive, and that we may recommend. The fact that we or our affiliates receive financial benefit for providing Ancillary Services to Product Partners presents a conflict of interest for us, however, these relationships do not factor into our decision to enter into a Product Partner arrangement. Our financial advisors do not share in revenue from these Product Partner relationships, which mitigates the conflict of interest that they represent.

We are committed to serving your interests first, so we have adopted policies reasonably designed to control and limit these potential conflicts of interest. The policies require financial advisors to recommend products and services based only on their appropriateness in meeting your investment goals. The policies prohibit the payment of any fees to financial advisors. In addition, payments must be made by the Product Partner by wire transfer or check, and policies prohibit the acceptance of these payments in the form of direct or indirect investment portfolio commissions of the product sponsor.

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## **Financial Information**

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