

MML Investors Services, LLC

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Financial Planning and Consulting Services ADV Brochure

March 30, 2020



This brochure provides information about the qualifications and business practices of MML Investors Services. If you have any questions about the contents of this brochure, please contact us at 1-800-542-6767 Option 1,1. 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 MML Investors Services is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 10409. MML Investors Services is a SEC registered investment adviser. Please note that registration does not imply a certain level of skill or training.

Item 2 Material Changes

Item 9 has been updated to include information about a settlement that MMLIS, in its capacity as a broker-dealer, entered into with FINRA in March 2020. FINRA made findings that the Firm failed to ensure that access to a third-party system was limited to only those former registered representatives of a company that was acquired by the Firm for whom access was agreed to be given. As a result, additional former registered representatives and associated persons of the Firm had access to the third-party system after the acquisition. Because MMLIS was unaware that these additional registered representatives and associated persons had access to the third-party system after the acquisition, the Firm did not notify the third party when those registered representatives and associated persons ceased to be associated with the Firm. As a result, the third-party did not timely shut off those former registered representatives' and associated persons' access to the third-party system. The third-party system stored customer records and information, including nonpublic personal information. Without admitting or denying the findings, the Firm consented to a censure, a fine of \$75,000, and the entry of findings that it failed to prevent certain registered and associated persons who had been terminated from the Firm from continuing to access customer records and information, including nonpublic personal information, in violation of the SEC's Regulation S-P and FINRA Rule 2010. This settlement does not relate to the advisory services described in this Financial Planning Services ADV Brochure.

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Item 4 Advisory Business

MML Investors Services (or “MMLIS” or the “Company” or the “Firm”) is a registered broker-dealer (“B/D”) and investment adviser (“IA”). MMLIS began conducting business in 1981 and has been registered as an investment adviser since 1993. MassMutual Holding LLC is the Company's principal owner. Massachusetts Mutual Life Insurance Company (“MassMutual”) is MassMutual Holding LLC's principal owner.

Its principal place of business is 1295 State Street, Springfield, MA 01111. As a B/D and IA, MMLIS is regulated by the SEC, the Financial Industry Regulatory Authority (“FINRA”), other U.S. regulatory agencies, as well as applicable state agencies. Since MMLIS is not registered as a broker-dealer or investment adviser outside of the United States, MMLIS, its investment adviser representatives (“IA-Reps”) and its financial planners (each a “Financial Planner”) are not authorized to provide advisory services to persons located outside of the United States.

MMLIS Financial Planners are IA-Reps who have been approved to provide financial planning services to clients. In addition to the financial planning and related advisory services described in detail in this Brochure, MMLIS also offers other advisory services, including investment advisory programs in which clients are offered investment advice, portfolio monitoring, brokerage and/or custodial services for a single bundled or “wrap fee.” Other services offered by MMLIS include the following: (I) Asset Management Programs; (II) Money Manager Programs; (III) Generic Financial Seminars; and (IV) Fidelity Charitable Donor Advised Fund service. If you want more information about the other advisory services available through MMLIS, ask your IA-Rep.

I. Financial Planning Services in General

Financial planning is an advisory service that is designed to help clients establish a direction for their financial lives, understand the interplay of a broad spectrum of financial areas, and understand the importance of periodically making adjustments to help reach their goals and objectives. A financial plan is generally designed to provide a personalized presentation of a client's current financial situation, as well as recommendations based on an analysis of the data input into the financial plan. Areas that may be covered during the financial planning process include financial position, risk management, wealth accumulation, asset allocation, tax planning, business planning, retirement planning, education planning, investment planning, special needs planning, and estate planning, among others.

II. Financial Planning Services Available Through MMLIS

A. In General

1. Nature of Financial Planning Services

MMLIS offers financial planning advice that covers broad categories of securities, insurance, annuities, banking, trust services, and other financial investments, products, and services. Financial Planners provide investment advice that includes strategies the client should consider, but they do not make specific product recommendations or provide analyses of particular securities, annuities, insurance, banking products, trust services or other products.

In developing financial plans and providing related advisory services as described in this Brochure, Financial Planners only utilize software packages and web-based programs that have been reviewed and approved by MMLIS (“Approved Software”). The output from such Approved Software typically contains quantitative analyses, which may include asset allocation analysis, Monte Carlo simulations, and other

related financial calculations, as well as investment advice. The degree of personalization of the advice will vary depending on the level of service that the client contracts to receive. Monte Carlo simulations are a technique used to approximate the probability of certain outcomes by running multiple trials, called simulations, using random variables.

2. Frequency and Updating of Financial Plans

The preparation of a financial plan is a one-time service and does not involve an ongoing relationship between MMLIS and you. After the plan is complete and delivered to you, your investment advisory relationship relating to the financial planning services contracted with MMLIS ends. MMLIS will not automatically monitor or update the plan. Once the Financial Plan or report is delivered, it is entirely your decision whether to implement the advice fully, partially, or not at all. A client may choose to implement the advice with MMLIS, its affiliates, or any other company.

Periodically, you and your Financial Planner may agree that it is appropriate to revisit your Financial Plan and to reexamine your financial situation. Any plan updates will be a separate and distinct service and will involve a separate advisory relationship subject to a separate agreement between the client and MMLIS.

3. Process

The financial planning process typically begins with the Financial Planner gathering relevant data from you. During the data gathering process, the Financial Planner assembles information regarding your assets, liabilities, income, expenses, future plans, risk tolerance, etc. Through conversation and data gathering, the Financial Planner will help you determine realistic goals, needs and objectives.

Financial Planners conclude their role as financial planners for you as soon as the Financial Plan is delivered to you. It is important for you to review your financial plan at least annually and more frequently in response to any material changes to your situation. Such changes may significantly affect the validity or utility of the recommendations in the Financial Plan.

4. Limitations on the Investment Advice

Neither MMLIS, nor any of its Financial Planners, agents, IA-Reps, financial service representatives or employees, are authorized or permitted to provide legal, tax or accounting advice in connection with any services they provide. If you need this type of advice, you should consult with your own personal attorneys, accountants, or tax advisors.

Since your Financial Plan is written based on data provided by you, the accuracy of any information provided by you is critical to the accuracy, appropriateness, and utility of the recommendations and other advice provided in the Financial Plan. Financial Planners rely on the completeness and accuracy of this information and do not verify it independently.

MMLIS and your Financial Planner are not and will not become fiduciaries as defined under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the Internal Revenue Code of 1986, as amended (the "Code"). Nor will they provide investment advice as defined under ERISA and the Code, and accompanying regulations.

B. Specific Service Offerings

MMLIS offers a variety of financial planning services described below. Based on the information provided by you or your authorized agent(s), you and your Financial Planner will determine which type of financial plan or related advisory service best suits your individual circumstances and needs. Some MMLIS financial plans may be limited in availability.

Comprehensive Financial Plans and Focused Planning are provided using company-approved financial planning software. Update Plans/Progress Report, Individual and Business Consulting Services provide advice focusing on specific issues, and may or may not utilize software packages.

Comprehensive	The Comprehensive Plan provides a detailed and personalized presentation of the client's current financial situation, alternatives, as well as customized recommendations, based on the analysis of the data and the client's stated goals and objectives.
<i>Focused Planning Topics</i>	
Financial Position	The Financial Position module provides a net worth statement, cash reserve, and/or cash flow statement and may include additional analysis on debt management, loan pay-off options and budget strategies.
Education Planning	The Education Planning module projects education costs, and considers assets designated for the education along with other funding options.
Protection Planning (must include Financial Position module)	The Protection Planning module provides an overview and recommendations for the client's risk management situation. The review may include projections and options for survivor income, disability income and long term care needs. Other review options may include small business owner concerns such as Key Person and Business Overhead Expense planning. This planning service also provides the Financial Position module.
Retirement Planning	The Retirement Planning module projects the estimated retirement needs and expenses at a specified retirement date. The analysis may be focused on accumulation and/or solely the distribution of retirement assets. The analysis considers current assets designated for retirement, estimated social security benefits and other funding sources, such as employer pension plans. Illustrations provide the client with various alternatives available, based upon factors such as different retirement dates, additional or alternative savings and investment strategies, and risk tolerance.
Investment Planning	The Investment Planning module includes an examination of the client's current financial situation, which may include: net worth, income and expenditures, investment risk tolerance, and risk management analysis. An asset allocation is provided as are other

	illustrations which together may provide the client with alternative strategies available based on the client's time horizon and risk tolerance.
Tax Management	The Tax Management module provides a review and analysis of the client's tax situation, including income tax, estate tax, alternative minimum tax and capital gain or loss review.
Estate Planning	The Estate Planning module includes an analysis of a client's goals and objectives for the distribution of his or her property. This analysis includes an examination of the client's current gross estate and the distribution of property based upon the client's current estate plan. Projected estate taxes and related settlement costs based upon various assumptions are considered. The analysis explores alternatives for minimizing settlement costs such as titling assets, using trusts, gifting strategies and charitable planning. An examination of possible funding sources for providing liquidity may also be included.
Update Plan/Progress Report for Existing Client	This service provides an update to a previous Financial Plan to evaluate the progress toward one or more of the client's goals, and determine if any changes to the original financial plan are warranted.

Individual Consulting Services

Asset Allocation/Investment Advice	Includes an examination of the client's current financial situation, which may include: net worth, income and expenditures, investment risk tolerance, and risk management analysis. An asset allocation is provided as are other illustrations which together may provide the client with alternative strategies available based on the client's time horizon and risk tolerance.
Accumulation Goals	Includes a review of the capital required to meet a specified goal (e.g. education, major purchase) and analyzes current assets designated for the specified goal. Alternate strategies may be illustrated, based on the client's time horizon, funding options and risk tolerance.
Retirement Planning	Projects the estimated retirement needs and expenses at a specified retirement date. The analysis may be focused on accumulation and/or solely the distribution of retirement assets. The analysis considers current assets designated for retirement, estimated social security benefits and other funding sources, such as employer pension plans. Illustrations provide the client with various alternatives available, based upon factors such as

	different retirement dates, additional or alternative savings and investment strategies, and risk tolerance.
Financial Position/Cash Flow Analysis	The Financial Position / Cash Flow Analysis Consulting Service provides a net worth statement and/or cash flow statement and may include additional analysis on cash reserve, debt management, loan pay-off options and budget strategies.

Business Consulting Services

Business Continuation Strategies	The business succession planning process includes an analysis of the business's current state and the client's goals as a business owner. It incorporates an analysis of the available methods of transferring ownership and operational control of a closely held business based upon various assumptions. This analysis examines the client's current business situation and explores alternatives to satisfy the client's objectives upon retirement, death, disability or sale of the business while minimizing transition costs (e.g., using trusts, gifting strategies, buy-sell agreements). An examination of possible funding sources to facilitate the transfer of the business and provide liquidity to meet related estate planning objectives may also be included. During this process, tax consequences and implication are generally discussed.
Employee Benefits Strategies	May include an analysis of both nonqualified and qualified (i.e., tax sheltered) retirement plans for businesses and other employee benefits such as group insurance policies, bonus plans and split dollar arrangements. Analysis of nonqualified employee benefits plans include a review of available methods for providing nonqualified retirement, death and/or disability benefits to key employees, based upon various assumptions. This analysis explores alternatives to attract, reward and retain employees for both profit and non-profit entities, consistent with the client's objectives. Review of qualified employee benefits plans provides an analysis of the tax sheltered retirement arrangements available under current tax law. This analysis examines available options based upon factors such as corporate demographics and the client's objectives. Finally, funding sources such as life insurance and investment products may be examined for the purpose of providing benefits to employees. This plan does not provide analysis of, or, advice on, the underlying investments held within qualified plans.

Business Exit Strategies	The business exit process includes an analysis of the current state of the business with a focus on the business owner's goal of exiting the business. Once the timeline and expectation for exiting the business have been fully explored, alternatives and strategies for the positioning of the business for transition/sale are provided. During this process tax consequences and implications are generally discussed.
Executive/Key Person Compensation Strategies	This review includes executive compensation strategies and makes recommendations based on the business client's goals to attract, retain, and reward key employees of the business. The objectives of the business owner(s) and the legal structure of the business will be reviewed and taken into account in the analysis and recommendations. During this analysis tax consequences and implication can be identified and generally discussed.
Nonqualified Deferred Compensation Strategies	May review and analyze methods for developing and funding both qualified and nonqualified benefits plans. This review will summarize the client's current situation and analyze alternative ways to accomplish their objectives. The analysis may involve recommending alternative methods to fund the program as well as an overview of the accounting treatment of such alternative methods.

Item 5 Fees and Compensation

Financial planning fees depend upon a variety of factors, including the complexity of a client's individual financial circumstances and stated objectives, estimated time to complete the plan, regional fee differences and the fee range established by the individual Financial Planners for their clients (based in part on the planner's experience) and are negotiable. Fees charged by a Financial Planner for the services described above may vary by client within the fee ranges set forth in this Item and could result in your Financial Planner charging other clients a lower fee for comparable services. Clients should also be aware that other Financial Planners may provide comparable services for a lower fee than those available from your Financial Planner. Additionally, other investment advisers may provide comparable services at no cost or for a lower fee than those available through MMLIS. MMLIS Financial Planning and Consulting fees are negotiable and may be waived at your financial planner's discretion.

I. Financial Planning Fees and Timing of Payment

Fees for financial planning and consulting services are detailed below. Except as noted below, fees are payable in full upon completion of the service, one-half payable in advance with the balance due upon completion or paid entirely in advance, as determined by each Financial Planner. Clients who contract for any Financial Planning or Consulting Service may pay either a *flat fee* or an *hourly fee* for their financial planning services subject to mutual agreement between the Financial Planner and the client. *If the planner uses the flat fee billing method*, the rate to be used must be within the range specified below and is set forth in the Agreement.

Some Financial Planners may offer the client the option of paying an hourly fee instead of a flat fee. *If the planner uses the hourly billing method*, the hourly rate to be used and estimated

hours are specified on the signature page of the Agreement. Planners may establish their hourly billing rate at a specified hourly fee between \$0 and \$400 per hour, billable in increments of 15 minutes. The total fee billed may not exceed the range established for that service as described below. The Financial Planner may elect to collect a portion of the hourly fees up front. If a deposit is collected, the remaining balance, as evidenced on the *Billing Worksheet*, must be collected upon delivery of the completed Financial Plan. If no deposit is collected, the entire amount billed as evidenced on the *Billing Worksheet*, must be collected upon delivery of the completed Financial Plan.

II. Fees for Specific Types of Financial Plans and Consulting Services

- A. Financial Planning Services (Comprehensive and Focused Plans):** This fee, which can be fixed or hourly, typically does not exceed \$25,000. Fees in excess of \$25,000 require prior approval by MMLIS' Home Office. Fees for a focused plan are generally less than the fee for a comprehensive plan using the same software unless complex circumstances warrant a higher fee. The financial planning fee is negotiable and may be waived at your financial planner's discretion. Plan updates are available at a fixed or hourly rate fee or fees may be waived.
- B. Plan Update/Progress Report:** This fee, which can be fixed or hourly, typically does not exceed \$25,000. Fees in excess of \$25,000 require prior approval by MMLIS' Home Office. Fees for a Plan Update are generally less than the fee for a Comprehensive Plan using the same software unless complex circumstances warrant a higher fee. The financial planning fee is negotiable and may be waived at your financial planner's discretion.
- C. Consulting Services, Individual:** This fee, which can be fixed or hourly, typically does not exceed \$7,500 although in certain limited circumstances and with additional review by MMLIS' Home Office, the total fee for consulting services could be up to \$12,500 or higher. The consulting services fee is negotiable and may be waived at your financial planner's discretion. Rates will vary depending on a number of factors.
- D. Consulting Services, Business:** This fee, which can be fixed or hourly, typically does not exceed \$25,000. Fees in excess of \$25,000 require prior approval by MMLIS' Home Office. The consulting services fee is negotiable and may be waived at your financial planner's discretion. Rates will vary depending on a number of factors.
- E. Referrals to other Financial Planners.** MMLIS is paid a referral fee by other financial planners for the investment adviser referral services. The referral fee paid to MMLIS varies by investment adviser.

III. Refund of Financial Planning Fees

You have the right to cancel your contracted services and receive a full refund of any fee or deposit paid by giving written notice to MMLIS or your Financial Planner within 5 days after the date on which you sign the Client Agreement. In the event you terminate the relationship prior to services being completed, any fees already paid will be refunded, less a fee charged for any time spent preparing the advice prior to notice of termination.

To the extent a deposit or fee has been provided by the client, MMLIS may refund such deposit or fee if the Financial Plan is not delivered within 180 days from the date of such deposit. (*Note:* The relevant date is the date on the check, or the date the client signed the fee agreement if the deposit was made by credit card.)

MMLIS or the Financial Planner may cancel the contracted services for any reason at any time by providing written notice to the client. In such an instance, the client may be entitled to a full or partial refund of any fee or deposit paid subject to the conditions described above.

IV. How MMLIS Financial Planners are Compensated

Financial Planners receive a portion of the advisory fees for providing financial planning services as described in this Item. Since the financial planning relationship terminates upon completion and delivery of the financial plan to you, any implementation of the plan with MMLIS or an affiliate is achieved through a separate relationship you. The nature and extent of the separate relationship will depend on the nature of the products and services you select and will be clearly specified in the document provided to you.

Financial Planners may also receive additional compensation related to the advisory services described in this brochure from these other sources:

Your Financial Planner is also a broker-dealer registered representative of MMLIS and an insurance agent of MassMutual and/or other affiliated or unaffiliated insurance companies. He/she may receive additional compensation or incentives based on meeting production goals. Following completion of your Financial Plan, you may choose to implement your Financial Plan. Implementing your Financial Plan involves purchasing products and services, separate and apart from purchasing the Financial Plan itself.

You can implement your Financial Plan through MMLIS or any unaffiliated financial institution of your choice by purchasing specific securities, insurance and/or other products. While you are under no obligation to purchase any products or additional services from, or through, MMLIS or its affiliates, if you do purchase such products or services from, or through, MMLIS, or any of its affiliates, *this will result in the payment of additional compensation, either on a commission basis, a flat fee, or by a fee on assets under management, to the Financial Planner in his/her capacity as a registered representative, investment adviser representative and/or insurance agent, as well as to MMLIS and/or its affiliates.* Any implementation will require the completion and execution of separate applications and agreements, which include disclosures of conflicts of interest such as compensation and marketing arrangements.

In addition, when securities or insurance products issued, sponsored, advised, underwritten, distributed, or serviced by MMLIS or an affiliate are sold to a client, MMLIS or its affiliates receives compensation in addition to the commission and/or other compensation paid in connection with the sale of such securities or insurance products. Thus, MMLIS has a conflict of interest when recommending the sale of securities or insurance products issued, sponsored, advised, underwritten, distributed, or serviced by MMLIS or its affiliates.

As a result of such additional compensation being paid for the sale of products or services to implement the Financial Plan, a conflict of interest arises. In other words, the additional compensation gives Financial Planner and MMLIS an incentive to recommend products and services to implement the Financial Plan based on the compensation received, rather than on a client's needs. However, to help mitigate these inherent conflicts of interest, Financial Planners only make recommendations as to categories of investments or other products and identify product subcategories that are appropriate for the client (e.g., a growth-oriented mutual fund) during the financial planning process.

In limited circumstances, an immediate need for life insurance, disability insurance, or long-term care insurance or investment products may be identified early in the process of providing financial planning services. In such cases, your Financial Planner, in his or her role as an insurance agent or B/D Registered representative ("RR") may make a specific insurance or investment product recommendation to you. Any such recommendation is outside of your

financial planning relationship with MMLIS and is made only after full disclosure of your Financial Planner's role as an insurance agent or RR in making the recommendation.

Item 6 Performance-Based Fees and Side-by-Side Management

MMLIS does not pay performance based-fees related to assets under management to its Financial Planners with respect to the financial planning services described in this Brochure.

Item 7 Types of Clients

The advisory services described in this Brochure are generally appropriate for a variety of clients including single or married persons, non-traditional couples who share goals, expenses and income, business owners, or business entities.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

As noted above, in developing financial plans, Financial Planners only utilize Approved Software.

This software uses information and assumptions provided by you and discussed during the financial planning process to prepare an analysis that illustrates your situation at a given point in time. The output from such Approved Software contains quantitative analyses which may include automated asset allocation, Monte Carlo simulations, and other related financial calculations. Projections may be made to illustrate future results, although it is important to realize that actual results will likely vary from those illustrated. The results of the analysis are evaluated by the Financial Planner and are used to formulate suitable recommendations based on your current situation.

The financial planning analyses are accompanied by recommendations as described more fully in Item 4.

There is no guarantee that the client's investment goals will be realized if a client follows all of the recommendations set forth in a Financial Plan. Due to the uncertainties involved in purchasing securities and/or insurance or other products, a client can still fail to achieve their goals even if they obtain a Financial Plan and fully implement the Financial Plan in accordance with the recommendations provided.

Item 9 Disciplinary Information

The following legal or disciplinary events related to MMLIS may be material to your evaluation of whether to receive investment advice from MMLIS.

In June 2011, MMLIS entered into a Letter of Acceptance, Waiver and Consent ("AWC") for the resolution of charges with FINRA. The alleged rule violations relate to the Firm's compliance with FINRA Rules applicable to Firm compensation in connection with Trade Reporting and Compliance Engine ("TRACE") eligible securities during the period October 9, 2008 through June 26, 2009 (the "Review Period"). During the Review Period, in 14 transactions, the Firm purchased or sold TRACE-eligible securities as agent for a customer in transactions for a commission or

service charge that was in excess of a fair amount, taking into consideration all relevant circumstances. The Firm also failed to enforce its written supervisory procedures by charging commission in excess of the procedure's limits. The conduct constituted violations of NASD Rule 2440, NASD Rule 3010, NASD Rule 2110 (for conduct prior to December 15, 2008) and FINRA Rule 2010 (for conduct on or after December 15, 2008). Under the Acceptance, Waiver and Consent, the Firm consented to a censure and a fine of \$32,500.

In November 2011, MMLIS entered into an AWC for the resolution of alleged rule violations with FINRA. The alleged rule violations related to the Firm's compliance with FINRA Rules applicable to filing Forms U5 and amendments to Forms U4 and U5. From approximately May 13, 2008 through October 10, 2010, the Firm failed to file in a timely manner at least 98 filings, including 5 Form U5 filings and 93 amendments to Forms U4 and U5. Forms U4 and U5 contain information regarding the firm's registered representatives and the rule requires timely updates to these forms. FINRA also found that the Firm failed to establish and maintain a supervisory system and establish, maintain and enforce supervisory procedures that were reasonably designed to achieve compliance with the reporting requirements set forth in Article V of FINRA's By-Laws. This conduct constituted violations of NASD Conduct Rule 2110 (for conduct prior to December 15, 2008) and 3010 and FINRA Rule 2010 (for conduct after December 14, 2008). Under the AWC, the Firm consented to a censure, a fine of \$300,000 and undertakings related to a review of the Firm's supervisory systems, written supervisory procedures and quarterly reporting in 2012 to FINRA of any Form U5 filings or amendments to Forms U4 or U5 the were not timely filed during that quarter.

In December 2012, the Director of The Rhode Island Department of Business Regulation (the "Director") entered into a Consent Order Making Findings and Imposing Remedial Sanctions (the "Order") for the resolution of a matter involving MMLIS. The matter was resolved prior to instituting administrative proceedings. MMLIS neither admitted, nor denied the findings. The matter arose out of the conduct of two former representatives of MMLIS who have been barred from engaging in any securities business in the state of Rhode Island as a result of their conduct. On March 28, 2011, MMLIS advised the Securities Division that one of these representatives had embezzled money from one of his clients over the course of ten years by inducing the client to invest in fraudulent and non-existent promissory notes sold through the representative's outside business activity. The Director alleged that MMLIS failed to reasonably supervise these representatives in violation of R.I. Gen. Laws Section 7-11-212(b)(1). The Order directs MMLIS to: (i) immediately cease and desist from any further violations of the Rhode Island Uniform Securities Act of 1990 and the rules promulgated thereunder; (ii) pay a penalty in the amount of \$250,000 to the Rhode Island Department of Business Regulation; (iii) confirm in writing that it has reimbursed the client for losses according to the terms of a settlement negotiated amongst the parties; and, (iv) retain an independent consultant to conduct a comprehensive review of its Rhode Island Detached Branch Offices and registered representatives in such locations and issue a written report to be filed with the Director.

In August 2013, MMLIS entered into an AWC with FINRA. The AWC finds that that the Firm violated FINRA rules by failing to reasonably supervise and investigate certain of its registered representatives engaged in the sale of promissory notes not approved by the Firm. Without admitting or denying the findings, the Firm consented to a censure, a fine of \$125,000 and agreed

to pay restitution to investors totaling \$787,847.70. The Firm will provide proof to FINRA that it made restitution to investors no later than six months after August 21, 2013.

In July 2015, MMLIS entered into a Consent Agreement and Order (“Order”) with the Commonwealth of Pennsylvania, acting through the Department of Banking and Securities (“Department”), Bureau of Securities Licensing, Compliance and Examinations (“Bureau”) for the resolution of a matter effective July 6, 2015. The Firm neither admitted, nor denied the allegations. The matter arose out of the conduct of a deceased former representative of the Firm who operated an unapproved outside business activity through which he issued, offered and sold unregistered promissory notes to certain Pennsylvania residents. The issuance, offer, and sale of the notes by the representative were not approved by the Firm. The Bureau received five complaints and was aware of twelve notes totaling approximately \$385,000. The Firm was subject to a sanction under Section 305(a)(vii) of the 1972 Act, 70 P.S. §1-305(a)(vii) for a failure to reasonably supervise an agent of the Firm. The Order directed the Firm to (i) pay an administrative assessment in the amount of \$100,000; (ii) pay legal and investigative costs in the amount of \$25,000; (iii) comply with the 1972 Act, and its Regulations as adopted by the Department, 70 P.S. §1- 101, et. seq; and (iv) represent to the Department that it had made payments to certain Pennsylvania residents related to the securities activities of the representative and his outside business. Payment to certain Pennsylvania residents in the amount of \$150,840.62 was made on June 30, 2015.

In November 2016, MMLIS entered into an AWC with FINRA for the resolution of a matter. FINRA made findings that the Firm disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge (“Eligible Customers”). FINRA found that these Eligible Customers were instead sold Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. The AWC stated that the Firm failed to establish and maintain a supervisory system and written policies and procedures reasonably designed to ensure that Eligible Customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. The AWC also stated that the Firm failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales. FINRA found that the firm relied on its financial advisors to determine the applicability of sales charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination, including failing to establish and maintain written procedures to identify applicable sales charge waivers in fund prospectuses for Eligible Customers. Without admitting or denying the findings, the Firm consented to a censure and agreed to pay restitution to investors totaling \$1,864,167.77, plus interest.

MMLIS (and three other broker-dealers affiliated with MassMutual) entered into an AWC with FINRA for the resolution of a matter effective June 30, 2017. FINRA made findings that the Firm failed to maintain certain electronic books and records in a non-erasable and non-rewritable format known as the “Write Once, Read Many” (“WORM”) format that is intended to prevent the alteration or destruction of broker-dealer records stored electronically. The findings also stated that the Firm failed to (i) provide the required 90-day notice to FINRA prior to retaining a vendor to provide electronic storage, (ii) implement an audit system as required for such electronic books and records, (iii) provide letters of undertaking from independent third-parties with the ability to access and download information from the Firm’s electronic storage media; and (iv) enforce written supervisory procedures concerning the Firm’s storage of electronic brokerage records in

WORM format. Without admitting or denying the findings, the Firm consented to a censure and agreed to a fine in the amount of \$750,000 (to be paid jointly and severally by the three other MassMutual affiliated broker-dealers). The Firm also agreed to certain undertakings, mainly to submit to FINRA within 60 days a written plan of how the Firm will conduct a comprehensive review of the adequacy of the relevant policies and procedures (written and otherwise), including a description of remedial measures leading to full compliance.

MMLIS entered into an AWC with FINRA for the resolution of a matter effective March 20, 2020. FINRA made findings that the Firm failed to ensure that access to a third-party system was limited to only those former registered representatives of a company that was acquired by the Firm for whom access was agreed to be given. As a result, additional former registered representatives and associated persons of the Firm had access to the third-party system after the acquisition. Because MMLIS was unaware that these additional registered representatives and associated persons had access to the third-party system after the acquisition, the Firm did not notify the third party when those registered representatives and associated persons ceased to be associated with the Firm. As a result, the third-party did not timely shut off those former registered representatives' and associated persons' access to the third-party system. The third-party system stored customer records and information, including nonpublic personal information. Without admitting or denying the findings, the Firm consented to a censure, a fine of \$75,000, and the entry of findings that it failed to prevent certain registered and associated persons who had been terminated from the Firm from continuing to access customer records and information, including nonpublic personal information, in violation of the SEC's Regulation S-P and FINRA Rule 2010.

For more information about the above events and other disciplinary and legal events involving MMLIS, please refer to the Investment Advisor Public Disclosure at www.adviserinfo.sec.gov and FINRA BrokerCheck at www.finra.org.

Item 10 Other Financial Industry Activities and Affiliations

MMLIS is registered with the SEC as an investment adviser and a broker-dealer. MMLIS sells general securities (including stocks and bonds) and mutual funds, to the public. MMLIS and its principal executive officers are principally engaged in the securities brokerage business. As part of this business, MMLIS provides a broad range of securities brokerage services to customers, including persons who have enrolled in one of MMLIS's investment advisory programs. MMLIS effects securities transactions for these brokerage customers for compensation and may recommend that customers buy or sell securities or other investment products in which MMLIS or its officers, directors, employees or registered representatives ("related persons") have a financial interest or may themselves purchase or sell. For example, MMLIS may recommend that brokerage customers purchase, among other investments, variable annuity or variable life insurance contracts issued by MMLIS's affiliates.

Relationship with Affiliates

As noted above, following completion of your Financial Plan, you may implement your Financial Plan. Implementing your Financial Plan involves purchasing products and services, separate and apart from the Financial Plan itself. You can implement your Financial Plan through MMLIS or

any unaffiliated financial institution of your choice. Your financial planning relationship with your Financial Planner terminates upon delivery and explanation of the Financial Plan to you. Any implementation of the recommendations in your Plan made through your Financial Planner is done in his/her capacity as a registered representative of MMLIS or one of its affiliates and/or an insurance agent of MassMutual and/or other affiliated or unaffiliated insurance companies. In acting in these other capacities your Financial Planner is acting as a *salesman*.

While you are under no obligation to purchase any products or additional services from, or through, MMLIS or its affiliates, if you do purchase such products or services from, or through, MMLIS, or any of its affiliates, *this will result in the payment of additional compensation to the Financial Planner in his/her capacity as a registered representative and/or insurance agent as well as to MMLIS and/or its affiliates*. Such compensation typically takes the form of commissions and other payment streams tied to the sale of products. As a result of such additional compensation being paid for the sale of products or services to implement the Financial Plan, a conflict of interest arises. In other words, the additional compensation gives Financial Planner and MMLIS an incentive to recommend products and services to implement the Financial Plan based on the compensation received, rather than on a client's needs.

In addition, when your Financial Planner acts as a registered representative of MMLIS or as an insurance agent of an affiliated insurance company and sells securities or insurance products issued, sponsored, advised, underwritten, distributed, or serviced by MMLIS or one or more of its affiliates, then one or more of MMLIS's affiliates is receiving compensation in addition to the commission and/or other compensation paid to MMLIS and your Financial Planner in connection with such securities or insurance products. Thus, your Financial Planner has a conflict of interest when recommending the sale of *affiliated* securities or insurance products as a registered representative or as an insurance agent.

MMLIS' management persons, including its directors and executive officers, are registered representatives and/or associated persons of MMLIS. Management persons may also be registered or associated with the Firm's affiliated broker-dealers MML Distributors, LLC and MML Strategic Distributors, LLC and with its affiliated investment advisers, including MML Investment Advisors, LLC.

MMLIS is owned by MassMutual Holding LLC. Massachusetts Mutual Life Insurance Company ("MassMutual") is MassMutual Holding LLC's principal owner. MMLIS's registered representatives and IA-Reps are all licensed insurance agents or brokers of MassMutual or its affiliates. MassMutual requires its career agents to meet minimum sales thresholds of MassMutual annuity and insurance contracts in order to maintain their contractual status as a career agent. MMLIS's registered representatives are all licensed to sell securities and may effect securities transactions for compensation for any client.

MMLIS is the co-underwriter for, and a distributor of, variable products of MassMutual and its subsidiaries. Such variable products are issued by separate accounts which are registered as investment companies. MMLIS may recommend these products to clients in its broker-dealer capacity.

MMLIS is the sole shareholder of MMLIS Financial Alliances, LLC, a Delaware limited liability company which operates as an insurance agency and investment adviser. MMLIS previously received referrals from MMLIS Financial Alliances, LLC and paid a solicitors fee for such referrals. MMLIS no longer receives referrals for new advisory clients from MMLIS Financial Alliances, LLC as of September 30, 2016.

MassMutual Holding LLC is also the sole shareholder of Barings LLC, a registered investment adviser. MMLIS, in its broker-dealer or investment adviser capacity, may recommend that a client invest in mutual funds advised by Barings LLC.

MML Investment Advisers, LLC acts as an investment adviser, and MML Distributors, LLC acts as principal underwriter, for certain mutual funds, including the MassMutual Select Funds, the MassMutual Premier Funds, MML Series Investment Fund and the MML Series Investment Fund II. MML Distributors, LLC is owned by MassMutual Holding LLC. MMLIS, in its broker-dealer or investment adviser capacity, may recommend that a client invest in these mutual funds.

Recommending a mutual fund advised or distributed by an affiliate (an “Affiliated Fund”), including Barings LLC and MML Distributors, LLC, creates a conflict of interest between MMLIS and advisory clients. Investing in an Affiliated Fund results in additional compensation being paid to MMLIS and/or one of its affiliates. In many cases there are alternative funds that are available for investment that will provide clients with substantially similar exposure to the asset class or sector represented by an Affiliated Fund. This conflict of interest is addressed through clear and prominent disclosure to clients, suitability reviews of recommended securities and other products and through supervision of the registered representatives and IA Rep.

Additional information on certain related entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.A. Part 1 of Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

Other Business Relationships

MassMutual, directly and/or through one or more of its affiliates, owns common shares (approximately 16% of outstanding common shares) and preference shares of, and has certain shareholder rights with respect to, Invesco Ltd. (“Invesco”) as a result of the sale of MassMutual’s formerly affiliated asset management business, OppenheimerFunds, to Invesco. MMLIS, in its broker-dealer or investment adviser capacity, may recommend that a client invest in an investment product advised and/or distributed by one or more Invesco entities. This conflict of interest is addressed through clear and prominent disclosure to clients, suitability reviews of recommended securities and other products and through supervision of the registered representatives and IA-Reps.

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

A. Confidentiality

MMLIS treats the information gathered during the financial planning process as strictly confidential and any such information will only be used in conformity with the terms and conditions set forth in a privacy notice that is provided to you. Information will be used only for business purposes related to the relationship the client has established with MMLIS. The information obtained will not be disclosed to any unaffiliated third party unless such information is required by law or regulatory process, as authorized by the client in writing, or is otherwise disclosed in the Privacy Notice.

B. Code of Ethics

MMLIS has adopted an Investment Adviser Code of Ethics (“Code”) for certain persons of the Firm in compliance with Rule 204A-1 under the Investment Advisers Act of 1940. This Code establishes required standards of business conduct, as well as policies and procedures that are reasonably necessary to detect and prevent personal trading activities that are, or might be an abuse of fiduciary duties or create conflicts of interest.

The Code requires that all IA-Reps and certain other affiliated personnel (together, “Access Persons”) acknowledge receipt and report violations of the Code. The Code sets forth standards with regard to an Access Person’s personal trading and establishes general prohibitions, including but not limited to, the observance of personal trade blackout periods for certain persons. The Code places additional obligations on Access Persons including the obligation to submit periodic reports to MMLIS regarding their personal accounts, including initial and annual holdings reports and quarterly transactions. SEC rules and guidance exempt certain types of securities and transactions from Code of Ethics reporting.

The principles set forth in the Code that govern personal trading activities for Access Persons include:

- The duty at all times to place the interest of advisory clients first;
- The requirement that all covered personal trades be consistent with the Code so as to avoid any actual or potential conflict of interest; and
- The fundamental standard that individuals should not take inappropriate advantage of their positions with respect to the Firm and/or its advisory clients.

To prevent and detect violations of the Code, the Firm reviews transactions within accounts that have been reported by Access Persons. A copy of the Code of Ethics will be provided to any client or prospective client upon request. Please refer to the cover page of this Firm Brochure for our contact information.

MMLIS or its IARs may give advice or take action in performing their duties for other clients or for their own accounts that differs from the advice provided, or in the timing and nature of action taken, with respect to financial planning clients. In addition, MMLIS and its IA-Reps may give advice or take action in performing their duties for one financial planning client that differs from the advice provided, or in the timing and nature of action taken, with respect to another financial planning client.

Personal transactions in securities by affiliated persons of MMLIS will be subject to the procedures described in MMLIS’ Code of Ethics and Compliance Manual. MMLIS may from time to time perform a variety of services for, or solicit business from, a variety of companies including issuers of securities that the Firm may recommend for purchase or sale by its clients. In connection with providing these services, the Firm and its affiliated persons may come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor’s decision to buy, sell or hold a security.

Under applicable law, the Firm and its affiliated persons are prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any other person, regardless of whether such other person is a client of MMLIS. Accordingly, should the Firm or any of its affiliated persons come into possession of material nonpublic or other confidential information concerning any company, they will be prohibited from communicating such information to clients, and MMLIS will have no responsibility or liability for failing to disclose such information to clients as a result of following its policies and procedures designed to comply with applicable law.

Item 12 Brokerage Practices

The financial planning relationship terminates upon delivery of the Financial Plan to you. Any implementation through your Financial Planner is done in the Financial Planner's capacity as a registered representative of MMLIS or one of its affiliates and/or an insurance agent of MassMutual and/or other affiliated or unaffiliated insurance companies. MMLIS provides advisory services other than financial planning that are described in other disclosure brochures in which MMLIS's brokerage practices are described.

Item 13 Review of Accounts

MMLIS oversees the financial planning services provided by its Financial Planners.

Plan reviews and reviewers. MMLIS reviews some financial plans prior to delivery to the client. Additionally, a percentage of financial plans are reviewed after delivery to the client. Reviewers are knowledgeable about preparing and reviewing plans.

Frequency of reviews. Some plans are reviewed prior to delivery to the client. In addition, a sampling of plans are reviewed post-delivery on a periodic basis by a team of attorneys, compliance professionals, Financial Planning department members and local financial planning personnel. A sampling of plans are also reviewed to verify that the fee charged was appropriate based on the type of plan, the client's financial situation, and other relevant factors.

Item 14 Client Referrals and Other Compensation

An IA-Rep of MMLIS who is not a Financial Planner or an investment adviser representative of an unaffiliated investment adviser may refer a prospective financial planning client to an approved Financial Planner in return for a portion of the fee that you pay for your Financial Plan. In this capacity, the IA-Rep or unaffiliated adviser is acting as a "finder" or "solicitor." If a referral fee is to be paid for a plan referral, this compensation must be disclosed to the client. In addition, clients will be provided with copies of Part 2 of MMLIS's Form ADV, a separate statement disclosing the nature of the marketing or referral arrangement (including compensation features), and any other document required to be provided under applicable law.

The fees that MMLIS pays to third parties under these referral arrangements are not passed on to referred clients (*i.e.*, the client is not charged any additional fees or expenses as a result of the referral arrangement) but depending on the circumstances, the existence of such marketing or referral arrangements may affect the amount of MMLIS's overall fees.

As discussed in Item 10 above, MMLIS is registered as a broker-dealer (in addition to being a registered investment adviser) and your Financial Planner also is a registered representative and an insurance agent, in addition to being an IA-Rep. MMLIS and your Financial Planner receive cash and non-cash compensation for selling securities and insurance products to implement your Financial Plan after the financial planning relationship with you has terminated with the delivery and explanation of your Financial Plan.

In addition, MMLIS provides a variety of investment advisory services other than financial planning that are described in separate disclosure brochures.

Item 15 Custody

MMLIS and your Financial Planner do not have custody of client funds or securities in connection with the financial planning services described herein.

Item 16 Investment Discretion

MMLIS and your Financial Planner do not have investment discretion over client assets in connection with the financial planning services described herein.

Item 17 Voting Client Securities

MMLIS and your Financial Planner do not exercise voting authority over securities in connection with the financial planning services described herein.

Item 18 Financial Information

A copy of MMLIS' Consolidated Statement of Financial Condition is included at the end of this brochure.

Important Notices to Clients

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask you for your name, address, date of birth and other information that will allow us to identify you. We may ask to see your driver's license or other identifying documents. Similarly, we will ask for identifying information and/or documents for accounts opened on behalf of an entity, rather than an individual (e.g. trusts, corporations). If you cannot provide the information or documentation we require, we may be unable to open an account or effect a transaction for you.

PRIVACY POLICY

We recognize that our relationships with you are based on integrity and trust. As part of that trust relationship, we want you to understand that in order to provide our products and services to you, we must collect, use and share personal information about you. This Privacy Notice describes policies and practices about how we protect, collect and share personal information related to the financial products and services you receive from us. It also describes how you can limit some of that sharing.

We Protect Your Personal Information By:

- Using security measures that include physical, electronic and procedural safeguards to protect your personal information from unauthorized access or use in accordance with state and federal requirements.
- Training employees to safeguard personal information and restricting access to personal information to employees who need it to perform their job functions.
- Contractually requiring business partners with whom we share your personal information to safeguard it and use it exclusively for the purpose for which it was shared.

Personal Information We May Collect:

The types of personal information we may collect depends on the type of product or service you have with us and may include:

- Information that you provide to us on applications or forms, during conversations with us or our representatives, or when you visit our website (for example, your name, address, Social Security number, date of birth, income and assets).
- Information about your transactions with us and our affiliates, including your account balances and transactional history.
- Information from third parties such as consumer or other reporting agencies or other institutions if you transfer positions or funds to us.

We May Share All of the Personal Information We Collect, As Described Above, With:

- Registered representatives who provide our products and services to you;
- Our affiliated companies, such as insurance or investment companies, insurance agencies or broker-dealers that market our products and services to you;
- Companies that perform marketing or administrative services for us;
- Nonaffiliated companies in order to perform standard business functions on our behalf including those related to processing transactions you request or authorize, or maintaining your account;
- Courts and government agencies in response to court orders or legal investigations;
- Credit bureaus; and
- Other financial institutions with whom we may jointly market products, if permitted in your state.

In addition, we may share certain of your personal information with your registered representative, when he or she leaves MMLIS to join another financial institution (whom we call a “departing representative”) so that he or she can continue to work with you at his or her new firm.

Important Privacy Choices

MMLIS respects your privacy choices. If you prefer that we do not share your personal information about your accounts held with us with your departing representative, you can opt out of such sharing, that is, you may direct us not to do so. If you wish to opt out of the sharing of your personal information with your departing representative you may:

- Call us at (855) 520-7715

You may make this privacy choice and contact us at any time, however, if we do not hear from you we may share your information with your departing representative as described above. If this is a joint account, if one joint owner tells us not to share information that choice will apply to the other owner or owners. If you have already told us your choice, there is no need to do so again.

Other than as described above, we will only share your personal information as permitted by law and, if the law requires us to obtain your consent or give you the opportunity to opt-out of some types of sharing, we will do so before sharing the information.

For California and Vermont residents, we will not share your personal information with your departing representative unless we receive your express consent.

If you are no longer our customer, we may continue to share your personal information as described in this Privacy Notice.

If you have questions or concerns about this Privacy Notice, please contact us at (855) 520-7715.

Terms and Conditions of Your Advisory Services Client Agreement for Financial Planning (“Agreement”)

By signing your Agreement, you (“Client” or “you”) agree that the following terms and condition are incorporated by reference into the Agreement.

Financial Planning Services. You have retained MML Investors Services, LLC (“MMLIS”) and our investment adviser representative(s) (“adviser”) to provide advice through a comprehensive or focus financial plan, plan update or progress report, individual consulting service or business consulting service, as detailed in the Agreement (“Financial Planning Services”). In connection with the Financial Planning Services, you agree to provide information and documents related to your circumstances and needs as necessary to prepare our advice. Since we will base our advice on the information that you provide to us, you agree to provide complete and accurate information. All of our financial planning advice is generic. Accordingly, the recommendations made by our advisers when providing Financial Planning Services do not involve recommending specific securities or other products or analyzing particular securities, annuities, insurance or other products.

Fees. You agree to pay MMLIS the fees detailed in Section 3 of the Agreement.

Other Services. We are also registered as a broker-dealer, and are affiliated with Massachusetts Mutual Life Insurance Company. The adviser providing you this advice on our behalf is licensed to sell securities and insurance products. After the Financial Planning Services are provided, your advisory relationship with us will end and you may decide to implement advice provided as part of the Financial Planning Services. Implementation involves purchasing products and services, separate and apart from the Financial Planning Services. You can implement the advice through MMLIS, our affiliates or any unaffiliated financial institution of your choice. You are under no obligation whatsoever to purchase any products through us or our affiliates. Since the Financial Planning Services are separate and distinct services from implementation, any implementation of the advice with MMLIS or an affiliate is achieved through a separate relationship with you. The nature and extent of the separate

relationship will depend on the nature of the products and services you select and will be clearly specified in the document provided to you. MMLIS, adviser and/or an affiliate will be compensated as part of that relationship either on a commission basis, a flat fee, or by a fee on assets under management.

Role and Duties. As noted above, when adviser provides Financial Planning Services to you, the advice is generic in nature. In this capacity, adviser is acting as investment adviser representatives of MMLIS and is serving as a fiduciary to you. In contrast, implementation recommendations relate to particular securities and insurance products and are provided by adviser in his/her capacity as a registered representative and/or insurance agent. It is important for you to understand the capacity in which your adviser is acting and the duties your adviser owes when making a recommendation to you. It is possible that generic recommendations as part of the Financial Planning Services (for which your adviser serves as a fiduciary, as discussed above) will be provided *at or about the same time* as your adviser makes product-specific implementation recommendations (for which your adviser serves as a salesman, as discussed above). You should therefore understand which recommendations from your adviser are part of the Financial Planning Services and which are related to implementation. If you are not sure, ask your adviser.

Entire Agreement. The Agreement, including these Terms and Conditions, represent the entire understanding between you and MMLIS with regard to the matters specified herein. MMLIS may amend the Agreement by providing written notice to you, which may be electronic. Unless you object to the amendment within thirty (30) days, the amendment will become a part of the Agreement; provided however that in no event would any new fee arrangement apply without your written consent.

The services and information provided by MMLIS under this Agreement is not written or intended as specific legal or tax advice and may not be relied on for purposes of avoiding any federal tax penalties. MMLIS, as well as its employees and advisers, are not authorized to give legal or tax advice to you. It is important that you obtain advice from your own independent tax or legal counsel, and that you rely solely on that advice as to all tax and legal issues in connection with the services we provide. To the

extent any Financial Planning Services concerning employee benefits are performed under the Agreement, neither MMLIS, nor its employees or advisers, are providing investment advice or otherwise serving as a fiduciary to an employee benefit plan, as those terms are defined under the Employee Retirement Income and Security Act ("ERISA"). You hereby grant us authority to discuss, disclose or to otherwise communicate any and all information received from you or developed by us under the terms of the Agreement to any outside consultants, other professional firms or other entities that we may retain to assist in the Agreement.

Termination. Either party may terminate the Agreement at any time upon written notice to the other party, which notice may be electronic. Such termination shall not, however, affect liabilities or obligations incurred under the Agreement prior to such termination. The Agreement's arbitration provision will survive any expiration or termination of the Agreement. If you terminate the Agreement, any fees already paid to us pursuant to the Agreement will be refunded to you, less a fee charged for any time spent preparing the advice prior to notice of termination of the Agreement.

Risk. You recognize that the advice provided to you pursuant to the Agreement involves our judgment and that our views regarding the economy and the securities markets, like all predictions of future events, cannot be guaranteed to be accurate. You represent that we have not made any guarantee, either oral or written, that your investment or other financial objectives will be achieved. We will not be liable for any action performed or omitted to be performed or for any errors of judgment or mistake in preparing or delivering the Financial Planning Services, in the absence of malfeasance, negligence, or violation of applicable law. Nothing in the Agreement shall constitute a waiver or limitation of any rights that you may have under applicable state or federal law, including without limitation the state and federal securities laws.

Arbitration Clause. This Agreement contains a pre-dispute arbitration clause. By signing an arbitration agreement the parties agree as follows:

All parties to this agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the

arbitration forum in which the claim is filed. Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited. The ability of the parties to obtain documents, witness statements and other discovery is generally more limited in arbitration than in court proceedings. The arbitrators do not have to explain the reason(s) for their award. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry. The rules of some arbitration forums may impose time limits for bringing a claim in arbitration. In some cases, a claim that is ineligible for arbitration may be brought in court.

The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this agreement. No person shall bring a putative or certified class action to arbitration, nor seek to enforce any pre-dispute arbitration agreement against any person who has initiated in court a putative class action or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) the customer is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any right under this agreement except to the extent stated herein.

You agree that all controversies that may arise between the parties to the Agreement, shall be determined by arbitration. Any arbitration under this clause shall be conducted before, and pursuant to, the arbitration procedure then in effect of the Financial Industry Regulatory Authority, Inc., except that if this agreement is executed in Florida, then you may elect arbitration before the American Arbitration Association. Any award the arbitrator makes will be final, and judgment on it may be entered in any court having jurisdiction. This arbitration provision shall be enforced and interpreted exclusively in accordance with applicable federal law, including the Federal Arbitration Act.

MML Investors Services, LLC and Subsidiaries

*Consolidated Statement of Financial Condition
As of December 31, 2019
With Report of Independent Registered
Public Accounting Firm Thereon*

This report is filed as a Public document in
accordance with Rule 17a-5(e)(3)

MML Investors Services, LLC and Subsidiaries

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KPMG LLP
One Financial Plaza
755 Main Street
Hartford, CT 06103

Report of Independent Registered Public Accounting Firm

To the Member and the Board of Directors
MML Investors Services, LLC and Subsidiaries:

Opinion on the Consolidated Financial Statement

We have audited the accompanying consolidated statement of financial condition of MML Investors Services, LLC and Subsidiaries (the Company) as of December 31, 2019, and the related notes (collectively, the consolidated financial statement). In our opinion, the consolidated financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2019, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

This consolidated financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this consolidated financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement. We believe that our audit provides a reasonable basis for our opinion.

KPMG LLP

We have served as the Company's auditor since 2004.

Hartford, Connecticut
February 20, 2020

MML Investors Services, LLC and Subsidiaries

Consolidated Statement of Financial Condition

December 31, 2019

(Dollars in thousands)

Assets

Cash and cash equivalents	\$ 55,470
Cash segregated under federal regulations	5,032
Commissions and other receivables	38,492
Receivables from related parties	4,354
Secured demand notes	150,000
Prepaid expenses and other assets	29,859
Deferred tax assets, net	<u>6,456</u>
 Total assets	 <u><u>\$ 289,663</u></u>

Liabilities and Equity

Commissions and trail commissions payable	\$ 65,932
Payables to related parties	21,276
Accounts payable and accrued expenses	13,206
Payables to terminated noncontrolling interests	98
Taxes payable	1,572
Deferred revenue	33,989
Subordinated liabilities under secured demand note collateral agreements	<u>150,000</u>
 Total liabilities	 <u>286,073</u>
 Member's equity	 3,590
Retained earnings	<u>--</u>
Member's equity	<u>3,590</u>
 Total liabilities and member's equity	 <u><u>\$ 289,663</u></u>

The accompanying notes are an integral part of this consolidated financial statement.

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Statement of Financial Condition

December 31, 2019

(Dollars in thousands)

(1) Organization

MML Investors Services, LLC (“MMLIS”) is an indirect wholly-owned subsidiary of Massachusetts Mutual Life Insurance Company (“MassMutual” or “Parent”). MMLIS is the retail broker-dealer for MassMutual’s career agency system and offers a wide variety of investment products and services through MassMutual agents, including open-end mutual funds, fee-based investment advisory programs, limited partnerships, variable insurance products, unit investment trusts, and general securities.

MMLIS is registered as a broker-dealer and investment adviser with the Securities and Exchange Commission (“SEC”), is a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”), and is licensed as a broker-dealer in all 50 states, Puerto Rico, the District of Columbia, and the Virgin Islands.

MMLIS is the parent company of MML Insurance Agency, LLC (“MMLIA”). MMLIA enables MassMutual agents to sell non-MassMutual insurance products and conducts business in all 50 states, Puerto Rico, and the District of Columbia.

MMLIS is the parent company of MMLISI Financial Alliances, LLC (“MFA”). MFA is a Delaware Series limited liability company that was formed to facilitate referrals made by certain professional firms (“Series A members”) to MMLIS, MMLIA, and MassMutual, for products and services. Prior to September 30, 2016, MMLIS owned a 51% controlling interest in MFA and the Series A members collectively owned the remaining 49%. On September 30, 2016 the membership interests for all active Series A members were terminated, at which time MMLIS’s ownership interest increased to 100%. As part of the termination agreement, revenues received by MFA for a period of up to four years are allocated to the terminated Series A members and MMLIS.

MMLIS and MMLIA are organized as limited liability companies pursuant to the Massachusetts Limited Liability Act. The sole member of MMLIS is MassMutual Holding, LLC (“MMH”), whose sole member is MassMutual. For federal and most state tax purposes, MMLIS and MMLIA are treated as single member limited liability companies disregarded as separate entities from their sole owners. The financial results of MFA are included with MMLIS for federal and most state tax purposes (see Note 11). MMLIS, MMLIA, and MFA are collectively referred to herein as the “Company.”

MML Investors Services, LLC and Subsidiaries

Notes to Consolidated Statement of Financial Condition December 31, 2019 (Dollars in thousands)

(2) Summary of Significant Accounting Policies

The significant accounting policies are as follows:

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of MMLIS, MMLIA, and MFA. MMLIS consolidates entities over which it exercises control and has a greater than 50% ownership interest. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All material intercompany accounts and transactions have been eliminated.

The preparation of financial statements in conformity with GAAP requires the use of estimates. Accordingly, certain amounts in these financial statements contain estimates made by management. Actual amounts could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its operating cash in bank deposit accounts, which may exceed federally insured limits. The Company has not experienced any losses on such accounts. The Company invests excess cash in money market mutual funds managed by unrelated third parties, which are classified as cash equivalents. At December 31, 2019, there was \$44,832 invested in money market mutual funds, which are recorded at net asset value. Cash segregated under federal regulations includes funds held in a separate bank account for the exclusive benefit of MMLIS's customers, in accordance with Rule 15c3-3 of the SEC (see Note 5).

Revenue Recognition and Related Expense

Commissions, Trail commissions, Investment advisory fees, and Other income from customers, which includes distribution fee revenue, marketing support and strategic partnership revenue, and financial planning fee revenue, are earned from contracts with customers. Revenue from contracts with customers is measured based upon the consideration specified in the contract and excludes any sales incentives and amounts collected on behalf of third parties.

The Company recognizes revenue from customers when it satisfies the performance obligation of transferring control over a service to a customer. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring the Company's progress in satisfying the performance obligation in a manner that depicts the transfer of the services to the customer.

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Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the Company determines the customer obtains control over the promised service. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for those promised services (i.e., the "transaction price"). In determining the transaction price, the Company considers multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal of cumulative revenue will not occur. This arises when there are no significant uncertainties with the transaction price. When variable consideration is included in the transaction price, the Company considers the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of the Company's influence, such as market volatility or the actions of its customers (See Note 3).

For securities held in brokerage accounts, the Company uses National Financial Services, LLC ("NFS") as clearing agent and custodian to process customer trades and hold customer funds.

Certain amounts received by the Company from NFS, associated with costs incurred by MSI Financial Services, Inc. ("MSI") to change clearing firms (which occurred prior to MSI merging with MMLIS in March 2017), are subject to reclaim by NFS if the Company terminates the clearing agreement before the end of the initial nine year term, which expires in October 2024. Certain other amounts received from NFS are fully earned by the Company after a specified period following receipt. Accordingly, such amounts are recognized as revenues on a straight-line basis over the claw-back periods. The unearned portion of such payments totaling \$27,612 is included in Deferred revenue on the Statement of Financial Condition.

Fair Value of Financial Instruments

The reported carrying values of financial instruments, including cash equivalents, receivables, and payables, approximate their fair values because of the short maturities of these assets and liabilities.

Income Taxes

Income taxes payable are based upon the Company's best estimate of its current and deferred tax liabilities. MFA is a disregarded entity of MMLIS. As such, all MFA income and related taxes are included in MMLIS's financial results.

Deferred income taxes are provided for temporary differences that exist between financial reporting and tax bases of assets and liabilities. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company's temporary differences primarily include accrued liabilities and prepaid expenses. The effective tax rate is different from the prevailing corporate U.S. federal tax rate primarily due to permanent differences caused by items such as state taxes.

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Errors and Omissions Claims/Recoveries

The Company records costs associated with errors and omissions claims as incurred. Recovery of such costs may be received from registered representatives, MassMutual general agents, or from errors & omissions insurance.

New Accounting Pronouncements

On January 1, 2019, the Company adopted Accounting Standard Update (“ASU”) No. 2016-02, “*Leases (Topic 842)*,” which became effective for fiscal years beginning after December 15, 2018 for public companies. This guidance changed the GAAP accounting treatment by requiring a lessee to include on its balance sheet an asset and a liability arising from an operating lease. Generally, the amount of the lease liability under the new guidance is calculated as the present value of unpaid lease payments. However, the amount of the lease asset reflects the present value of unpaid lease payments, as well as initial direct costs, prepaid lease payments, and lease incentives. Consequently, the amount of the lease asset may not equal the amount of the lease liability. Since the Company has no lease arrangements, the adoption of this ASU did not have an impact on the Company’s consolidated financial statements.

In June 2016, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which is effective on January 1, 2021. This guidance adopts the current expected credit loss (CECL) impairment model which only applies to financial assets carried at amortized cost, including mortgage loans, equipment loans, held to maturity debt securities, and trade, lease, reinsurance and other receivables. CECL is based on expected credit losses rather than incurred losses. CECL is defined as an estimate of all contractual cash flows not expected to be collected from a recognized financial asset (or group of financial assets) or commitment to extend credit. In determining the expected credit loss, the Company is required to consider (a) all available information including historical, current and reasonably supportable forecasts; (b) the entire contractual term of the financial asset; and (c) the time value of money. An estimate of expected credit losses always reflects both the possibility that a credit loss results and the possibility that no credit loss results. Accordingly, this guidance prohibits an entity from estimating expected credit losses solely on the basis of the most likely outcome. Therefore, all financial assets within scope of CECL will have a credit loss allowance. The Company is currently assessing the impact of this guidance on its consolidated financial statements.

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(3) Revenues from Contracts with Customers

The following provides detailed information on the recognition of the Company's revenue from contracts with customers.

Commission revenue is earned by the Company as the broker-dealer intermediary on the sale of mutual funds and variable products, and for the sale, execution and settlement of securities transactions within brokerage accounts for customers. This revenue, as well as the related commission, clearing, and distribution costs to fulfill, are recorded at a point in time on trade date, as the performance obligation is satisfied when the securities transactions occur. Commission revenue is primarily earned based upon transaction-based pricing as a percentage of the related sales, payment of which is generally received in arrears either on a weekly or a monthly basis. The Company estimates its accruals for revenues earned from mutual fund sales based upon historical cash receipts over the period from trade date to settlement date. Commission revenue is also earned for supervision and oversight over the distribution of variable products issued by MassMutual. This revenue, as well as the related commission costs to fulfill, is recorded at a point in time as the performance obligation is satisfied when the variable product is issued or renewed (see Note 4). Commissions payable associated with mutual fund and variable product sales is accrued concurrently using the actual payout rate.

Investment advisory fee revenue, which represents asset based fees paid by customers for advisory and referral services related to investments in managed account programs, are determined based upon a percentage of average assets under management and represent a series of distinct services that are substantially the same and have the same pattern of transfer. Services are provided to the customer on a daily basis, which represents a performance obligation that is satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Company. The Company uses the same measure of progress to determine when the consideration should be recognized. Payments are generally received in advance on a quarterly basis and are recognized evenly throughout the quarter. Investment advisory revenues are a form of variable consideration since the fees the Company is entitled to vary based upon fluctuations related to market performance and the ambiguity related to investor behavior. As such, the revenue is constrained until each month-end when a portion of the revenue becomes known. Related commission expenses, which are a cost to fulfill, are recognized as the revenue is earned. The Company estimates its accruals for revenues received in arrears based upon the volume of transactions, cash receipts, or assets under management in current and prior periods, as applicable. Commissions payable are accrued concurrently using the actual payout rate.

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Trail commission revenue, which represents asset-based 12b-1 fees paid to the Company by open-end mutual fund companies as well as insurance carriers for variable annuities, are determined based upon the 12b-1 fee rate and average assets under management. These revenues represent a series of distinct services that are substantially the same and have the same pattern of transfer. Services are provided on a daily basis, which represents a performance obligation that is satisfied over time. The Company uses the same measure of progress to determine consideration. Trail revenues are a form of variable consideration since the fees the Company is entitled to vary based upon the customer maintaining assets in their account. Related commission expenses are recognized as the revenue is earned. The Company estimates its accruals for revenues earned in arrears based upon historical cash receipts or assets under management in current and prior periods, as applicable. Commissions payable are accrued concurrently using the actual payout rate.

Other income from customers includes distribution fees, marketing support and strategic partnerships, and financial planning fees.

Distribution fees represent fees paid to the Company by MassMutual in connection with underwriting and servicing related to the promotion, offering, marketing, and distribution of MassMutual proprietary variable products. Services are provided on a daily basis, which represents a performance obligation that is satisfied over time. Fees are calculated based on actual expenses incurred and are billed and received monthly in the month the services are performed. (See Note 4).

Marketing support and strategic partnership revenue represents fees paid to the Company by product sponsors, generally mutual fund and variable life and annuity issuers, based on either prior or anticipated sales of their products or an agreed upon amount. Services provided may include training, educational conferences, and sales material that support the product sponsors offerings. These services are provided on a daily basis, which represents a performance obligation that is satisfied over time. The Company estimates its accruals for revenues earned based upon either cash trending for sales agreements or actual cash receipts for flat fee agreements. Payments are generally received quarterly. There are no costs to obtain or fulfill the contract associated with this revenue.

Financial planning fees are paid by customers for providing them with financial planning services. The customer may pay the fee up front, over a period of time, or upon receipt of the financial plan. The performance obligation is satisfied upon delivery of the financial plan, generally within six months, at which time revenue is recognized. Related commission expenses, which are a cost to fulfill, are recognized as the revenue is earned. MMLIS records deferred revenue, which is a contract liability, when consideration is received in advance of providing financial planning services. Deferred financial planning fees are included in Deferred revenue on the Statement of Financial Condition and are recognized in the subsequent year.

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Contract Assets

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. The Company records receivables when revenue is recognized prior to payment and it has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records prepaid commission expense associated with the advance payment, which is included in Prepaid expenses and other assets on the Statement of Financial Condition, until the performance obligations are satisfied.

The Company recorded the following contract assets at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Commissions, trails, and other receivables	\$ 40,520	\$ 38,293
Commissions, trails, and other receivables from related parties	6,480	5,276
Prepaid financial planning commissions	<u>5,884</u>	<u>4,640</u>
Total Contract Assets	<u>\$ 52,884</u>	<u>\$ 48,209</u>

Changes in contract assets are the result of ordinary business activities.

Contract Costs

The Company incurred transaction-related costs to fulfill its contracts with customers for which the following contract liabilities were recorded at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Commissions payable	\$ 65,932	\$ 60,653
Distribution support payable to MassMutual	874	850
Deferred financial planning fees	<u>6,377</u>	<u>4,966</u>
Total Contract Liabilities	<u>\$ 73,183</u>	<u>\$ 66,469</u>

All Deferred financial planning fees and related prepaid commissions at December 31, 2018 were recognized in 2019. Changes in contract liabilities are the result of ordinary business activities.

MML Investors Services, LLC and Subsidiaries

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(4) Related Party Transactions and Agreements

Through underwriting and service agreements, MMLIS is the principal underwriter of certain variable life insurance policies and variable annuity contracts issued by MassMutual and its direct and indirect wholly-owned subsidiaries C.M. Life Insurance Company (“C.M. Life”) and MML Bay State Life Insurance Company (“MML Bay State”), respectively. In addition, MMLIS is the sub-distributor of the MassMutual Premier Funds and MassMutual Select Funds (the “MassMutual Funds”) and is placement agent for certain unregistered private placement life insurance and annuity contracts issued by MassMutual. MassMutual agents who are MMLIS registered representatives sell these above referenced policies, contracts, funds, and private placements for which they receive commissions.

MMLIS provides broker-dealer and distribution services related to retirement products offered by MassMutual through its Individual Retirement Account (MMIRA) Program, for which MMLIS earned commissions in 2019. MMLIS incurred distribution support costs from services provided by MassMutual equal to the MMIRA Program fee income.

In accordance with the terms of MMLIS’s agreement with MassMutual for the distribution and servicing of registered 401(k) retirement products, MMLIS earned commission and trail revenue in 2019 and incurred distribution support costs from services provided by MassMutual equal to these revenues.

Pursuant to the underwriting and service agreements noted above with MassMutual, C.M. Life, and MML Bay State, MMLIS is also compensated for distribution services.

Until May 2019, MMLIS had a selling agreement with its affiliate OppenheimerFunds Distributors, LLC (“OFDI”) for the distribution of the OppenheimerFunds, a family of open-end mutual funds and 529 plans. On May 24, 2019, OppenheimerFunds, Inc., the parent company of OppenheimerFunds Distributors, LLC (“OFDI”) and an indirect subsidiary of MassMutual, was sold to Invesco, Ltd (“Invesco”), a global asset manager. Invesco is the parent company of its retail broker-dealer Invesco Distributors, Inc. (“IDI”). As part of the sale, MassMutual obtained a significant influence over Invesco’s operations thereby deeming it to be a related party of the Company under ASC 850. MMLIS earned commissions and service fees from OFDI for the period from January 1, 2019 through the date of sale and commissions and service fees from IDI for the period from the date of sale through December 31, 2019. The commissions are paid in accordance with the terms of the prospectuses of the individual funds. In addition, the Company earned marketing support from OFDI and IDI in 2019.

MMLIS receives trail commissions from IDI and OFDI as a result of client investment selections that are available in MassMutual retirement products purchased in connection with IRA rollovers. In 2019, MMLIS earned trail commission revenues related to these funds and paid distribution support costs equal to these revenues to MassMutual.

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(Dollars in thousands)

MMLIS has an agreement with the MassMutual Trust Company, FSB (“MMTC”), a wholly-owned subsidiary of MassMutual, for the solicitation and referral of trust fiduciary services. Under the terms of the agreement, MMLIS earned referral fees from client assets invested through MMTC.

All employees of the Company are direct employees of MassMutual. Employee related costs are charged to the Company as part of Management fee expense, in accordance with an intercompany service agreement with MassMutual. For purposes of disclosure within these statements, MassMutual employees who perform work for the Company are referred to as MMLIS employees.

MMLIS’s eligible employees and retirees are covered by MassMutual’s employees’ benefit plans, which provide benefits for certain of its active and retired employees. These benefit plans include funded and unfunded non-contributory defined benefit pension plans, funded (qualified 401(k) thrift savings) defined contribution plans, disability plan, and life and health insurance that is provided through group insurance contracts, some of which are issued by MassMutual. These plans comply with the requirements established by the Employee Retirement Income Security Act of 1974 (“ERISA”). As the plan’s sponsor, MassMutual retains the liabilities. MMLIS funds the costs of these plans as they are incurred, which are settled on a monthly basis.

Applicable information regarding the actuarial present value of vested and non-vested accumulated plan benefits and the net assets of the plan available for benefits is omitted, as the information is not separately available for the Company’s participation in the pension plan.

MassMutual provides certain life insurance and healthcare benefits (other post-retirement benefits) that cover MMLIS’s eligible retired employees and their beneficiaries and covered dependents. The healthcare plan is contributory; a portion of the basic life insurance plan is noncontributory. These benefits are funded by MassMutual as the benefits are provided to the participants. In addition, MassMutual provides access to health insurance coverage for covered retirees and their dependents through a private insurance marketplace, along with a company-funded health reimbursement account.

MassMutual provides retiree life insurance coverage for the Company’s eligible employees, who as of January 1, 2010, were age 50 with at least 10 years of service or had attained 75 points, generally age plus service, with a minimum of 10 years of service.

The Company has service agreements with MassMutual that provide for the performance by MassMutual of certain services for the Company including, but not limited to, information systems, benefit plan administration, payroll, legal, compliance, licensing, cash management, and other general corporate services for which MMLIS is charged a management fee. While management believes that these fees are calculated on a reasonable basis, they may not be indicative of the costs that would have been incurred on a stand-alone basis.

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(Dollars in thousands)

MMLIS provides services to MML Strategic Distributors, LLC (“MSD”) and MML Distributors, LLC (“MMLD”), both wholly-owned subsidiaries of MassMutual, including, but not limited to, accounting and other general corporate services. Under the service agreements, MSD and MMLD pay management fees to MMLIS for these services.

Receivables and Payables to Related Parties

Receivables from related parties consist of the following as of December 31, 2019:

Commissions due from MassMutual	\$ 3,319
Referral fees due from MMTC	956
Management fees due from MMLD	14
Management fees due from MSD	6
Other due from MassMutual	<u>59</u>
Receivables from related parties	<u>\$ 4,354</u>

In addition, commissions, trails, and marketing support receivables from related parties of \$3,161 are included in Commissions and other receivables on the Statement of Financial Condition.

Payables to related parties consist of the following as of December 31, 2019:

Management fees due to MassMutual	\$ 20,383
Distribution support due to MassMutual	874
Secured Demand Note interest due to MM Holding Company	<u>19</u>
Payables to related parties	<u>\$ 21,276</u>

Related party receivables and payables are reviewed monthly. Certain management fees are net settled against distribution fees in the current month. All other intercompany balances are generally settled in the following month.

The Company reviews current and future capital needs with its parent on at least an annual basis to ensure that adequate capital is maintained.

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(5) Customer Protection Reserve under SEC Rule 15c3-3

As a fully computing broker-dealer registered with the SEC, MMLIS is subject to the SEC's Customer Protection rule ("Rule 15c3-3") and is required to maintain a separate bank account designated as "Special Account for the Exclusive Benefit of Customers of MML Investors Services, LLC" for customer funds received. As of December 31, 2019, the balance in this account totaled \$5,032, which is in excess of the required balance, and is included in Cash segregated under federal regulations on the Statement of Financial Condition.

(6) Net Capital Requirements

As a broker-dealer, MMLIS is subject to the SEC's Uniform Net Capital rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital. The Rule also provides that equity capital may not be withdrawn or cash dividends paid if the net capital ratio would exceed 10 to 1. In addition, in accordance with FINRA Rule 4110, equity capital may not be withdrawn for a period of one year after a contribution is made, unless otherwise permitted by FINRA, nor may a dividend be paid in any rolling 35-calendar-day period that would exceed 10 percent of excess net capital. The Company operates under the alternative standard of calculating its minimum net capital, which requires the Company to maintain as its capital the greater of \$250 or 2% of aggregate debits used in computing its reserve requirement. Accordingly, the minimum net capital required is \$250. At December 31, 2019, the Company had net capital of \$124,317, which was \$124,067 in excess of its required net capital.

Certain net assets of MMLIA are included as allowable capital in the consolidated computation of MMLIS's net capital since these assets of the wholly owned subsidiary are readily available for the protection of the Company's customers, broker-dealers, and other creditors, as permitted by SEC Rule 15c3-1.

MFA is accounted for using the equity method of accounting for the purpose of filing MMLIS's FOCUS Report with FINRA, in accordance with FINRA regulations, and is included as a non-allowable asset in the computation of the Company's net capital.

The following is a summary of certain financial information for MFA that is not included in MMLIS's net capital computation in its FOCUS Report as of December 31, 2019:

	MFA	
Assets	\$	168
Liabilities	\$	103
Equity	\$	65

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(7) Secured Demand Notes

The Company holds four Secured Demand Note Collateral Agreements (“SDN”) with MMH pursuant to which MMH transferred securities and/or cash to the Company to collateralize MMH’s obligation to lend \$150,000 (\$37,500 per SDN) to the Company. The agreements are scheduled to mature on May 14, 2021, May 15, 2023, May 15, 2025, and May 14, 2027, respectively.

At December 31, 2019, the collateral for the outstanding SDNs consisted of U.S. Government securities and cash equivalents with a fair value approximating \$197,230. The Company has not exercised its right to sell or repledge the collateral.

The corresponding liabilities, “Subordinated liabilities under secured demand note collateral agreements,” on the Statement of Financial Condition are subordinate to the claims of general creditors. To the extent that subordinated borrowings are required for the Company’s continued compliance with the minimum net capital requirements under Rule 15c3-1, they may not be repaid.

(8) Litigation, Regulatory Inquiries, Commitments and Contingencies

The Company is involved in litigation arising in and out of the normal course of business, including, but not limited to, alleged registered representative misconduct, which seeks both compensatory and punitive damages. The Company is, from time to time, also involved in regulatory investigations, inquiries, and internal reviews, certain of which are ongoing. In all such regulatory matters, the Company has and is cooperating fully with the applicable regulatory agency or self-regulatory organization.

The Company evaluates the need for accruals of loss contingencies for each matter. When a liability for a matter is probable and can be estimated, the Company accrues an estimate of the loss and related insurance recoveries, if any. An accrual is subject to subsequent adjustment as a result of additional information and other developments. The resolution of matters are inherently difficult to predict, especially in the early stages of the matter. Even if a loss is probable, due to many complex factors, such as speed of discovery and the timing of court decisions or rulings, a loss or range of loss may not be reasonably estimated until the later stages of the matter. For matters where a loss is material and it is either probable or reasonably possible, then it is disclosed. For matters where a loss may be reasonably possible, but not probable, or is probable but not reasonably estimated, no accrual is established, but the matter, if material, is disclosed. As of December 31, 2019, the Company has \$4,428 included in Accounts payable and accrued expenses on the Statement of Financial Condition for accrued loss contingencies.

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In the normal course of business, the Company indemnifies and guarantees clearing agents against specified potential losses in connection with their acting as an agent of, or providing services to, the Company or its affiliates. Pursuant to the terms of the agreements between the Company and the clearing agents, the clearing agents have the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that since it only trades with customer invested funds, that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the consolidated financial statements for these indemnifications as of December 31, 2019. In addition, the Company has the right to pursue collection or performance from the counterparties who do not perform under their contractual obligations.

(9) Broker's Bond

The Company carries a broker's blanket fidelity bond in the amount of \$2,000. In addition, the Company is afforded additional coverage under the MassMutual Corporate Fidelity Bond Program in the amount of \$100,000.

(10) Deferred and Incentive Compensation Plans

Nonqualified deferred compensation plans (unfunded defined contribution plans) are offered by MassMutual allowing certain executives to elect to defer a portion of their compensation.

Key employees of the Company are eligible to participate in a long-term incentive compensation plan sponsored by MassMutual. An individual employee's participation may vary from one cycle to the next based on performance, impact on organization and relative contribution. Awards vest over three years, at which time they are paid in cash, and are subject to forfeiture in the event of termination prior to vesting (other than retirement, death, disability or job elimination).

A short-term incentive compensation plan exists that is offered to substantially all employees not covered by another incentive plan. Employees are eligible for an annual bonus based upon certain factors, including individual and company performance.

MMLIS records the costs of these plans as they are incurred on a monthly basis. The costs associated with these plans are settled on an annual basis, or such other time after payment is made to the employees.

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(11) Income Taxes

The Company is included in a consolidated U.S. federal income tax return with MassMutual and its eligible U.S. subsidiaries. The Company also files income tax returns in various states. MassMutual, and its eligible subsidiaries and certain affiliates (the “Parties”), including the Company, have executed and are subject to a written tax allocation agreement (the “Agreement”). The Agreement sets forth the manner in which the total combined federal income tax is allocated among the Parties. The Agreement provides the Company with the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses that it may incur. Further, the Agreement provides the Company with the enforceable right to utilize its net losses carried forward as an offset to future net income subject to federal income taxes.

The Internal Revenue Service (“IRS”) has completed its examination of the years 2013 and prior. The IRS commenced its exam of years 2014 through 2016 in September 2017. The Company does not expect a material change in its financial position or liquidity as a result of this audit.

Companies generally are required to disclose unrecognized tax benefits, which are the tax effect of positions taken on their tax returns which may be challenged by the various taxing authorities, in order to provide users of financial statements more information regarding potential liabilities. Management has determined that no reserves for material uncertain tax positions are required at December 31, 2019.

The tax effects of temporary differences that give rise to significant portions of the deferred tax liabilities and deferred tax assets as of December 31, 2019 are as follows:

Deferred tax assets:

Legal and other accruals	\$ 2,310
Deferred revenue	<u>6,167</u>
Total deferred tax assets	<u>8,477</u>

Deferred tax liabilities:

Prepaid commissions	1,619
Prepaid expenses	<u>402</u>
Total deferred tax liabilities	<u>2,021</u>

Net deferred tax asset	<u>\$ 6,456</u>
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In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the amount of taxes paid in prior years, scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in this assessment. The Company has established valuation allowances when it is more likely than not that deferred tax assets will not be realized.

(12) Subsequent Events

The Company has evaluated subsequent events through February 20, 2020 the date the financial statement was available to be issued. No events have occurred subsequent to the balance sheet date and before the date of evaluation that would require recognition or disclosure.