

**Park Avenue Securities LLC**

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# **Park Avenue SMA Select<sup>SM</sup> and UMA Select<sup>SM</sup>, Park Avenue Strategist Select<sup>SM</sup> and Strategist Select Plus<sup>SM</sup> Quantitative Innovations<sup>SM</sup> and Foundations<sup>SM</sup> Wrap Fee Program Brochure**

This wrap fee program brochure ("Brochure") provides information about the qualifications and business practices of Park Avenue Securities LLC ("PAS"). If you have any questions about the contents of this Brochure or would like to obtain a free copy of this Brochure, please contact us at (888) 600-4667. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about PAS is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

PAS is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.





## 2. Material Changes

The following is a summary of the material changes made to this brochure since the annual update on March 19, 2019.

The Cover Page has been amended as follows:

- Park Avenue Securities LLC has changed its address to 10 Hudson Yards, New York, NY 10001.

Item 4, Services, Fees and Compensation has been amended as follows:

- Added disclosure related to the costs which could be incurred by clients when liquidating assets and transferring them into a PAS Proprietary or Third-Party Investment Advisory Program.

Item 9, Additional Information, Other Financial Industry Activities and Affiliations has been amended as follows:

- Effective December 31, 2019, The Guardian Insurance & Annuity Company, Inc. ("GIAC") sold its ownership interest in Park Avenue Securities LLC ("PAS") to its parent company, The Guardian Life Insurance Company of America ("GLIC"). PAS is now a direct, wholly owned subsidiary of GLIC and continues to be an affiliate of GIAC.
- Added disclosure related to the specific incentive and recognition programs namely, Park Avenue Securities VIP Program, Pinnacle Council and Transition Services. The benefits of these programs are based upon sales production or Gross Dealer Concession ("GDC"). GDC is the revenue attributable to brokerage firms such as PAS generated from agent sales of commissionable securities (i.e. stocks, bonds mutual funds) and advisory services (i.e., Proprietary Programs, Third Party Investment Advisory Programs and Financial Planning/Consulting).
- On July 16, 2019, PAS without admitting or denying the findings, was censured by the Financial Industry Regulatory Authority ("FINRA") in its capacity as a broker-dealer for failing to reasonably supervise the application of sales charge waivers for mutual fund purchases made by certain retirement plan and charitable organization customers. By failing to reasonably supervise such mutual fund sales to ensure that eligible purchasers received the benefit of applicable sales charge waivers, FINRA found that PAS violated NASD Conduct Rule 3010 (for misconduct before December 1, 2014), FINRA Rule 3110 (for misconduct on or after December 1, 2014) and FINRA Rule 2010. As part of this settlement, PAS agreed to pay restitution to eligible customers on the terms specified below, in the amount of \$640,552 (i.e., the amount eligible customers were overcharged, inclusive of interest). PAS also agreed to ensure that waivers are appropriately applied to all future purchase transactions made by retirement plan and charitable organization customers. FINRA recognized the extraordinary cooperation of PAS for initiating an investigation prior to detection or intervention by FINRA to identify whether applicable customers received sales charge waivers, for promptly establishing a plan of remediation to customers and taking action to correct the violative conduct.

You can obtain a copy of the Brochure at any time, without charge, by contacting your Investment Adviser Representative ("IAR") or PAS directly at (888) 600-4667.

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## 4. Services, Fees and Compensation

### Services

PAS sponsors the following wrap fee programs: Park Avenue Separately Managed Account Select<sup>SM</sup> (“SMA Select”), Park Avenue Unified Managed Account Select<sup>SM</sup> (“UMA Select”), Park Avenue Strategist Select<sup>SM</sup> (“Strategist Select”), Park Avenue Strategist Select Plus<sup>SM</sup> (“Strategist Select Plus”), Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup>, (together the “Programs”). In addition, PAS sponsors the VestWise<sup>TM</sup> wrap fee program, which is an automated or digital (i.e., internet/web-based) investment advisory solution. Information about VestWise<sup>TM</sup> is available in a separate brochure. You can request a copy of that brochure by asking your PAS IAR or by calling PAS directly at (888) 600-4667. Wrap fee programs bundle together several service providers: an investment adviser, a broker-dealer, a clearing firm and a custodian, and offer most of these services for a single advisory fee. There are no individual ticket charges assessed to the client for trades within a wrap fee program. Some clients prefer to have the various services “packaged” together within a wrap fee program; others prefer to select their own providers for the various services needed to manage their investment portfolios. Similarly, some clients prefer a fee structure that converts trading costs into an asset-based fee calculated on the same basis as advisory fees; others prefer trading costs to be assessed on a per trade basis. Depending on a number of factors, such as the number of transactions, number of shares, and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis.

### Understanding your Relationship with PAS

PAS is subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and as a registered investment adviser, PAS, along with its IARs, have a fiduciary duty to you. This generally means that PAS and its IARs will act in your best interest when providing investment advice under the Advisers Act and will disclose or avoid material conflicts of interest. Within the advisory programs described in this Brochure, PAS provides services as an investment adviser under the Advisers Act.

In providing investment advice, your PAS Investment Adviser Representative (“IAR”) can select from different products and programs. This includes advisory programs described in this brochure and other advisory programs described in PAS Firm Brochure. Your IAR can also act in his or her capacity as a registered representative of PAS providing securities recommendations in a PAS brokerage account. This includes the recommendations and sales of products such as mutual funds, variable annuities, variable life, or individual stocks and bonds, if appropriately licensed. In each of these scenarios, your IAR provides different services and will be paid differently depending on the account type, product or program selected. There are important differences within these types of accounts/products in terms of ongoing services provided, costs and the obligations of your IAR and PAS.

You should discuss with your IAR the benefits and costs associated with the different advisory programs available at PAS as well as what relationship may be best for you. This should include a discussion about the benefits and costs associated with a brokerage versus an advisory relationship, the products offered within each relationship and the IARs ongoing obligations when acting as an IAR versus a registered representative.

An advisory account may not be appropriate for low trade volume activity, if you have a long term buy-and-hold investment strategy, or if you direct PAS to execute a significant amount of trades on your behalf. In these instances, a transaction-based brokerage account may be more appropriate. Trading activity and the costs and

expenses associated with an investment product, among other things, should be considered when deciding whether an advisory account is appropriate for you.

Based on the following scenarios, a brokerage relationship may be right for you, if:

- You want an adviser to provide occasional advice and recommendations on certain investments and execute on your investment decisions;
- You plan to buy only a few securities and follow a buy-and-hold strategy over a long-time period without the need for ongoing advice from an adviser; and/or
- You wish to pay fees based on each transaction that you place and not for ongoing advice.

As a broker-dealer, PAS offers a variety of financial products and services and can render advice as to the value and/or advisability of purchasing or selling securities without receiving special compensation where such advice is solely incidental to the conduct of its business as a broker-dealer. In certain situations, PAS offers general, impersonal investment advice in the form of publications and certain other services. PAS will not be deemed to be providing investment advisory services unless it has entered into a contract with the client for that purpose.

If you are seeking one or more of the following scenarios, an investment advisory relationship may be right for you:

- Discretionary management of your investment portfolio;
- Ongoing advice and investment services;
- Trading and rebalancing of your portfolio on a periodic basis; and
- An annual fee that is based on the amount of assets managed and is not tied to the number or type of transactions in the account.

In some cases, an investment advisory relationship may cost you more than a brokerage relationship and vice versa. You should periodically discuss the various options with your IAR.

PAS IARs are compensated for servicing and providing investment advice for the Programs. The compensation paid to IARs for each of the Programs is generally comparable, except for VestWise™, the digital advisory program offered by PAS, which has a lower fee structure. This compensation may be more than what the IAR would receive if you pay separately for investment advice, brokerage, and other services.

To invest in the Programs, you must establish an account(s) through PAS with Pershing LLC (“Pershing”). Pershing acts as the clearing firm and custodian for your assets under the Programs. Accordingly, all trading activity in connection with the Programs will be processed through your accounts with Pershing. In its capacity as a clearing and custodial firm Pershing performs centralized custody, bookkeeping, and execution functions. Pershing handles the delivery and receipt of securities purchased or sold on your behalf, receives and distributes dividends and other distributions, and processes exchange offers, rights offerings, warrants, tender offers, and redemptions. Pershing sends statements of all activity in clients’ accounts no less frequently than quarterly.

### **Transferring an Existing Account to PAS Programs**

There may be instances in which you have chosen to open a Program account that requires you to liquidate existing investment assets or accounts and transfer the proceeds to the Program in which you wish to participate. In making the request to liquidate assets and transfer your proceeds, you may experience costs due to the requested liquidation. These costs can include, but are not limited to, account termination charges, contingent

deferred sales charges, surrender charges, and commissions on the sale of stocks, bonds, exchange traded funds, closed end mutual funds, limited partnership shares or any other securities you hold in these accounts. If you redeem, surrender or sell existing assets to fund an account you should carefully consider the costs and benefits of the transaction including any tax liability, the previously described charges. You should also ask your IAR if the sale of the assets used to fund your Program account will benefit your IAR in the form of a commission or fee payable to them and take that into consideration before you initiate the liquidation of any assets to fund your Program account. The liquidation of any investment may trigger taxable gains or losses, could trigger the Alternative Minimum Tax (AMT) and may require additional quarterly estimated tax payments. Neither PAS nor your IAR provide tax advice or tax management services. You are responsible for any taxable events. You should always consult with your tax advisor for specific tax advice.

## **Investing in a PAS Program**

If you choose to invest your assets in a Program account, you will sign a client agreement, which consists of the Statement of Investment Selection and Terms and Conditions (the "Client Agreement"), which will detail all of the important terms and conditions pertaining to your account, including the management fee and termination provisions. You are encouraged to read all of the terms of the Client Agreement. Pursuant to the Client Agreement, you direct PAS to invest your funds in the account in accordance with your Statement of Investment Selection and the strategy chosen by you. It should be noted that the securities utilized to implement the strategic asset allocation policy will depend on the specific advisory program selected by the client and their IAR.

PAS believes investors are best served by constructing well diversified portfolios that are consistent with their risk tolerance and investment objectives. A PAS IAR will assist you in selecting the Program as well as the Investment Manager/Strategist suited to your investment objectives and Investor Risk Rating, as reflected by your client questionnaire and Statement of Investment Selection. The Investor Risk Rating is calculated based upon your answers to the client questionnaire ("Client Questionnaire") and is used to help map to a risk-based strategic asset allocation strategy. The base strategic asset allocation strategy will be outlined within your Statement of Investment Selection. The base strategic asset allocation policies are designed around exposures to broad asset classes such as stocks and bonds. The Investor Risk Rating is the level of risk a client is willing to take with their investments based upon questions asked within the Client Questionnaire. Your IAR will provide you with recommendations in the form of a proposal ("Proposal") based on the information you provide. You may impose any reasonable restrictions or modify any existing restrictions in a reasonable manner on the management of your accounts. Your information is not shared with any mutual fund or ETF sponsors.

Clients may choose an asset allocation that is either one allocation higher or lower on the Investor Risk Rating scale than the allocation indicated within the Statement of Investment Selection which is based on the results of the Client Questionnaire. Asset Allocation 1 would be considered the most conservative allocation and Asset Allocation 10, the most aggressive. To illustrate, it is generally thought that a conservative type of account is one comprised primarily of fixed income securities. If a fixed income security is held to maturity, the investor receives payment of the coupon (principal) amount. Fixed income securities have risks related to interest rate movements, and other risks. On the other end of the scale, it is thought that the riskiest type of account (depending upon security selections) would be an account comprised primarily of equity securities (subject to market and other risks).

There is no guarantee that the objectives of any portfolio will be realized. In addition, a client may lose money by having their assets managed in accordance with any portfolio or strategy offered through the Programs. The IAR will periodically review performance and other periodic reports provided to you and will offer to meet with you at

least annually to review your financial situation and investment objectives and to determine whether you wish to impose any reasonable restrictions on the management of your account. Additionally, you are required to notify PAS or your IAR of any material changes to your financial situation or investment objectives.

For all PAS Proprietary Programs, your IAR is available on an ongoing basis to assist you in evaluating your portfolio strategy and asset allocation. Your IAR will provide you with advice and guidance that is based on the information you provide at the time you open your PAS Proprietary Program account and as you update or amend it from time to time. To assist you in managing your account assets, PAS will provide you with:

- Periodic performance reports showing the performance of your PAS Proprietary Program account assets; and
- Opportunities for you to engage in periodic account reviews with your IAR to address progress toward asset allocation and your investment objectives.

You may transfer securities from outside accounts into your PAS Proprietary Program account; however, your IAR may recommend that you sell some or all of the securities if he or she believes that holding such securities is not appropriate for the current recommended investment strategy. Any securities held in your account that are classified as Unsupervised Assets are not managed by PAS or your IAR. These may include securities transferred into your PAS Proprietary Program account from outside accounts that your IAR has identified to you as not appropriate for your current investment strategy for the particular account. These assets may remain in the account at your discretion but shall be classified as Unsupervised.

Unsupervised Assets are not included in the periodic performance reports for your PAS Proprietary Program account. PAS and your IAR do not provide investment advisory services of any kind with regard to Unsupervised Assets, do not charge an advisory fee on such assets and do not have any responsibility with respect to the management of any holdings classified as Unsupervised Assets. PAS, your IAR, Strategist or Investment Manager do not consider Unsupervised Assets when providing investment advice for your PAS Proprietary Program account.

Your account can be managed in a tax-sensitive manner; however, neither PAS nor your IAR may provide tax advice or tax management services. You are responsible for any taxable events in all instances. You should always consult with your tax advisor for specific tax advice.

Wrap fee program portfolio managers may employ “trading away” practices, in which they use a broker other than PAS to execute trades for which a commission or other transaction-based fee is charged, in addition to the wrap fee. Although transaction fees are usually included in the wrap program fee, sometimes you will pay an additional transaction fee for investments bought and sold outside the wrap fee program. For more information regarding trade away practices, please go to [www.parkavenuesecurities.com](http://www.parkavenuesecurities.com).

### **Investnet Asset Management, Inc.**

PAS has contracted with Investnet Asset Management, Inc. (“Investnet”), an SEC registered investment adviser, to provide a technology structure for PAS and its clients to efficiently connect with third-party asset managers referred to as Investment Managers or Strategists, and to act in some Programs as co-adviser to clients. In these Programs, Investnet provides ongoing investment management services on a discretionary basis administering the Investment Manager or Strategist-developed model portfolios and taking directions from the third-party Investment Manager or Strategist to adjust asset allocations, add, remove, or replace securities in the account,

and rebalance the account as it deems necessary. Envestnet also provides advice related to program design and support, including the structure and design of asset allocation portfolios and underlying investment research on Separately Managed Accounts (“SMAs,” which are portfolios of individually owned securities managed by an asset manager), mutual funds, and Exchange-Traded Funds (“ETFs”) that may be available within certain of these Programs. However, Envestnet is not responsible for the specific investment choices made with respect to the portfolios developed and maintained by the Strategist or Investment Manager. The IAR in consultation with their client is required to fill out a client questionnaire. Once the client questionnaire is completed, Envestnet will be responsible for determining the suggested target asset mix.

## **Program Descriptions**

### **Park Avenue Separately Managed Account Select<sup>SM</sup> (SMA Select)**

The SMA Select Program is a discretionary investment advisory program sponsored by PAS that provides clients with access to the investment strategies of third-party investment managers and advisory firms referred to as Investment Managers that have been retained by Envestnet. Envestnet provides SMA Select Program clients with the ability to access one or more Investment Managers, either directly using a separately managed account for each Investment Manager where the Investment Manager trades directly for the account, or indirectly through the use of an investment strategy model created and maintained by the selected Investment Manager but administered by Envestnet providing overlay management of the investment models through the performance of administrative and trading services. Based upon your investment objectives and Investor Risk Rating, your IAR will recommend Investment Manager(s) to fulfill the risk/return strategy. An SMA Select Program account may contain one or multiple Investment Managers strategies, but each will be held in a separate custodial account. If you select an Investment Manager or Managers which will manage your account in a way that deviates from your Investor Risk Rating, you may choose to link a separate PAS advisory account with the same registration, if available, to your SMA Select account to keep your overall Investor Risk Rating for all of your PAS accounts within the appropriate risk tolerance. By executing a Statement of Investment Selection (“SIS”), you grant Envestnet the authority to buy and sell securities and investments for the SMA Select account and to perform rebalancing or other such discretionary authorities you agree upon. Envestnet shall be authorized to delegate the investment discretion described above to the Investment Manager who may trade the securities themselves and not through Envestnet. Each Investment Manager is responsible for selecting the securities for investment in the investment strategy of such Investment Manager, including the share class if the investment strategy contains mutual funds. You also grant PAS authority to open multiple custodial accounts based upon the initial account application for each Investment Manager strategy you select. You have the ability to impose any reasonable restrictions on the management of your account. Envestnet and/or PAS may remove an Investment Manager from the list of approved Investment Managers at its discretion, at which point you shall be notified and asked to move those account assets to a similar but approved Investment Manager. PAS may, at its sole discretion and upon prior written notice, convert your SMA Select Program account assets or a portion of those assets to a brokerage account, under the same name and title, if your SMA Select Program account assets remain with an unapproved Investment Manager.

### **Park Avenue Unified Managed Account Select<sup>SM</sup> (UMA Select)**

The UMA Select Program is a discretionary investment advisory program sponsored by PAS that provides clients with access to the investment strategies of third-party investment managers and advisory firms referred to as Investment Managers that have been retained by Envestnet. The UMA Select Program provides recommended asset allocation models which consist of asset allocation targets or sleeves across various asset classes and



investment strategies. Based upon your investment objectives and Investor Risk Rating, your IAR will recommend Investment Manager(s) who may invest in mutual funds, ETFs, as well as individual stocks and bonds to fulfill your asset allocation targets based on the risk/return strategy. Your IAR may also recommend a Strategist portfolio from the Strategist Select/Strategist Select Plus program to populate an asset allocation sleeve. You will complete the UMA Select Program account by selecting which Investment Manager strategies to populate within each asset allocation sleeve. Envestnet acts as the overlay manager and administers the UMA Select Program by implementing the model portfolios provided and maintained by the individual Investment Manager(s) selected (an "Investment Model") by you. An UMA Select Program account may contain one or multiple Investment Models investing in different asset classes according to the selected portfolio allocation strategy. The UMA Select Program Account may also contain mutual funds, ETFs, individual stocks, bonds, or strategist model portfolios to complete the strategy. The securities within the selected Investment Models, as well as any mutual funds, ETFs, or individual stocks and bonds outside of the Investment Models, will be held in a single custodial account. Your IAR has the ability to make changes to the Program Account within your Investor Risk Rating by removing or replacing one Investment Manager with another. By executing the SIS, you grant Envestnet the authority to buy and sell securities and investments for the account pursuant to the direction of the Investment Manager and perform rebalancing or other such discretionary authorities you agree upon. In certain cases, the Investment Manager may directly trade client assets within the UMA Select Program instead of providing an Investment Model to Envestnet. In those instances, Envestnet shall be authorized to delegate the investment discretion described above to the Investment Manager.

PAS has an ongoing responsibility to advise you regarding the appropriateness of the Investment Model(s) and the Investment Manager you selected by taking into account your objectives, risk tolerance and assets. However, neither PAS nor your IAR is responsible for selecting the underlying securities. The Investment Manager is responsible for selecting the securities for client investment, including the share class if the investment is mutual funds. Your IAR may provide investment advice to you on a non-discretionary basis only, subject to your approval, in a manner consistent with your investment objectives.

You have the ability to impose any reasonable restrictions on the management of your account by requesting them through the SIS. Clients may impose new, or change any existing, investment restrictions at any time by contacting their IAR.

There are no transaction fees charged to you in the UMA Select Program. Envestnet and/or PAS may remove an Investment Manager from the list of approved Investment Managers at its discretion at which point you shall be notified and asked to move those account assets to a similar but approved Investment Manager. PAS may, at its sole discretion and upon prior written notice, convert your UMA Select Program account assets or a portion of those assets to a brokerage account, under the same name and title, if your UMA Select Program Account assets remain with an unapproved Investment Manager.

### **Park Avenue Strategist Select<sup>SM</sup> and Park Avenue Strategist Select Plus<sup>SM</sup>**

The Park Avenue Strategist Select and Park Avenue Strategist Select Plus programs are discretionary investment advisory programs sponsored by PAS that provide clients with access to third-party investment advisory firms referred to as Strategists that have been retained by Envestnet. These programs offer single asset allocation portfolios created and managed by the Strategist. Envestnet provides overlay management of the investment models developed and maintained by the Strategist by performing administrative and trading services, such as directing the rebalance of the portfolios invested in the models. You grant Envestnet discretionary authority to invest, reinvest, and otherwise rebalance Program assets at their discretion. The portfolios created and

maintained by the applicable Strategist are held in a single account and offer various asset allocation portfolios that invest in mutual fund only, ETF, and mutual fund hybrid and ETF-only investment strategies, as well as strategies that invest in individual equities, bonds, or separately managed accounts within the Strategist Select Plus Program. The Strategist allocates the portfolio across investment asset classes to create a blend that fits your investment objectives and Investor Risk Rating. The portfolios are managed on a discretionary basis by Envestnet pursuant to one of the model portfolios created and maintained by the Strategist in a single account allocated among different mutual funds and/or ETFs. The Park Avenue Strategist Select Plus program offers additional Strategists that may use individual securities, mutual funds and/or ETFs, to create a portfolio in separately managed accounts (“SMAs”). In order to give PAS and Envestnet the requisite authority to perform the foregoing functions, you grant discretionary authority to PAS solely for the purpose of allowing PAS to delegate such authority to Envestnet for the management and administration of your account(s), and further grant to Envestnet discretionary authority, consistent with the investment strategy selected, to buy, sell, exchange, convert, or otherwise trade in securities, without prior consultation. PAS may periodically provide investment advice to you, including recommendations related to the management of your assets by your selected Strategist, subject to approval by you, in a manner consistent with your investment objectives. The investment advice may include recommending a different portfolio with your selected Strategist or recommending a new Strategist. You have the ability to impose any reasonable restrictions or modify any existing restrictions on the management of your account.

The following is a list of the Strategists available to you within these programs:

- BlackRock
- Brinker Capital Inc.
- Efficient Advisors
- Integrated Capital Management
- JP Morgan Asset Management
- Lazard Asset Management
- Loring Ward
- Morningstar Investment Services, Inc.
- OBS Financial Services, Inc.
- PMC American Funds
- PMC Invesco
- PIMCO
- PMC Asset Manager (“PMC”)
- State Street Advisors

## **Foundations and Quantitative Innovations**

The Foundations and Quantitative Innovations Programs are discretionary investment advisory programs sponsored by PAS that provide clients with access to model portfolios managed by Integrated Capital Management, Inc. (“iCM” or “Strategist”), a third-party asset manager that has been retained by Envestnet. Envestnet provides overlay management of the iCM investment models by performing administrative and trading services, such as directing the rebalance of the portfolios invested in the models. By executing the SIS, you grant Envestnet the discretionary authority to invest, reinvest, and otherwise rebalance Program Assets at Envestnet’s discretion. Model portfolios are created and managed by iCM which allocates the portfolios across investment asset classes to create a blend that fits your investment objectives and Investor Risk Rating. Envestnet performs administrative and/or trading duties at the direction of iCM via a licensing agreement between Envestnet and iCM.

The portfolios are managed pursuant to one of the model portfolios created and maintained by iCM in a single account allocated among different mutual funds and/or ETFs. iCM provides ongoing management that includes the ability to adjust asset allocations, add, remove or replace securities in the account, and rebalance the account as it deems necessary. The Foundations program consists of mutual fund only portfolios (both standard and tax-sensitive), representing various investment styles and asset classes. The Quantitative Innovations program utilizes diversified model portfolios (both standard and tax-sensitive), composed of selected mutual funds and ETFs representing various investment styles and asset classes. iCM will continually monitor the portfolios, and at times will make adjustments to the asset class percentages of the models as well as to the mutual fund and ETF allocations within each asset class in each model portfolio. The programs employ twenty (ten standard and ten tax-sensitive) model portfolios for Foundations and thirty (ten standard, ten tax-sensitive and ten ETF-only standard) model portfolios for Quantitative Innovations. These models are designed to reflect risk and volatility levels that range from conservative to ultra-aggressive.

## **ERISA Section 408(b)(2) Disclosure to Responsible Fiduciaries of ERISA-Covered Qualified Retirement Plans**

The federal law that regulates the administration and operation of retirement and other benefit plans, called the Employee Retirement Income Security Act of 1974 or ERISA, requires “fiduciaries” of ERISA-covered plans (“Plans”) to act solely in the interest, and for the exclusive benefit, of plan participants and beneficiaries. As part of this obligation, the “administrator” of each plan, or another responsible fiduciary named by the plan document, must make informed decisions in selecting plan services and investments. Regulations adopted by the U.S. Department of Labor (“DOL”), called the “section 408(b)(2) regulations,” require service providers to ERISA-covered retirement plans to describe in writing information about their services and compensation (“Disclosure”). This Disclosure is provided in connection with the section 408(b)(2) regulations and is intended to assist you, as the responsible fiduciary of your Plan (“you”), in reviewing the services and compensation of PAS and your IAR.

### **Services we provide to your plan**

#### **Advisory Services: Proprietary Advisory Program**

Together with your IAR, PAS provides advisory services to you and to your Plan as described in our Statement of Investment Selection, Terms and Conditions, Advisory Account Application, and this Firm Brochure (together, the “Investment Advisory Agreement”) relating to your Plan. Please review those documents. If you do not have copies, please contact your IAR or PAS directly at 888-600-4667.

PAS acknowledges and agrees that, to the extent the advisory services provided to your Plan may include recommendations made by PAS or your PAS IAR with respect to investments that involve “investment advice” as defined under regulations issued under ERISA, we will be a “fiduciary” for ERISA purposes.

Please note that PAS does not and cannot provide legal, accounting, or tax advice to you or to the Plan. You are responsible to maintain the Plan in compliance with requirements applicable to tax-qualified plans under the Internal Revenue Code including, where applicable, receipt of a favorable determination letter, and PAS does not have any responsibility for such matters. PAS does not accept any responsibility for the administration of your Plan, including (without limitation) the timely transmission of required contributions, filing required governmental reports, preparing or providing notices and communications to your Plan’s participants as required by applicable law and regulation, or notifying you that any such notices or communications are required. You should seek the advice of the appropriate legal and other advisors with respect to these and other matters that might arise relating

to the operation and administration of the Plan.

## **Our Compensation for Services**

The fees charged to your Plan for providing services are as described by either the Investment Advisory Agreement or the Third-Party Investment Advisory Agreement, whichever is applicable, relating to your Plan. We may pay between 35% and 85.5% of the advisory fees received in connection with the services provided for your account to your IAR. If you have questions about the compensation that is paid to PAS and the IAR, please ask your IAR or contact PAS at 888-600-4667.

## **Other Matters**

If your Plan is a participant-directed Plan, your Plan's record-keeper and/or the investment provider that offers the investment platform through which your Plan's investments are processed, is required to provide to you information to comply with DOL regulations that require the delivery of information to your Plan's participants about the Plan's designated investment alternatives. If requested, your IAR may assist you in coordinating with the recordkeeper and/or investment provider to obtain these materials. Your investment providers are responsible for ensuring that these materials are complete and accurate, and PAS does not make any representation as to the completeness and accuracy of these materials.

In providing services to your Plan, PAS relies on information provided by you and, if there is any material change in information pertaining to the Plan, you must promptly notify PAS in writing and provide relevant updated information. You are responsible for the exercise of proxy voting and other shareholder rights pertaining to investments held by the Plan. In addition, neither PAS nor your IAR may provide any investment or other advice with respect to assets of the Plan that may be invested in stock issued by the plan sponsor and/or a self-directed brokerage option that permits participants the opportunity to allocate some or all of their participant accounts to other investments, or with respect to continuing such investments as a part of the Plan.

All investments fluctuate in value and the value of the investments, when sold, may be greater or lesser than the original cost. PAS does not and cannot warrant or guarantee any level of performance by any of the investments or that any investment will be profitable over time. The Plan and its participants are assuming the market risk involved in the investment of Plan assets. Past investment performance does not guarantee any level of future investment performance.

PAS provides advisory services for other clients and may give advice and take action in the performance of duties for such other clients (including those who may have similar retirement plan arrangements), which may differ from advice given, or in the timing and nature of action taken, with respect to your Plan. PAS has no obligation to advise you or the Plan in the same manner as we may advise any other clients of PAS. In addition, if PAS learns confidential information in providing services to another client, PAS cannot divulge any confidential information to you or act upon such confidential information in providing services to you and your Plan.

Some IARs engage in outside business activities that PAS does not supervise, such as (without limitation) providing retirement plan consulting, administration, recordkeeping or similar services, with respect to retirement plans. PAS does not endorse or recommend any IAR or any other person to provide services to you or to the Plan that are not within the scope of services described by this Disclosure and the Investment Advisory Agreement with you relating to your Plan, and PAS will not supervise any IAR with respect to any such outside business activities. Therefore, if you engage your IAR to provide services other than the services described by this

Disclosure and the Investment Advisory Agreement, it will be your responsibility to determine whether the services are appropriate for your Plan and to monitor the services. If you have any questions relating to this Disclosure, please contact your IAR or PAS directly at 888-600-4667.

## **Program Fees**

The Program fees are negotiable by mutual agreement between you and PAS. Subject to negotiation and upon approval of PAS, the maximum annual client advisory fee is 3%.

### **Fundvest Mutual Fund Short Term Trading Fees (PAS Proprietary Programs)**

- \$50 – Sales of shares held less than 30 days.
- \$5 – Systematic Sales (shares held less than 30 days)

Please refer to the Statement of Investment Selection within the Proposal as well as the Investment Manager's or Strategist's ADV Part 2A for the specific Investment Manager and Strategist fees, which are encompassed in the overall client fee. Fees do not include underlying expense ratios of any mutual funds and/or ETFs selected by an Investment Manager or Strategist. These expense ratios may be found in the Model Portfolio Fact Sheet contained within the Proposal. In addition, IRA and certain Employer Sponsored Qualified Plan accounts will be assessed a \$95.00 termination fee upon account termination.

Strategists or Investment Managers in the UMA/SMA Select or Strategist Select/Strategist Select Plus programs may execute trades in fixed income, thinly traded, or illiquid securities. In order to obtain best execution and minimize market impact, these trades may be executed outside of Envestnet's trading process in order to gain best execution and minimize market impact. In some instances, trades under these circumstances are executed by the Investment Manager or Strategist without any additional commission or markup or markdown. However, in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If trades are placed with an executing firm that imposes a commission or equivalent fee on the trade, including a commission that may be imbedded in the price of the security, you will incur additional costs to the wrap fee that is paid to PAS.

### **Minimum Platform Fee – UMA/SMA Select, Strategist Select, Strategist Select Plus**

The client fee listed in the schedule above is comprised of four parts: an adviser fee (which includes the fee charged by your IAR), a platform fee (the fee charged by Envestnet as Platform Manager), a Firm Fee (fee charged by PAS), and a manager fee (the fee charged by the investment manager or strategist you have selected). There is a minimum annual platform fee of either \$25 or \$35, depending on the program chosen, assessed by the Platform Manager (Envestnet) on a pro rata basis each quarter (e.g., \$6.25 per quarter if the platform fee minimum is \$25 or \$8.75 per quarter if the platform fee is \$35). If your account's balance is insufficient to meet the minimum quarterly platform fee during any specific quarter (typically if your account has less than \$23,000 if the platform fee minimum is \$25 or \$32,000 if the platform fee minimum is \$35 respectively in average net assets during the quarter), the Platform Manager portion of your total client fee shall be increased to satisfy the minimum quarterly platform fee. This increase may cause your total client fee percentage to be greater than the percentage indicated on the SIS you received at account opening, may fluctuate from quarter to quarter and is dependent on the value of your investments during any particular quarter.

For the Foundations and Quantitative Innovations programs the following fee schedule applies with breakpoints available based on total assets under management for the account.

### **Foundations and Quantitative Innovations Fees**

<b>Assets Under Management</b>	<b>Maximum Client Fee</b>
\$0 - \$499,999.99	2.15%
\$500,000.00 - \$999,999.99	2.10%
\$1,000,000.00 - \$1,999,999.99	2.05%
\$2,000,000.00 - over	2.00%

The advisory wrap fee is based on the average daily balance of assets in a client's account during the previous calendar quarter (or if the account is opened mid-quarter on a pro rata-basis) and is payable in advance for the following quarter. You will pay one total fee, for the services provided in the program you have selected. The services include the brokerage and advisory services provided by PAS and your IAR, the technology related services provided by Envestnet, the advisory related services provided by Envestnet, the advisory services provided by any Sub-Managers and SMA Sub-Managers (as applicable), the brokerage services involved in purchasing and selling the securities in your account, and the custodial and clearing services provided by Pershing. Your fee is separated into different components, which vary depending on the program you have selected.

- A fee for the advisory services provided by PAS and your IAR which ranges from .50% to 1.75% of assets under management.
- A fee for the technology related services and/or the advisory related services provided by Envestnet, and the brokerage services involved in purchasing and selling the securities in your account, as well as the custodial and clearing services provided by Pershing, a fee for the services provided by Envestnet and Pershing ranges in the aggregate from .05% to .30% of assets under management.
- A fee for the advisory services provided by Strategists and Investment Managers (as applicable) which ranges from .02% to .65% of assets under management.

The total client fee is located in your Statement of Investment Selection. The fee is calculated at the end of each quarter and is debited from the account between the 5<sup>th</sup> and 7<sup>th</sup> business day of the following quarter. This advisory fee does not include any investment management or other fees and expenses charged by the ETFs and/or mutual funds in which account assets are invested, all of which are fully disclosed in the respective ETF's and/or mutual fund's prospectus. If cash or cash-equivalent funds in your account are not sufficient to pay the fee, or any of the other fees charged in connection with your account, investments in your account may be liquidated in order to pay the outstanding fees. If your account is managed for only a portion of the quarter, the fee will be prorated accordingly.

The advisory fee does not include costs or charges associated with liquidation of a client's account and related charges, including but not limited to, express postage and handling charges, returned check charges, wire or transfer fees, transfer taxes or exchange fees, or other fees mandated by law, or non-brokerage related fees such as Individual Retirement Account ("IRA") trustee or custodian fees and tax qualified retirement plan account fees, each of which is charged separately. These related charges are collected by Pershing; however, PAS marks up the noted charges by as much as 150% and retains the markup. For example, to process a Federal Funds Wire, Pershing charges PAS \$10, you will be charged \$25 (Pershing collects \$10, PAS collects \$15). The markup on

these charges help defray our costs associated with maintaining and servicing client accounts. The additional compensation due to the markup presents a conflict of interest because PAS receives a financial benefit when it provides services in connection with maintaining and servicing your account. However, because your IAR does not share in these other account fees, your IAR does not have a financial incentive to recommend certain transactions or recommend that PAS provide such additional services.

A full listing of charges is listed in the Client Fee Schedule which can be found in your account opening documents, or, you may obtain a current version of the Client Fee Schedule by calling PAS at (888)-600-4667. Upon termination of your account, you will receive a pro-rata refund representing the period from terminated date to the end of the quarter. No refunds are made in the case of a partial withdrawal from the account.

You should be aware that, in addition to the advisory fee paid by you for advisory services under a Program, each investment company (i.e., mutual fund) in the Program also has its own separate investment management fees and other expenses. These investment companies may include mutual funds managed by Park Avenue Institutional Advisers LLC (“PAIA”), an affiliate of PAS, which would receive management fees of their advisory services. Further, certain mutual funds available through the Programs may make payments to broker-dealers, including PAS, with respect to sales of fund shares pursuant to Rule 12b-1 under the Investment Company Act of 1940 (“Rule 12b-1 Service/Distribution Fees”) or otherwise as administrative service fees. These fees are described in the prospectus for the respective mutual fund, and such payments are made from fund assets and have the effect of reducing fund performance. PAS does not negotiate these payments, which are made solely at the discretion of the fund. PAS credits any Rule 12b-1 Service/Distribution Fees (with the exception of certain money market mutual funds and FDIC sweep vehicles) that are attributable to Program accounts.

**Investnet Tax-Overlay Management Services**

If selected by you, Investnet will also provide tax overlay management services to your account. The tax overlay and management services seek to consider tax implications that may detract from your after-tax returns. The end goal of tax overlay management services is to improve the after-tax return for you while staying as consistent as possible with the risk/return characteristics provided by the model portfolios. PAS or Investnet does not provide tax planning advice or services. You should consult your accountant or tax advisor if you have question related to your tax situation. The typical additional fee for overlay management (which is charged on the total assets of your account) is listed in the table below:

<u>Account Assets</u>	<u>Overlay Service Fee</u>
First \$10,000,000	.10%
Next \$15,000,000	.08%
Over \$25,000,000	.05%

**Mutual Fund Share Class Selection in PAS Proprietary Programs**

When negotiating and discussing your advisory fee, you should understand that mutual fund companies offer a variety of share classes with different expense levels. You should not assume that you will be invested in the share class with the lowest expense ratio for a fund because certain share classes have minimum account sizes for which you are no eligible or a particular mutual fund company may not allow all share classes to be available in PAS Programs. Consequently, there are instances where PAS clients will be invested in a mutual fund share class which pays a 12b-1 Service/Distribution or Service Fee to PAS when a share class that does not pay a 12b-1 Service/Distribution or Service Fee is available in that same fund.

An investor who holds a more expensive share class of a fund will pay higher fees over time – and earn lower investment returns – than an investor who holds a less expensive share class of the same fund. When evaluating the reasonability of fees and the total compensation, you should consider not just the fees that you pay for investment advisory services through PAS, but also the additional compensation that PAS receives from the funds in your account.

In many instances, PAS makes available mutual funds in our advisory programs that offer shares designated as Class A Shares and Class I Shares. In other instances, a mutual fund may offer only Class A Shares, but another similar mutual fund may be available that offers Class I Shares. When an account purchases Class A Shares, PAS receives from the mutual fund 12b-1 Service/Distribution fees that are charged to you by the mutual fund. Class I Shares generally are not subject to 12b-1 Service/Distribution fees. Because of the different expenses of the mutual fund share classes, it is generally more expensive for you to own Class A Shares than Class I Shares. Because PAS earns additional revenue in connection with the purchase of Class A Shares in your Account, we have a financial incentive to recommend Class A Shares for your account even where Class I Shares are available in the same or a comparable mutual fund. However, to mitigate this conflict of interest, in instances when a 12b-1 Service/Distribution fee is charged to your account (with the exception of certain money market mutual funds purchased as a part of the cash management sweep program as described below), PAS will credit back such fee on either a monthly or quarterly basis depending on when the charge occurs from the mutual fund company. You should review the mutual fund prospectus and contact your IAR for questions and additional information.

Your IAR's assessment of the appropriate share class is based on many factors, including but not limited to: minimum investment requirements, the advisory fee that is charged, whether transaction charges are applied to the purchase or sale of mutual funds, limitations contained within the mutual fund prospectus, whether PAS has selling agreements with the mutual fund sponsors, the ability to access particular share classes through the custodian, and the availability of revenue sharing, distribution fees, shareholder servicing fees or other compensation associated with offering a particular class of shares.

### **Cash Management Sweep Program**

A Cash Management Sweep Program ("Sweep Program") is a service PAS makes available to clients which automatically transfers free credit balances to either a money market fund product (the "Money Market Sweep") or an account at a bank whose deposits are insured by the Federal Deposit Insurance Corporation ("Bank Sweep"). PAS Proprietary Program Accounts ("Accounts") are eligible to participate in the Sweep Program. The Sweep Program is comprised of various sweep vehicles which were selected by PAS from a list of eligible options that its custodian, Pershing, offers on its platform.

PAS has a conflict of interest by offering the Sweep Programs. PAS receives an economic benefit when cash balances are swept into the Sweep Program, rather than being reinvested in other investment funds or securities. For the Bank Sweep, PAS receives a share in the earned income from Pershing based on the amount of assets placed within the Bank Sweeps. Also, some Money Market Sweeps have a 12b-1 Service/Distribution Fee that is paid to PAS from the money market fund. The receipt of the earned income from the Bank Sweeps and 12b-1s may be used to reduce the cost of custodial services provided by Pershing.

At the time you open your Account, you have the option to select a Sweep Program if you are opening a non-qualified Account. If you do not select a specific Sweep Program, you shall default to the Dreyfus Insured Deposits Program ("DIDV") Bank Sweep product which is an FDIC insured multi-bank deposit sweep program. Please note,



Individual Retirement Accounts as well as and employee retirement benefit plan Accounts will not be permitted to select the Money Market Sweep options. Free credit balances for these account types will be automatically invested in the DIDV Bank Sweep.

Assets held in any of the Sweep Programs will be included in the calculation of the client's advisory fee, i.e., they are considered "billable assets". Your Account may require a certain amount of cash to remain in the Sweep Program to cover for certain costs associated with your Account.

Different Sweep Program vehicles may have different rates of return, may pay PAS a 12b-1 Service/Distribution Fee, have different costs, and have different terms and conditions, such as FDIC insurance or SIPC protection, depending on the sweep vehicle selected. The sweep vehicle selected is reflected on your account opening documents and on your statements. The selection of a more expensive share class of a Money Market Fund will negatively impact your overall investment returns. You may discuss with your IAR and select a different Money Market Sweep if available.

Over any given period, the interest rates on cash balances in the Bank Sweep product may be lower than the rate of return on money market vehicles which are not FDIC insured or on bank account deposits offered outside the Sweep Program.

If any sweep vehicles designated within the Sweep Program become unavailable at any time for any reason, PAS can select an alternative at its discretion provided PAS gives you 30 days advance written notice of such change and you do not object. In this event, the free credit balances in your Account will be placed into the alternative Sweep Program option.

Certain Sweep Program options selected by you and your IAR pay PAS a 12b-1 Service/Distribution Fee as part of servicing and/or distribution fees paid by the fund. 12b-1 Service/Distribution Fees are deducted from fund assets held in your Account. There is a conflict because the receipt of 12b-1 Service/Distribution Fees gives us an incentive to recommend a Sweep Program option based on the compensation we receive instead of your needs. As a result, if you are invested in a Sweep Program option that pays a 12b-1 Service/Distribution Fee, the cost to you may be more than if you are invested in a non 12b-1 bearing Sweep Program.

As noted earlier, if your Account is an Individual Retirement Account or an employee retirement benefit plan Account, you will be automatically invested in the Bank Sweep vehicle which does not charge a 12b-1 Service/Distribution Fee. PAS realizes an economic benefit from the Bank Sweep through a reduction of clearing expenses charged by Pershing based on the amount of assets placed into the Bank Sweep. For non-retirement Accounts which hold a sweep vehicle charging a 12b-1 Service/Distribution Fee retained by PAS, PAS does not share the 12b-1 Service/Distribution Fee with your IAR. Therefore, your IAR does not have a financial incentive to recommend a Sweep Program option based on whether it pays a 12b-1 Service/Distribution Fee or not.

For additional information on money market funds and FDIC-Insured Deposit Sweeps, including applicable 12b-1 Service/Distribution Fees, please see the fund prospectuses which are available on Pershing's website.

### **Non-Purpose Loan Program**

You may apply for a non-purpose loan from Pershing LLC through the PAS Non-Purpose Loan Program using an eligible securities account as collateral. These eligible securities accounts may include one or more of your PAS Proprietary Program accounts. In order for PAS Proprietary Program accounts to be eligible to serve as collateral for a non-purpose loan, the account may not serve as collateral for any margin lending or reinvestment into any

securities or insurance products. You will be required to open a brokerage account to support the loan and will receive a separate statement for this account.

Due to the fact your PAS Proprietary Program account will be pledged to support any loans extended under the Non-Purpose Loan Program, you will not be permitted to withdraw any of the assets in the account unless there is a sufficient amount of collateral otherwise supporting the loans (as determined by PAS in its sole discretion).

In certain circumstances, your IAR may recommend and PAS may approve non-purpose loans in your advisory account. Your IAR will benefit from a Non-Purpose Loan because you don't have to liquidate assets in your account to pay for things with cash, which would diminish the assets held in the account and the potential fees and commissions that could be earned by your IAR from holding or engaging in future transactions with those assets. For example, with a fee-based account, by recommending a Non-Purpose loan to fund some purchase or financial need rather than liquidate securities, PAS and your IAR continue to earn fees on the full account value and may also earn revenue from the new loans.

If you participate in the Non-Purpose Loan Program, you will pay interest to Pershing LLC and PAS on the loan value in addition to any Program advisory fees charged in the PAS Proprietary Program account being used as collateral. PAS IARs do not receive any portion of the interest paid by clients for non-purpose loans.

You must meet certain eligibility requirements and complete loan documentation prior to applying for a non-purpose loan. Specifically, you will be required to execute loan documents with Pershing.

The decision to use Program account assets as collateral rests with you and should only be made if you understand:

- the risks of borrowing and the impact of the use of borrowed funds on advisory accounts;
- how the use of loans may affect your ability to achieve investment objectives;
- the risk that you may lose more than your original investment; and
- the possibility you may not benefit from collateralizing your account for a non-purpose loan in a Program account if the performance of your account does not exceed the interest expense being charged on the loan.

*Defaults* – Non-purpose loans are full recourse, demand loans and clients with non-purpose loan accounts may need to deposit additional cash or collateral or repay part or all of the loan if the value of the portfolio declines below the required loan-to-value ratio. We may demand repayment at any time.

Failure to promptly meet a request for additional collateral or repayment or other circumstances (e.g., a rapidly declining market) could cause PAS, in our discretion, to liquidate some or all of the collateral account or accounts to meet the loan requirements. Depending on market circumstances, the prices obtained for the securities may be less than favorable. Any required liquidations may disrupt your long-term investment strategies and may result in adverse tax consequences. PAS does not provide legal or tax advice; you should consult your legal and tax advisors regarding the legal and tax implications of borrowing and using securities as collateral for a loan. You are personally responsible for repaying the loan in full, even if the value of the collateral is insufficient.

Neither PAS nor its IARs will act as an investment adviser to you with respect to the liquidation of securities held in a PAS Proprietary Program account to meet a non-purpose loan demand. Those liquidations will be executed in PAS' capacity as broker-dealer and creditor and may, as permitted by law, result in executions on a principal basis in your account. In addition, as a creditor PAS may have interests that are adverse to your interests. Additional limitations and availability may vary by state.

There are substantial risks associated with the use of borrowed funds for investment purposes and securities as collateral for a loan. For further information, please see the Credit Advance Disclosure Statement, which is available from your IAR.

## **Tax Harvesting**

Subject to meeting minimum balance requirements, you may direct PAS to employ a tax harvesting strategy in managing taxable accounts. This means that, once the tax harvesting threshold is met, PAS will sell securities in your account at a gain or loss to offset potential capital gains, although the type and amount of capital gains will not be monitored by PAS for this purpose. By authorizing tax harvesting, PAS will sell one or more securities in the account and will hold proceeds in cash to avoid the 30-day wash rule. Once 30 days have passed, the funds will be reinvested in the model. Within the Park Avenue SMA Select/UMA Select and Strategist Select/Strategist Select Plus programs, the Investment Manager or Strategist may select another ETF not substantially comparable to the security harvested to replace the securities that have been purchased or sold in your account.

You should consult with your professional tax advisors or review the Internal Revenue Service ("IRS") website at [www.irs.gov](http://www.irs.gov) regarding the consequences of tax harvesting in light of your particular circumstances and its impact on your tax return. If your IAR recommends a tax harvesting strategy for your account, that advice is not intended as tax advice. Neither PAS nor your IAR represent that any particular tax results will be obtained.

You are responsible for monitoring any accounts in your household, or accounts for which you maintain control (at PAS or with another firm) to ensure that transactions in the same security or a substantially similar security do not create a "wash sale." A wash sale is the sale at a loss and repurchase of the same security, or substantially similar security, within 30 days. If a wash-sale transaction occurs, the IRS may disallow or defer the loss for current tax reporting purposes. More specifically, the wash-sale period for any sale at a loss consists of 61 days: the day of the sale, the 30 days before the sale, and the 30 days after the sale (these are calendar days, not trading days). The wash-sale rule postpones losses on a sale if replacement shares are bought around the same time. The effectiveness of the tax harvesting strategy to reduce your tax liability will depend on your entire tax and investment profile, investments (e.g., taxable or non-taxable) or holding period (e.g., short-term or long-term).

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

PAS provides investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations, and corporations.

The programs minimum initial investment requirements are as follows. Accounts that fall below the minimum balance are subject to closure by PAS or the Strategist (as applicable), in its sole discretion:

Park Avenue UMA Select: \$250,000

Park Avenue SMA Select - Subject to selected Investment Manager Account minimum. Clients must maintain a minimum balance in one of the money market funds available within the program of an amount equal to 2% of the account balance as well as sufficient funds to cover check writing debits; otherwise, the account is subject to closure.

Strategist Select and Strategist Select Plus - Subject to selected Strategist account minimums. Strategist

minimums are indicated in the Model Portfolio Fact Sheet located within your Proposal.

Foundations: \$25,000

Quantitative Innovations:

- ETF Only Portfolio: \$10,000
- Mutual Fund and ETF Portfolio: \$25,000

Accounts invested in the Quantitative Innovations ETF Only Program with a minimum balance of \$10,000 - \$25,000 will be charged an annual account fee of \$35.00. Additionally, accounts which fall below the minimum balance of \$25,000 for Foundations or Quantitative Innovations Mutual Fund/ETF program will be charged an annual account fee of \$35.00 and all are subject to closure by iCM or PAS at its sole discretion.

Clients will be notified of any changes in Program account minimums. The minimums for the Programs may be modified or waived by PAS on a case-by-case basis.

## **6. Portfolio Manager Selection and Evaluation**

PAS IARs are responsible for assisting you in the selection of Program accounts, based on your investment objectives and Investor Risk Rating.

Investnet is compensated by Strategists and Investment Managers on an ongoing basis once they have been approved to be on the platform. This may pose a conflict of interest. To address this conflict, PAS will review the due diligence reports from PMC for any relevant information detected during the course of the due diligence reviews that may indicate concerns about a Strategist's or Investment Manager's eligibility.

### **SMA and UMA Select**

PAS utilizes an approved list of Investment Managers and investment strategies which are eligible for the programs. The approved list of Investment Managers and strategies are based on a list provided by PMC, a subsidiary of Investnet. All Investment Managers on the Investnet platform are required to complete an annual compliance questionnaire which include a full review on the following elements:

- Compliance program(s), code of ethics, investigations and reviews by regulators, material changes to the programs, ADV review, proxy voting procedures, personnel changes, trading practices, and material trading errors.

In addition, PMC conducts qualitative research at the manager level, while performing quantitative analysis at the strategy level. Each eligible strategy is scored on a multi-factor model, taking into account various performance and risk metrics. All approved Investment Managers quantitative analysis is done on a quarterly basis, which may result in changes to the approved list of strategies. Any status changes are communicated to your IAR.

The performance of the investment vehicles offered through the Park Avenue SMA Select and UMA Select Programs is determined based upon standard performance calculations used in the industry. Performance data is provided by Investnet and sent to clients by PAS.

## **Strategist Select/Strategist Select Plus/Foundations & Quantitative Innovations**

PAS IARs are responsible for assisting you in the selection of a particular Strategist (which includes the Quantitative Innovations and Foundations programs), based on your investment objectives and Investor Risk Rating. In addition, PAS selects Strategist's eligible for the program by utilizing due diligence provided by PMC. PMC provides PAS an evaluation of the Strategist's assets and business, investment team, investment philosophy and process, and other factors that will help PAS determine the Strategist's initial as well as ongoing eligibility for the program. PAS may take the following actions, or any additional action not referenced below, which it may deem necessary:

- Placing a Strategist on a watch list;
- Restricting one or more Strategists from being offered to new clients; or
- Removing one or more Strategists from the program.

The level of the restriction will depend on various factors, including the ability of the Strategist to address any concerns in a timely manner.

The performance of the investment vehicles offered through the Strategist Select and Strategist Select Plus programs is determined based upon standard performance calculations used in the industry. Performance data is provided by Envestnet and sent to client by PAS.

### **Foundations and Quantitative Innovations**

PAS IARs are responsible for assisting you in the selection of a model portfolio based on your investment objectives and Investor Risk Rating. You grant authority to iCM to make all investment decisions with respect to the applicable Program Assets pursuant to the model portfolio selected. iCM, when it deems appropriate and without prior consultation will buy, sell, exchange, convert, and otherwise trade in mutual funds and/or ETFs within the model portfolios.

The investment vehicles offered are mutual funds and ETFs, the performance of which is determined based upon standard performance calculations used in the industry. Performance data is provided by third party vendors that are unaffiliated with the managers of the mutual funds and ETFs.

### **Performance Based Fees and Side by Side Management**

PAS does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

PAS and its IARs provide investment management advice to a variety of different clients. Certain types of clients and fee arrangements may create potential conflicts of interest for PAS. Some IARs provide advice or manage accounts "side by side" with accounts that have different characteristics. These IARs may have an incentive to favor some accounts over others.

PAS IARs may also provide advisory services to retail clients via other PAS advisory programs. Clients with Program accounts may be invested in comparable securities as clients that are invested in other PAS advisory programs. Such clients should carefully review the description of each program and the related fees and consider which program may be more appropriate.

PAS is conscious of these potential conflicts. Overall, where we are providing fiduciary services, the goal of our policies and procedures is to act in good faith and to treat all client accounts in a fair and equitable manner over time, regardless of their strategy, fee arrangements or the influence of their owners or beneficiaries. These policies include those addressing the fair allocation of investment opportunities across client accounts and the best execution of all client transactions.

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

Your IAR will assist you in selecting an Investment Manager/Strategy or Strategist. Your IAR may discuss with you, various factors including, but not limited to, your preferences, fees charged by the Investment Manager/Strategist, information on the Investment Manager/Strategist, including their performance, and account minimum requirement of Investment Managers/Strategist when making a recommendation. You are ultimately responsible for deciding which Investment Manager(s) to choose. When appropriate, your IAR may also assist you with determining whether an existing Strategist or Investment Manager should be replaced.

As described in the section Portfolio Manager Selection and Evaluation, PAS utilizes an approved list of Investment Managers and investment strategies which are eligible for the Programs to provide clients with access to professional investment advice and make available a choice of various investment strategies and corresponding risk levels. You should understand that all investments involve risk (the amount of which may vary significantly), that investment performance can never be predicted or guaranteed and that the value of your account will fluctuate due to market conditions and other factors.

Investing in securities involves risk of loss that clients should be prepared to bear. Clients may experience loss in the value of their account due to market fluctuations. There is no guarantee that a client's investment objectives will be achieved by participating in any of the Programs described in this brochure. Prior to investing, clients should read carefully a copy of the current prospectus for each security, where a prospectus is available, or other offering documents associated with the particular investment. The prospectus or offering documents contain information regarding the fees, expenses, investment objectives, investment techniques, and risks of each particular investment. The investment returns on a client account will vary and there is no guarantee of positive results or protection against loss. No warranties or representations are made by PAS or IARs concerning the benefits of participating in the Programs described in this brochure.

PAS and IARs do not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert.

Depending on the types of securities you invest in, you may be subject to the following investment risks including, but not limited to:

*Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

*Market Risk:* The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market risks.

*Credit Risk:* also known as default risk, is the possibility that a bond issuer won't pay interest as scheduled or repay the principal at maturity. Credit risk may also be a problem with insurance companies that sell annuity contracts, where your ability to collect the interest and income you expect is dependent on the claims-paying

ability of the issuing insurance company.

*Sociopolitical Risk:* The possibility that instability or unrest in one or more regions of the world will affect investment markets. Terrorist attacks, war and pandemics are examples of events, whether actual or anticipated, that impact investor attitudes toward the market in general and result in system wide fluctuations in stock prices.

*Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

*Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

*Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on discoveries of oil and then refining it, a lengthy process, before they can generate a profit. These companies carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

*Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of loss if the company is unable to meet the terms of its loan obligations. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

*Liquidity Risk:* When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, client portfolios may be invested in illiquid securities, subject to applicable investment standards. Investing in an illiquid (i.e., difficult to trade) security may restrict the ability to dispose of investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities. Accounts may hold securities which are partnerships. Some partnerships are relatively liquid and may be either exchange listed or traded over-the-counter. However, most partnership securities are often illiquid and are subject to significantly less regulation than public investments.

*Fixed Income Risks:* Portfolios that invest in bonds and other fixed income securities are subject to certain risks, including but not limited to, interest rate risk, credit risk, prepayment risk and market risk, which could reduce the yield that an investor receives from his or her portfolio.

*Foreign and Emerging Markets Risk:* Investments in securities of foreign and emerging markets issuers involve different investment risks than those affecting obligations of U.S. issuers. Public information may be limited with respect to foreign and emerging markets issuers, and they may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. Additional risks include future political and economic developments, the possibility that a foreign jurisdiction might impose or charge withholding taxes on income payable with respect to foreign and emerging markets securities, and the possible adoption of foreign governmental restrictions such as exchange controls. In addition, foreign currency exchange rates may affect the value of securities in the portfolio.

*High-yield Bond Risk:* Investments in high-yielding, non-investment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal

payments on these securities.

*Structured Products Risk:* These products often involve a significant amount of risk and should only be offered to clients who have carefully read and considered the product's offering documents, as their structure may be based on derivatives or other types of securities, which may be volatile. Structured products are intended to be “buy and hold” investments and are not liquid instruments.

*Derivatives Risk:* Derivatives are securities whose price is dependent upon or derived from one or more underlying assets. The derivative itself is a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. Derivatives may involve significant risks and are not suitable for everyone. Derivatives trading can be speculative in nature and carry substantial risk of loss, including the loss of principal.

*Small/Mid Cap Risk:* Stocks of small or mid-sized, emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

*Diversification Risk:* Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments, including the potential for greater volatility.

*Security Selection and Asset Allocation Risk:* Securities selected from a particular asset class (e.g., stocks, bonds, money market instruments) may experience unusual market volatility or may not perform as expected. An asset allocation program does not guarantee achievement of a client's investment objective nor protect against loss.

*ETF Risk:* ETFs are subject to the following risks: (i) the market price of an ETF's shares may trade above or below the net asset value; (ii) there may be an inactive trading market for an ETF; (iii) the ETF may employ an investment strategy that utilizes high leverage ratios; (iv) trading of an ETF's shares may be halted, delisted, or suspended on the listing exchange; and (v) the ETF may fail to achieve close correlation with the index that it tracks.

*Real Estate Risk:* Investment in real estate and real estate related assets is subject to the risk of adverse changes in national, state or local real estate conditions (resulting from, for example, oversupply of or reduced demand for space and changes in market rental rates); obsolescence of properties; changes in the availability, cost and terms of mortgage funds; and the impact of tax, environmental and other laws.

## **Directed Brokerage**

Clients in the Programs must establish an account through PAS with Pershing, which clears trades and acts as custodian for clients' assets under the Programs. Accordingly, all trading activity in connection with the Programs will be processed through clients' accounts with Pershing. Pershing acts in the capacity of a clearing firm and performs centralized custody, bookkeeping and execution functions. Pershing handles the delivery and receipt of securities purchased or sold on behalf of PAS' clients who are part of the Programs, receives and distributes dividends and other distributions, and processes exchange offers, rights offerings, warrants, tender offers and redemptions. Although PAS negotiates the fee paid to Pershing for these services, PAS does not receive any special incentives for directing brokerage to Pershing.

## **Best Execution**

Investment advisers are obligated to provide “best execution” of customer orders where the adviser has the



responsibility to select broker-dealers to execute client trades. “Best execution” refers to using reasonable diligence to seek to obtain the best price to buy or sell a security under prevailing market conditions. PAS does not select other broker-dealers for processing of client transactions. PAS must transmit all trades to Pershing for execution. PAS’s objective in executing client trades is to obtain the most favorable execution and to aggregate and allocate trades fairly and equitably across all its clients. PAS has adopted policies and procedures that are designed so that trading practices do not unfairly or systematically favor one client, group, or strategy over another. PAS regularly receives reports from Pershing which contain information regarding the trade order execution experience of Pershing for all of its customers. PAS undertakes an on-going review of its relationship with Pershing, including a quarterly review of trade order flows.

Investment Managers in the SMA and UMA Select programs may not utilize Envestnet to facilitate certain trades within their strategies and consequently the use of these strategies may result in the additional trade-away fees that are not included in the Program fee, or that may be in addition to the PAS wrap fee. Clients should consult with their IARs and review the Investment Manager’s Form ADV Part 2A for information related to any additional fees. Clients should carefully consider any additional trading costs the Client may incur before selecting an Investment Manager.

Client understands that if trades are not executed by Pershing, which may occur if Envestnet or an executing Investment Manager where applicable reasonably believes in good faith, and consistent with applicable fiduciary standards that another broker dealer will provide better execution considering all factors including but not limited to net price, client may be subject to fees and charges that are in addition to the total client fee. These additional costs are reflected in the net purchase or sale price shown on the trade confirmation clients receive for the particular trade but are not disclosed separately in the trade confirmation. For more information regarding trade away practices, please go to [www.parkavenuesecurities.com](http://www.parkavenuesecurities.com).

## **Soft Dollars**

Soft dollars are defined as arrangements under which products or services other than the execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction of securities trades to the broker-dealer. PAS does not have any soft dollar arrangements.

## **Order Aggregation**

Although each account is individually managed, PAS may buy and sell the same securities for many advisory accounts simultaneously when applicable.

If different prices are paid for securities in an aggregated transaction, each client in the transaction will typically receive the average price paid for the block of securities in the same aggregated transaction. If the client trade is aggregated with other client accounts and is executed at the same price, the client will receive the same price per unit.

PAS may aggregate trades unless it believes that aggregation is not consistent with its duty to seek best execution for clients in the aggregate and consistent with the terms of the client’s investment advisory agreement. PAS may exclude from aggregation those client accounts that have relevant restrictions or pending client activity. If trades are not aggregated, clients may pay prices for the transactions that are different from what they may have paid had the trades been aggregated. When aggregating, PAS may, consistent with its policies and procedures and fiduciary duties, include proprietary and/or employee accounts in an aggregated order. If we are not able to

completely fill an aggregated transaction, we will allocate the filled portion of the transaction following fair dealing principles, e.g., pro-rata, trade rotation.

### **Park Avenue SMA and UMA Select Trade Allocations**

Some Investment Managers will not place Envestnet Strategies in the same trade rotation as their non-Envestnet models or proprietary accounts. If Envestnet determines that such trade rotation policy does not provide equitable investment performance between the models and is creating a disadvantage to the client, Envestnet may restrict the availability of the Investment Manager or impose additional requirements as necessary.

Certain trade orders are created by the Investment Manager and sent directly to the appropriate custodian according to their own trade rotation policies. If the Investment Manager directs Envestnet to allocate orders within each custodian, the partial fill will be allocated pro-rata among the individual Client accounts. Investment Managers may aggregate Client trades with their own directed trades or trades for other Clients. Please refer to each Investment Manager's Form ADV and Envestnet's ADV for any policies they may have regarding aggregation of trades.

### **Voting Client Securities**

As a matter of firm policy and practice, PAS does not have any authority to vote and does not vote proxies on behalf of advisory clients. Envestnet generally delegates proxy voting to the Sub-Managers to whom it allocates client assets. However, for Programs in which Envestnet is providing overlay management services, Envestnet is responsible for voting proxies relating to securities held by clients. Clients have the option of informing Envestnet that they wish to have the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. For additional information, refer to Envestnet Asset Management, Inc.'s Form ADV Part 2A.

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

Investment Managers and Strategists will have access to your risk tolerance and any client-imposed restrictions on management of assets.

PAS and its IARs will have access to your (i) account opening documents, which include, among other things, your investment objective, risk tolerance and any client-imposed restrictions on management of assets; (ii) online access to the account; (iii) confirmations; (iv) account statements; and (v) each client's quarterly performance reports.

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

There are no restrictions placed on clients' ability to contact and consult with PAS regarding the Programs.

## **9. Additional Information**

### **Disciplinary Information**

The following is a chronological summary of material disciplinary events relating to PAS and its management personnel in the last 10 years.

6/10/2009 – In an Order to Show Cause (the "Order"), the Alabama Securities Commission alleged that PAS

failed to reasonably supervise one of its registered representatives in Alabama in that the business activity performed under his “doing business as” (“DBA”) license, which was listed as a branch office of PAS, required proper registration of the representative in Alabama as an investment adviser representative and investment advisor. At an informal meeting with the staff of the Alabama Securities Commission on September 30, 2009, the Commission staff indicated that it would consider revising the Order in light of information provided by PAS showing that it did not fail to supervise the representative. The matter is still pending.

11/18/2011 – FINRA censured and fined PAS, in its capacity as a broker-dealer, \$175,000 for failing to: (1) adequately investigate certain registered representatives’ involvement with a Ponzi scheme; (2) adequately investigate allegations made by two registered representatives that a member of the firm’s supervisory staff had suggested that the two registered representatives destroy documents and provide misleading information in connection with PAS’ internal investigation; and (3) establish an adequate supervisory system for reviewing certain emails.

10/20/2015 – FINRA censured and fined PAS \$300,000 in its capacity as a broker-dealer and ordered restitution of clients in the amount of \$443,255, for failing to: (1) apply rollover sales charge discounts to certain customers’ eligible purchases of unit investment trusts (“UITs”) in violation of FINRA Rule 2010 (2) establish, maintain and enforce a supervisory system and written supervisory procedures (“WSPs”) reasonably designed to ensure that customers received rollover sales charge discounts on all eligible UIT purchases in violation of NASD Conduct Rule 3010 and FINRA Rule 2010.

11/18/2016 – In connection with the misappropriation of funds from two customers by an unregistered sales assistant, FINRA censured and fined PAS \$195,000 in its capacity as a broker-dealer for failing to enforce its written supervisory procedures regarding the monitoring of customer trades and for failing to establish and maintain a supervisory system reasonably designed to follow up on the performance of its supervisors with regard to monitoring trade executions, in violation of NASD Rules 3010(a), 3010(b) and FINRA Rule 2010. FINRA noted, PAS also failed to establish, maintain and enforce a supervisory system reasonably designed to review and monitor the transmittal of funds from the accounts of its customers to third party accounts and outside entities, in violation of NASD Rules 3010, 3012(a)(2)(B)(i) and FINRA Rule 2010.

4/11/2018 – FINRA censured and fined PAS \$300,000 in its capacity as a broker-dealer for failing to implement a supervisory system and written supervisory procedures reasonably designed to train and supervise Registered Representatives’ recommendations regarding the sale of multi-share class variable annuities, including L-Share contracts, to ensure their suitability. FINRA also found that PAS had no surveillance procedures to determine rates of variable annuity exchanges. FINRA found the foregoing to be in violation of NASD Rule 3010 and FINRA Rules 2330, 3110 and 2010.

3/11/2019 - PAS without admitting or denying the findings, consented to the entry of an Order Instituting Administrative and Cease and-Desist Proceedings (“Order”) by the U.S. Securities and Exchange Commission (“SEC”). Pursuant to the Order, the SEC found that from January 1, 2014 through October 31, 2018 certain PAS clients participating in proprietary advisory programs were invested in mutual fund share classes with higher costs (in the form of Rule 12b-1 fees) without adequately disclosing that lower-cost share classes (without Rule 12b-1 fees) of those funds were available. Specifically, PAS did not adequately disclose conflicts of interest related to its receipt of Rule 12b-1 fees, and the availability of mutual fund share classes that did not pay such fees. PAS consented to the entry of the Order that it violated Sections 206(2) and 207 of the Investment Advisers Act of 1940 and agreed to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207. PAS agreed to pay disgorgement of \$508,083 and prejudgment interest of \$56,184 to

affected clients. Additionally, as part of the Order, PAS has enhanced its disclosure regarding mutual fund share class selection, considered whether existing clients should be moved to a lower-cost share class, and updated its policies and procedures regarding mutual fund share class selection.

7/16/2019 – PAS without admitting or denying the findings, was censured by the Financial Industry Regulatory Authority (“FINRA”) in its capacity as a broker-dealer for failing to reasonably supervise the application of sales charge waivers for mutual fund purchases made by certain retirement plan and charitable organization customers. By failing to reasonably supervise such mutual fund sales to ensure that eligible purchasers received the benefit of applicable sales charge waivers, FINRA found that PAS violated NASD Conduct Rule 3010 (for misconduct before December 1, 2014), FINRA Rule 3110 (for misconduct on or after December 1, 2014 and FINRA Rule 2010. As part of this settlement, PAS agreed to pay restitution to eligible customers on the terms specified below, in the amount of \$640,552 (i.e., the amount eligible customers were overcharged, inclusive of interest). PAS also agreed to ensure that waivers are appropriately applied to all future purchase transactions made by retirement plan and charitable organization customers. FINRA recognized the extraordinary cooperation of PAS for initiating an investigation prior to detection or intervention by FINRA to identify whether applicable customers received sales charge waivers, for promptly establishing a plan of remediation to customers and taking action to correct the violative conduct.

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

PAS is a wholly owned subsidiary of The Guardian Life Insurance Company of America (“GLIC”), a New York mutual life insurance company. GLIC and its affiliates sell their products through a system of insurance agents, most of whom are also registered representatives and IARs of PAS. PAS is an affiliate of The Guardian Insurance & Annuity Company, Inc. (“GIAC”), a Delaware insurance company.

PAS or its IARs may recommend mutual funds whose investment adviser is a PAS affiliate, such as Park Avenue Institutional Advisers LLC (“PAIA”) which is a Delaware limited liability company, which is an indirect wholly-owned subsidiary of GLIC. GLIC also wholly owns Guardian LEIM, LLC, a Delaware limited liability company that owns 85% of Broadshore Capital Partners, LLC (“Broadshore”), a Delaware limited liability company. PAIA and Broadshore are registered investment advisers. PAIA may earn mutual fund management fees.

Many IARs of PAS are also agents of GLIC and GIAC and may sell a wide range of products issued by those entities, such as life insurance and variable annuities. IARs receive no additional compensation for recommending insurance products issued by affiliates or mutual funds managed by affiliates than they would if they recommend insurance products or mutual funds issued by or managed by non-affiliates.

An IAR may have an incentive to recommend a particular PAS Proprietary Investment Advisory Program or Third-Party Investment Advisory Program in favor of another because of the receipt of higher fees or non-cash benefits such as additional services which include marketing support and training provided by the sponsor of the Third-Party Advisory Program.

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

PAS has adopted a code of ethics (“Code of Ethics”) for all supervised persons of the firm, which governs the ethical standards of conduct and securities trading by supervised persons. The Code of Ethics includes provisions relating to, among other things, a prohibition on trading on the basis of material non-public information or confidential information, restrictions on the acceptance of significant gifts and the reporting of certain gifts and

business entertainment items, and personal securities trading procedures. All supervised persons of PAS must acknowledge the terms of the Code of Ethics annually. PAS will provide a copy of the Code of Ethics to any client or prospective client upon request.

It is PAS policy that the firm generally will not affect any principal or agency cross transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to an advisory client. PAS may engage in principal transactions only in limited circumstances where it elects to buy “worthless securities” out of client accounts in order to facilitate the liquidation of such positions.

PAS also will not permit agency cross transactions between client accounts. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

PAS may recommend to clients’ mutual funds that are managed or sub advised by investment adviser affiliates of PAS. For more information, see “Other Financial Industry Activities and Affiliations”.

## **Review of Accounts**

PAS, through its IARs, gathers information from a client about that client’s financial situation, risk tolerance, investment objectives, and any reasonable restrictions that the client wishes to impose upon the management of the account. Each IAR periodically reviews reports and otherwise consults with the client and contacts the client at least annually to review the client’s financial situation and investment objectives. You should notify your IAR of any changes in your financial situation, risk tolerance, investment objectives or account restrictions.

PAS employs individuals who are registered with the Financial Industry Regulatory Authority (“FINRA”) as principals (the “Registered Principals”), who review all accounts for suitability. Accounts are reviewed by the Registered Principals prior to being opened. PAS Proprietary Program accounts are monitored on an ongoing basis by Registered Principals.

PAS monitors and tracks all financial planning and consulting. All financial plans must be submitted to PAS for review and approval prior to presentation to a client. If the plan or consultation is approved, the plan or consultations may be presented to the client.

PAS provides each client with a quarterly written performance report. Performance information is calculated for all portfolios custodied at Pershing. The quarterly analysis measures performance of the account by comparing such performance against relevant market indices.

## **Client Referrals and Other Compensation**

### **Client Referrals**

PAS and/or its IARs may receive compensation pursuant to solicitation agreements for introducing clients to the Third-Party Investment Adviser and for providing certain ongoing services. This compensation is typically equal to a percentage of the investment advisory fee charged by that investment adviser. Because IARs receive

compensation from these investment advisers for referring clients and because such compensation may differ depending on the individual agreement with each investment adviser, the IAR may have an incentive to recommend one of these Third-Party Investment Advisers over another with which PAS has a less favorable compensation arrangement or alternative investment advisory programs. Full disclosure of all solicitation arrangements, including Part 2 of Form ADV and a solicitor's disclosure statement, will be given to the client at the time of solicitation in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940.

PAS has arrangements with a number of individuals ("Solicitors") under which the Solicitors introduce potential advisory clients to PAS in exchange for a referral fee. All such arrangements comply with the provisions of Rule 206(4)-3 under the Investment Advisers Act of 1940. Whenever PAS pays a referral fee, we require the prospective client to receive a copy of this Brochure and a separate disclosure statement that includes the following information: (1) the Solicitor's name and relationship with PAS; (2) the fact that the Solicitor is being paid a fee; (3) the amount of the fee; and (4) whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor. In general, the advisory fees paid to us by clients referred by Solicitors are not increased as a result of a referral.

### **Other Compensation**

Listed below are potential additional payments that PAS may receive and the potential conflicts of interest they create. You should consider these potential conflicts of interest prior to investing in the PAS Proprietary Programs as the receipt of such payments provides a financial incentive for PAS to recommend PAS Proprietary Programs over Third-Party Advisory Programs.

#### **Pershing Additional Payments**

Through an agreement with Pershing, PAS may earn the following payments from Pershing. These payments are not applicable to clients of Third-Party Advisory programs.

- 1) PAS receives payments from Pershing on the total amount of assets in client accounts placed on the Pershing custodial platform. The receipt of such payments from Pershing provides a financial incentive for PAS to recommend PAS Proprietary Programs over Third-Party Advisory Programs.
- 2) PAS earns payments on assets placed within cash management sweep vehicles. PAS may earn from 0.15 percent to 0.60 percent on assets held within these money market funds and FDIC-insured sweep vehicles. The receipt of such payments from Pershing provides a financial incentive for PAS to select these money market funds and sweep vehicles over others.
- 3) PAS earns interest payments on non-purpose loans that have interest rates above the Federal Funds Rate +1.75%. For example, if the interest rate on a non-purpose loan is 5% and the Federal Funds is 3%, PAS will earn .25% of what a client pays (5%-4.5%). The receipt of such payments provides a financial incentive for PAS to recommend and approve non-purpose loans.
- 4) Pershing agrees to share certain service fees received by Pershing from mutual funds that participate in the FundVest® program. The FundVest® program is an open architecture platform of mutual funds and no-transaction fee mutual funds offered by Pershing. These mutual funds are offered within PAS Proprietary programs. The percentage of service fees Pershing shares with PAS is based on the level of assets held by PAS clients within the FundVest® program and generally ranges between 50-55% of such services fees received by Pershing from participating mutual funds. Furthermore, PAS addresses this conflict by crediting back all FundVest® program fee payments that it receives to clients invested in the PAS Proprietary Programs. For additional details about Pershing's mutual fund no-transaction-fee program, or a listing of funds that pay Pershing networking or omnibus fees, please refer to

## Dreyfus Insured Deposits Program

As mentioned above in Cash Management Sweep Program section, if you do not select a Bank Sweep vehicle or you are opening an account such as an Individual Retirement Account or an employee retirement benefit plan account, the account will be defaulted to the DIDV Program. Each bank participating in this program will pay the administrator and Pershing a fee of up to .70% (70 basis points) of the average daily deposit balance in your account that is held in the DIDV program which will reduce your interest rate.

PAS may also retain a fee of up to .40% (40 basis points) of total average daily balance in your account that is held in the DIDV program. The amount of fees retained by the administrator of the program, Pershing and PAS will reduce the interest rate paid on the portion of your account which holds the DIDV program.

In order to illustrate the effect of the interest retained by Pershing, the administrator of the program and PAS on a client's interest rate yield, please consider the following example. If the DIDV sweep is earning a gross interest rate yield of 2%, the administrator sends 1.65% to Pershing (2% less .35% for the administrator's fees). The .35% Deposit Fee will be paid to the administrator of the sweep program for the services listed above. Subsequently, out of the remaining 1.65% interest rate yield, a fee of .35% is paid to Pershing. The remaining 1.3% is split between PAS and the client. Up to .40% may be paid to PAS reducing the client's interest rate yield to .90% out of a potential 2%. The receipt of this fee creates an incentive for PAS to select DIDV as the default cash sweep vehicle for the clients who do not select a Money Market Sweep vehicle or have an account which is automatically defaulted to DIDV, as it will result in additional compensation to PAS.

As disclosed in the Cash Management Sweep Program section, for non-retirement accounts, you may select Money Market Sweep products that pay a 12b-1 fee to PAS and will not be credited to your account. If one of these funds is selected as the cash portion of your portfolio PAS will receive both the advisory fee in addition to the 12b-1 fee. PAS IARs do not receive any portion of the 12b-1 fee and therefore do not have a conflict in recommending a Cash Management Sweep product which contains a 12b-1 fee. You are encouraged to speak to your IAR regarding the selection of a Cash Management Sweep Program vehicle for your account.

## Payments from Mutual Funds

- 1) PAS receives Rule 12b-1 fees based on client investments in certain mutual funds. Rule 12b-1 fees are annual marketing or distribution fees on a mutual fund. The 12b-1 fee is considered an operational expense and, as such, is included in a fund's expense ratio.
- 2) PAS also has revenue sharing arrangements with American Funds. This arrangement is based on PAS' total assets placed with this organization. PAS receives annual compensation of up to 0.008 percent on sales. Accepting this type of compensation presents a conflict of interest because PAS has an incentive to recommend this investment company based on the compensation it receives, rather than client needs.

## Guardian Club Credits

Certain IARs may receive "Club Credits" for the recommendation of PAS Proprietary Programs, Third-Party Investment Advisory Programs or Financial Planning/Consulting. These "Club Credits" are based upon sales production and count towards the attainment of various GLIC club memberships. Attainment of various club memberships may entitle IARs to attend GLIC-sponsored conferences.

## Park Avenue Securities VIP Program

Certain IARs will qualify to receive service and financial support, as described in more detail below, based upon their overall sales production. The top 100 PAS sales agents qualify for the VIP program. The qualifications to achieve VIP status are based upon total sales production or Gross Dealer Concession ("GDC"). GDC is the revenue generated via agent sales of brokerage products (i.e. stocks, bonds, mutual funds) and advisory services (i.e., Proprietary Programs, Third Party Investment Advisory Programs and Financial Planning/Consulting). The attainment of this VIP status entitles an IAR to receive a dedicated support person called a Relationship Manager, full or partial waiver of state registration fees and PAS affiliation fees, and "Select Rewards Points". The "Select Rewards Points" can be used to cover the cost of client account maintenance fees, termination fees, and/or service fees such as fed wire or overnight check fee. The decision to cover certain client costs is at the discretion of your PAS IAR and not all clients will receive this benefit.

## Park Avenue Securities Pinnacle Council

IARs are also eligible to qualify for a club award program called Pinnacle Council. To qualify for Pinnacle Council, an agent must be in the top 20 for total sales production based on the prior year GDC rankings or earn \$1.5 million in GDC in the prior calendar year. The benefits of this club award include attendance at an annual recognition conference with paid travel accommodations (i.e. flight and hotel) and meals for the PAS Pinnacle Council qualifier and one guest .

These programs could create a conflict of interest by an IAR recommending certain products in attempt to qualify for these additional clubs and awards.

## Transitional Assistance

In certain situations, PAS could offer a forgivable loan to an experienced IAR transitioning to PAS to help cover or defray the costs of transitioning from another investment adviser.

These transition assistance loans may be forgiven based on years of service with PAS, or its affiliates, assets under management, the amount of production with PAS or its affiliates or the number of clients brought over to PAS. This practice creates a conflict of interest as it provides a financial incentive for an IAR to recommend that a client engage PAS for advisory or brokerage services, and to recommend additional products from PAS or its affiliates.

The Park Avenue Securities Transition Team will work with an IAR to ensure a successful transition by providing everything from a customized transition plan, tailored training, account opening and account transfer support. The level of support and service received is dependent upon the IARs trailing twelve-month GDC with their prior firm. The highest level, Tier 1 is \$500,000 or greater, Tier 2 is \$150,001-\$499.999, and Tier 3 is \$150,000 or lower. In addition, if the prior firm does not clear through Pershing, Pershing will reimburse transfer and termination fees up to \$125.00 to each client account for all tier levels. Transition assistance presents a conflict of interest because of the incentive to affiliate with and recommend PAS to clients.

## Payments Related to PAS Educational/Practice Management Conferences



Certain mutual fund product sponsors, Third Party Advisers, Envestnet, Strategists or Investment Managers (“Participating Sponsors”) may pay PAS a fee ranging from \$8,000 to \$75,000 to participate in PAS sponsored educational/practice management conferences for PAS IARs. In 2019, PAS received fees from the following Participating Sponsors:

- AssetMark
- BlackRock
- BNY Mellon
- Brinker
- City National Rochdale
- Efficient Advisors
- Envestnet
- iCM
- Lazard
- OBS
- Oppenheimer
- PIMCO
- SEI

You should also be aware that marketing or educational activities paid for with these payments may lead to greater exposure of Participating Sponsors’ products and services with PAS IARs. Therefore, these payments may create an incentive, or lead to a greater likelihood, for PAS or its IARs to recommend a product of a Participating Sponsor over the products or services of a firm which does not pay PAS a fee.

#### Third- Party Advisor Payment Arrangements

PAS may also receive an additional fee from SEI, Brinker, OBS and AssetMark, as compensation for certain marketing and administrative services detailed as follows:

- SEI will pay PAS annual compensation of up to 10% of the net advisory fee paid to SIMC with respect to client accounts custodied at SEI.
- Brinker will pay PAS an annual fixed dollar amount of \$240,000 for the facilitation of training and education of PAS IARs.
- AssetMark will pay PAS .02% annually on assets under management referred to AssetMark by PAS and .04% of gross contributions for referred AssetMark accounts.
- OBS will pay PAS an annual payment of \$138,000.

#### How PAS Addresses Conflicts of Interest Described in the Other Compensation Section

- PAS discloses potential conflicts of interest to clients through documents such as this disclosure document, disclosures on the PAS website and other materials discussing the products and services offered.
- PAS credits 12b-1 fees and service fees from mutual funds and all FundVest® program fee payments to client accounts within PAS Proprietary Programs.
- PAS IARs do not receive any portion of the payments PAS receives under the agreement between PAS and Pershing.
- PAS IARs do not receive any portion of the revenue received mutual fund compensation arrangements,

or mutual 12b-1 fees/service fees. PAS does not include within these revenue sharing arrangements assets held within plans covered by Title I of ERISA, or a plan described in Section 4975(e)(1) of the Internal Revenue Code.

### **Financial Information**

PAS does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. PAS has never been the subject of a bankruptcy petition.

## **STEP***forward* with **Park Avenue Securities**

Park Avenue Securities LLC (PAS) is a wholly owned subsidiary of The Guardian Life Insurance Company of America (Guardian). PAS is a registered broker-dealer offering competitive investment products, as well as a registered investment adviser offering financial planning and investment advisory services. PAS is a member of FINRA and SIPC.

Variable insurance products, their underlying investment options, mutual funds, and exchange traded funds are sold by prospectus only. Prospectuses contain important information, including fees and expenses. Please read the prospectus carefully before investing or sending money. You should consider the investment objectives, risks, fees and charges of the investment company carefully before investing. Please contact your investment professional or call 888-600-4667 for a prospectus, which contains this and other important information.

PAS is located at 10 Hudson Yards, New York, NY 10001.