

# CUSO FINANCIAL SERVICES, LP

## Firm Brochure

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**This Brochure provides information about the qualifications and business practices of CUSO Financial Services, LP (“CFS”). If you have any questions about the contents of this Brochure, please contact the CFS Compliance Department at 858/530-4400, opt. 2, opt. 1. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**CFS is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.**

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

## **Item 2 – Material Changes**

There are no material changes from the prior annual update.

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## Item 4 – Advisory Business

CUSO Financial Services, L.P. ("CFS") provides financial planning and investment advisory services through individuals associated with CFS as Investment Advisor Representatives ("IARs") consistent with the individual clients' financial and tax status as well as risk/reward objectives. Since, 1997, CFS has been registered as an investment advisor ("RIA") with the Securities and Exchange Commission and a broker/dealer member of the Financial Industry Regulatory Authority ("FINRA"). CFS, as an investment advisory firm offers a Program (CUSO Asset Management, "CAM") through Envestnet Portfolio Solutions, Inc. ("Envestnet"), an unaffiliated RIA. CFS also offers the following advisory programs: CFS Asset Management Account, Financial Planning, First Mercantile Trust Company, FTJ FundChoice, AssetMark, Inc., Morningstar, Employer-Sponsored Retirement Plans, SEI and TIAA-CREF Investment Solutions.

CUSO Financial Services, LP ("CFS") is a California limited partnership and owned 100%, directly or indirectly, by Atria Wealth Solutions, Inc. ("Atria") a Delaware corporation. Atria is the sole limited partner of CFS, and Atria's wholly owned subsidiary, AWS 1, LLC, a Delaware limited liability company, is the sole general partner of CFS.

Total assets under management as of December 31, 2019 were \$2,724,357,728 (non-discretionary) and \$605,910,578 (discretionary).

### CUSO Asset Management Program ("CAM")

The CAM Program offers clients access to mutual fund, ETF, uniform managed accounts and separately managed accounts through Envestnet, a registered investment advisor. Envestnet acts in the capacity of service provider to the CAM Program and the discretionary Account Manager to the CAM Program excluding CAM Managers, CAM Strategists, and CAM Direct. As service provider, Envestnet monitors performance, provides statements, and generates research and analysis in relation to sub-advisor selection, when applicable. CFS acts as an investment adviser for CAM. For CAM Managers and CAM Strategists, Clients elect a third-party Portfolio Strategist available through Envestnet. For CAM UMA, the program offers the IAR the ability to construct a portfolio utilizing individual securities, Sub-Account Managers, Strategists and third-party model providers ("Model Providers") within a single account. The IAR is the Account Manager for this Program and Envestnet acts as overlay manager. For CAM SMA, this program makes available a broad array of investment strategies managed by third-party money managers (each, an "Account Manager"), which may include Envestnet acting as overlay manager to manage accounts using model portfolios provided by third party model providers.

In opening a CAM account, clients complete an Investment Strategy Report to provide the IAR with the client's necessary financial data including investment goals, income requirements, time horizon and risk tolerance. The IAR then assists the client in setting appropriate investment objectives and goals. The IAR will meet with the client periodically to determine whether the investment strategy should be modified or continued and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity or risk tolerance. Based on the information obtained, Envestnet will construct

and manage a portfolio for the client. Envestnet periodically monitors each client's portfolio and when deemed appropriate makes changes in both asset allocation and security selection. Client shall retain the ability to modify their investment strategy at any time.

Envestnet shall have unlimited investment discretion with respect to any changes to investments in the Program Accounts, within the parameters of the selected portfolio model. This includes discretion to adjust asset allocations and replace investments in the Program Accounts. All transactions in the Program Accounts shall be initiated by Envestnet. Subject to the limitations described in the client's responses to the Profile or other appropriate suitability analysis (including any reasonable restrictions the client may place on Program Account investments) the Account Manager shall have full authority to supervise and direct the investment of the monies contributed by client to the Program Account without prior consultation except as set forth below. CFS and its IAR's shall not have discretionary investment authority in the Program Accounts. In the CAM Direct account, the IAR will construct and manage a portfolio for the client on a non-discretionary basis. The IAR will periodically monitor each client's portfolio and when deemed appropriate will recommend changes in both asset allocation and security selection. The client must approve all transactions within a CAM Direct account. Alternatively, by executing an amendment to the CAM Direct account agreement, a client may elect to grant discretionary authority to the IAR.

There are several different CAM Programs available, each using a different investment vehicle as follows:

1. CAM Funds – This Program consists of a broad range of mutual funds.
2. CAM ETF- This Program consists of exchange traded funds ("ETFs").
3. CAM Index Plus- This Program consists of both mutual funds and ETFs. The IAR has a choice of model portfolios that contain recommended mutual funds and ETFs for each asset class.
4. CAM UMA- Eligible assets include general securities, including mutual funds, Exchange Traded Funds ("ETFs"), stocks, and bonds.
5. CAM SMA- Eligible assets include general securities, mutual funds, Exchange Traded Funds ("ETFs"), stocks, bonds. Mutual funds, if utilized, shall be purchased on a "no load" or a "load waived" basis through the Custodian.
6. ActivePassive Portfolios- This program consists of a series of third-party index mutual funds as well as one or more actively managed funds from the PMC Fund Family, a proprietary fund family of Envestnet. The IAR has a choice of approximately 14 allocation models.
7. CAM Third Party Strategists-This program consists of mutual funds and ETFs whereby one or more third-party asset managers acting as a Model Provider ("Strategists") construct an asset allocation and select the underlying investments.
8. CAM Direct - This is an IAR managed program consisting of various eligible securities listed below.

- a) Equities, convertible preferred securities, convertible bonds, shares of closed-end investment companies, UITs and American Depositary Receipts.
- b) Equity index options and equity options, and any warrants or rights on equities.
- c) Exchange Traded Funds.
- d) Front-end load fund shares that are transferred to but were not purchased in the CAM Direct Account.
- e) Cash, assets in deposit accounts that may be maintained or established by or for the Client, and money market fund shares.
- f) No-load fund shares or shares that have had the front-end load waived.
- g) Pre-approved limited liquidity REIT's, Business Development Companies (BDCs) and Alternative '40 Act Funds
- h) Fee Based Variable Annuities.
- i) Fixed income instruments such as U.S. Treasury and federal agency securities, corporate rate medium term notes and bonds, zero coupon bonds, commercial paper, municipal bonds, mortgage- backed securities and other collateralized mortgage obligations, non-convertible preferred securities, Market Linked CD's (MLCD's) and structured notes.
- j) Market Linked CD's (MLCD's) and structured notes.

CFS makes available various mutual fund share classes in the CAM Program. The mutual fund share classes include load-waived A shares, institutional class shares and advisor class shares. In some cases, a mutual fund may only offer load-waived A shares. However, another similar mutual fund may be available that offers institutional class shares or advisor class shares. In general, institutional class shares and advisor class shares are not subject to 12b-1 fees. As a result of the different expenses associated with the various mutual fund share classes, the fees may be greater in load-waived A shares versus institutional class shares or advisor class shares. To off-set these potentially higher fees, for any mutual fund position in your account that pays a 12b-1 fee, it will be credited to your account. For non-CAM Direct program accounts, the Account Manager is responsible for determining which share class of a mutual fund to invest in and will follow their own share class selection practices.

#### CFS Asset Management Account

CFS offers discretionary and non-discretionary asset management services based on the individual needs of the client. The CFS IAR completes a client investment suitability review and creates an asset allocation plan with the client. Once the proper allocation is determined, IARs can present the client with a wide range of investment vehicles designed to achieve their risk and allocation parameters. These investment vehicles may include no-load and load-waived mutual funds, exchange traded funds ("ETFs"), individual stocks, bonds and UITs. Trades in mutual funds and ETFs are handled by the IAR on a discretionary basis, and all other trades are non-discretionary and must be authorized by the client.

Various mutual fund share classes are available for purchase in the CFS Asset Management Account. The mutual fund share classes include load-waived A shares, institutional class shares and advisor class shares. In some cases, a mutual fund may only offer load-waived A shares. However, another similar mutual fund

may be available that offers institutional class shares or advisor class shares. In general, institutional class shares and advisor class shares are not subject to 12b-1 fees. As a result of the different expenses associated with the various mutual fund share classes, the fees may be higher in load-waived A shares versus institutional class shares or advisor class shares. To off-set these potentially higher fees, for any mutual fund position in your account that pays a 12b-1 fee, it will be credited to your account.

The asset allocation plan, along with the client's investment objectives, will guide the IAR in managing the client's account. IAR will provide at a minimum annual account reviews. Client will retain all rights of ownership on the account, including the right to withdraw securities or cash, vote proxies, and receive transaction confirmations.

### Financial Planning Services

CFS, through its IARs, provides financial plans and investment advice consistent with a client's financial status, investment objectives and tax status. IARs should have a current subscription to firm approved financial planning software. IARs will obtain the necessary financial data from the client to prepare the financial plan or provide investment advice. The financial plan may include information regarding asset allocation, budgeting and cash flow analysis, business succession planning, corporate 401(k) analysis, disability insurance, education planning, estate planning, investment objectives and goal setting, investment strategies, life insurance needs, long term care, major purchase planning, portfolio analysis, retirement income/longevity planning, retirement planning, risk management, and risk tolerance assessment. Client may receive a written financial plan from the IAR. In some instances, the financial plan may result in the IAR recommending to the client specific investment products.

IARs may also provide investment advice to clients with respect to assets held within a participant-directed retirement account held on a third-party platform as well as to other investment accounts held away from CFS. The services are provided by the IAR on a non-discretionary basis and may include initial investment selection and asset allocation recommendations. In addition, the IAR will meet periodically with the client to discuss whether the funds continue to meet the client's objectives and to recommend rebalancing transactions if necessary.

CFS is not licensed to engage in the practice of law or accounting and, consequently, will not offer legal or accounting advice when preparing the personal financial plan or providing financial advice. None of the fees for services under this program relate to legal or accounting services. If such services are necessary, it shall be the responsibility of the client to obtain them. Although the scope of services may include the IAR making specific investment product recommendations, the decision to implement any recommendations rests solely upon the client's approval. Clients are not required to implement their financial plan through CFS and may elect any broker/dealer.

### First Mercantile

Pursuant to an agreement between CFS and First Mercantile Trust Company, ("First Merc") CFS clients have access to First Merc's trustee, custodian and investment agent services for employer-sponsored retirement plans. CFS promotes and distributes First Merc services and assists clients in (i) completing

account documents, (ii) selecting and monitoring of the plan investments, (iii) reviewing investment reports and performance, and (iv) providing plan participants with retirement readiness education.

#### FTJ FundChoice

Pursuant to an agreement between FTJ FundChoice LLC, ("FTJFC") and CFS, FTJFC provides access to over 1700 no-load and load-waived mutual funds encompassing in excess of 200 fund families. IAR's have the ability to customize any investment portfolios and provide advisory services through the creation of model portfolios or in conjunction with investment strategists designed and monitored by leading institutional advisory firms. Through the use these consulting firms, model portfolios are created using a combination of investment strategies and asset class blends to attempt to meet the investor's desired rate of return while maintaining an acceptable level of risk.

#### AssetMark, Inc.

AssetMark, formerly Genworth, offers consulting services for mutual funds and exchange traded funds (ETFs) as well as AssetMark's Privately Managed Accounts. The CFS IAR obtains the necessary financial data from the client, assists the client in determining suitability of asset management and assists the client in setting the appropriate investment objective.

Mutual Funds and ETFs-AssetMark has established relationships with independent investment management firms (the Strategists), to create a variety of strategic asset allocation model portfolios (Models) comprised with mutual funds (both independent and affiliated) and ETFs. The Strategist will select and monitor the performance of the mutual funds and ETFs in their Models and will periodically adjust and rebalance the portfolios in accordance with their investment strategies.

The Strategists are selected by AssetMark to provide a wide range of investment options. Each Strategist will provide a range of Models corresponding to a specific risk-return profiles ranging from conservative to aggressive. The Models will be generally rebalanced quarterly. Any proprietary AssetMark funds will be fully identified when the client is making their model selection.

Privately Managed Accounts-Additionally, AssetMark may offer Privately Managed Accounts, in which clients will engage AssetMark to act as an overlay manager. In this situation, AssetMark will contract with institutional investment management firms (Sub-Advisors) to provide model portfolios of individual securities. As overlay manager, AssetMark has limited discretionary authority to execute transactions on behalf of clients to track the model portfolios, provide tax management transactions, or to implement client-requested restrictions.

Clients will retain discretion to choose the Models, mutual funds and ETFs for their account, and will have the opportunity to periodically rebalance their portfolio, and to change investment components within the selected Models. All transactions will be effected automatically through software administered by AssetMark.



## Morningstar

The Morningstar Program offers client's access, through CFS IARs, to Morningstar Investment Services ("MIS") an unaffiliated investment advisor. The primary purpose of MIS' investment adviser operations is to provide discretionary investment advice on portfolios consisting of no-load and load-waived open-end mutual funds and/or exchange-traded funds ("Funds"). MIS delegates certain services to the CFS IAR such as assisting each client in completing a questionnaire and/or other applicable account opening forms for determining suitability. The questionnaire helps in determining such things as client risk tolerance, investment objectives, and financial goals and identifies any reasonable restrictions that clients wish to place on the management of their account assets. Additionally, the CFS IAR will meet periodically with clients to obtain any changes in their financial situation and acting as liaison.

Pursuant to the discretionary authority granted by the client to MIS, MIS initiates transactions in fund shares to rebalance and/or to reallocate account assets to be consistent with the client's selected portfolio and restrictions, if any, and as frequently as MIS deems necessary. The CFS IAR will not have discretion.

## Employer-Sponsored Retirement Plan Services

CFS, through its IARs may provide investment advisory services to business owners, tax-exempt nonprofit organizations and their employees with regard to their employer-sponsored retirement plans. These retirement plans may include but are not limited to the following: SEP & SIMPLE IRA, 401(k), 403(b), 457(b), 457(f), Profit Sharing, Cash Balance, Defined Benefit and Deferred Compensation plans. Investment advisory services are generally provided in tandem with bundled or unbundled third-party retirement plan providers who are unrelated to CFS and under separate contract with the employer.

The IAR accepts their responsibility as a Fiduciary with regard to the services and actions they perform that fall within the definition of "Retirement Investment Advice" as defined by the Department of Labor.

Services provided to business owners and tax-exempt nonprofit organization may include:

- Assist with securing administrative/ record-keeping services with the retirement plan provider of their choice.
- Assist with securing the services of a third-party 3(21) or 3(38) Investment Fiduciary for the selection and ongoing monitoring of Plan investments.
- Assist with the business owner's or tax-exempt nonprofit organization's periodic review of the Plan's investments (performance and objectives). This may include assistance with interpreting and reviewing plan related reports and disclosures provided by third-party investment fiduciaries and/or retirement plan providers.
- Assist with employer-scheduled group employee plan enrollment, periodic re-enrollment (if applicable) and related activities when new employees are hired and/or become eligible to participant in the Plan.

Services provided to the business owner's or tax-exempt nonprofit organization's employees may include the following:

- Provide guidance and support with regard to increasing their level of retirement readiness with the goal of achieving a successful retirement outcome by participating in their employer-sponsored retirement plan.
- Conduct periodic group educational meetings to acquaint and reinforce the ideals and prudent practices of saving for retirement.
- Act as a resource. Be available on an ongoing basis to address investment and Plan related questions and concerns.
- Provide assistance with personal risk tolerance assessments and corresponding evaluation of available investment options for the purpose establishing an appropriate asset allocation.

Please note that Plan participants will self-direct their own investment accounts. Neither CFS nor the IAR will have any discretionary trading authority and may not be involved in directing or placing any transactions on behalf of Plan participants.

Additionally, neither CFS nor the IAR, in the performance of the above noted services, will assume any responsibilities related to duties of the plan trustee, responsible plan fiduciary, plan sponsor, plan administrator or have any discretion over the operation of the plan or any responsibilities to interpret its provisions or definitions.

#### SEI

SEI is an independent and unaffiliated third-party custodian. CFS acting as the investment advisor may use the SEI Asset Management Program. Clients may invest in SEI mutual fund models, ETF models and separately managed accounts. In the SEI Management Program, CFS (i) assists clients in completing a suitability questionnaire, (ii) educates the clients about SEI asset allocation investment styles, (iii) recommends an appropriate allocation of SEI model portfolios and (iv) provides ongoing client assistance in monitoring performance. Clients retain the authority to change the portfolio selected.

#### STAR™ Program

The Partnervest Advisory Services ("Partnervest") STAR Program is no longer available to new clients. The following is provided for existing STAR clients. STAR stands for "Strategic Tactical Allocation Risk" and denotes the general attributes of each STAR program. Descriptions and fees for STAR products previously offered through CFS are provided below. Although STAR differs in their specific approach, the programs invest in a variety of securities predominately Exchange Traded Funds ("ETF"s) and mutual funds. STAR accounts are managed by Partnervest and their subadvisor: Anfield Capital Management, LLC on a discretionary basis. Neither CFS nor the IAR will have trading discretion. All CFS clients opening a STAR account will also receive a copy of the Partnervest Form ADV Part 2A, or relevant substitute disclosure document. Please refer to Item 8 below and the Partnervest disclosure document for further information about the STAR program.

### TIAA-CREF Investment Solutions IRA

CFS, through its IARs, offers investment advisory services to eligible clients provided through TIAA-CREF's Investment Solutions IRA platform. Traditional, Roth and SEP IRA contracts may be established. The CFS IAR completes an asset allocation questionnaire and a Financial Planning and Investment Advice Agreement/Traditional, Roth and SEP IRA Accounts. The IAR creates an asset allocation plan for the client. Once the proper allocation is determined, IARs can present the client with mutual funds (front-end load waived index funds), variable annuities and fixed annuities within the platform. All trades are handled on a non-discretionary basis.

### Digital Investment Program

CFS offers an automated investment program (the "Program") through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds and mutual funds ("Funds") and a cash allocation. The client may instruct us to exclude up to three Funds from their portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co"). We use the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, "Schwab"). CFS, and not Schwab, is the client's investment advisor and primary point of contact with respect to the Program. CFS is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the "System").

The System includes an online questionnaire that can help us determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that, if we use the online questionnaire, we will recommend a portfolio via the System in response to the client's answers to the online questionnaire.

CFS charges clients a fee for our services as described below under Item 5 Fees and Compensation. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client's brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in

the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution. We do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at CS&Co. that are not enrolled in the Program. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients' assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with CS&Co.

## **Item 5 – Fees and Compensation**

Advisory fees are subject to negotiation. CFS retains a portion of the advisory fee and pays a portion to the IAR managing the account and the IAR's financial institution, if applicable.

Specific program fees are discussed below. Note that advisory fees may be higher or lower than the Program's listed fees depending on the client's unique circumstances. The fee charged by CFS is established in a client's written agreement with CFS. Depending on the Program selected, fees will be billed on a monthly or quarterly basis in advance or arrears. All fees are specified in the Program advisory agreement. For accounts where Pershing serves as the custodian and for Participant Directed Retirement Accounts held on a third-party platform, clients will be billed directly for fees by authorizing CFS to directly debit fees from client accounts. For other custodians, the Client authorizes the custodian to deduct the advisory fees from the Client's account.

Advisory fees are prorated for each deposit and withdrawal made during the applicable calendar month or quarter (with the exception of de minimis contributions and withdrawals). Accounts opened or terminated during a calendar month or quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Accounts may be terminated by providing written notice to CFS.

Certain programs require the client to pay account fees and transaction fees where noted below. CFS's advisory fees are separate from and in addition to any account fees and other related costs and expenses incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisors and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

When Pershing is the custodian and executing broker/dealer, CFS receives a portion of the following client fees: outgoing transfers, wired funds, stop payments, direct registration of securities, statement and confirm fees, margin extensions, ticket charges, IRA maintenance and termination fees, as well as asset-based fees on money market positions, uninvested cash balances, margin balances and cash sweeps to bank accounts. The receipt of these fees represents a conflict to CFS. To mitigate this conflict, the IAR

does not receive a portion of these fees and CFS does not require IARs to recommend advisory programs custodied with Pershing.

In addition to the investment advisory fees, transaction charges and account fees, accounts will also incur certain charges imposed by third parties in connection with investments made through the program. These will include, but are not limited to, the following: Mutual fund or money market 12b-1 and/or service fees; mutual fund, money market or ETF management fees and administrative expenses; mutual fund transaction fees, other transaction charges and service fees; IRA and qualified plan fees, and other charges required by law. CFS receives a portion of some of these fees. The IAR will not receive a portion of these fees. For any mutual fund position in your account that pays a 12b-1 fee to CFS, it will be credited to your account. Further information regarding charges and fees assessed by a mutual fund are available in the appropriate prospectus.

As noted above, mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges and fees are exclusive of and in addition to CFS's fee, and CFS does not receive any portion of these fees. Clients may generally avoid advisory and brokerage fees by purchasing funds directly from a fund family and not receiving investment advice.

Variable annuities also charge mortality, expense and administrative charges, fees for additional riders purchased by client on the contract, and charges for excessive transfers within a calendar year if imposed by the variable annuity sponsor.

A customized program account may cost the client more or less than purchasing program services separately. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include: the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client related services provided to the account.

The costs associated with a program account may be more than costs associated with a traditional brokerage account arrangement where the client pays a commission for each transaction but does not receive ongoing investment advice. This is particularly true for clients that intend to have a low number of transactions or follow a buy-and-hold approach. If the client intends to follow a buy and hold investment strategy or does not wish to receive ongoing investment advice or management services, the client should consider opening a commission-based brokerage account rather than an advisory account.

In advisory accounts, the client is paying for ongoing investment advice from the IAR. The IAR recommending a program account to the client receives a portion of the advisory fee as a result of the client's participation in the program. In some circumstances, this compensation will be more than what the IAR would receive if the client participated in brokerage accounts available through CFS and the IAR. As a result, if compensation would be more in recommending a program account than a brokerage recommendation, there would be a financial incentive to recommend advisory programs or services over brokerage programs or services. Notwithstanding, CFS and its IARs take their responsibility to clients

seriously, and will recommend an advisory program or service to a client only if it is believed to be in the client's best interest.

The compensation to the IAR also varies between advisory programs and services. Therefore, there is a financial incentive to recommend one advisory program or service over other advisory programs or services. As stated above, recommendations will be made based on the best interests of the client and not based on the potential compensation to be received. Certain advisory programs will also offer the ability to household eligible accounts for a lower fee-schedule. If a client has multiple accounts and/or immediate family members with accounts who reside at the same legal address, they may be eligible to household. Households are established through the IAR and must be requested by the client. Neither CFS nor its IAR are responsible for identifying eligible accounts. CFS and its IARs earn higher fees if clients elect not to household eligible accounts where available. CFS addresses this conflict of interest by disclosing it to clients so that they may discuss the program fee and any potential fee reduction available through house-holding with their IAR.

In most circumstances, IARs are also registered representatives with CFS. In such capacity, he or she may sell securities through CFS and receive normal and customary commission as a result of purchases and sales as well as 12b-1 fees from mutual funds held in client accounts. To the extent that the IAR recommends that a client invest in a security, which results in a commission being paid to IAR in their capacity as a registered representative, and then recommends the security be moved to an advisory account, this represents a conflict of interest. CFS conducts ongoing reviews of IAR commissions and advisory fees to ensure suitability for source of funds for new advisory deposits. The focus of the review includes the IAR's past compensation on the advisory assets.

There is a conflict of interest regarding rollovers. More specifically, upon reaching a distributable event, a plan participant may decide to liquidate and withdraw funds from their employer-sponsored retirement plan account and rollover the proceeds to an IRA. Given the existing relationship, it would not be uncommon for a plan participant to naturally seek the assistance of the Plan's associated financial advisor/IAR to affect the rollover. A conflict of interest exists because the compensation that CFS shares with the IAR related to the IRA, will be higher or lower than if the money remained in the retirement plan. As a result, it can be construed that CFS and its IAR will have a financial incentive to recommend one service or investment vehicle over another. As a result, a plan participant should also include in their rollover decision making process a thorough review of all options presented when reaching a distributable event; for example (i) Remain invested under the plan (generally, if balance is \$5,000 or greater), (ii) Transfer Plan assets to a new employer-sponsored retirement plan (if applicable), (iii) Transfer plan assets to an IRA with a financial institution, or (iv) Withdraw assets directly which would be subject to federal and applicable state and local taxes and possibly be subject to the IRS penalty of 10% if under age 59 ½.

#### CAM Fees

CAM clients pay an annualized fee ("Account Fee"), divided into monthly payments not to exceed 2.3% annually, based upon the type of CAM account and the total assets under management (AUM) within the CAM account. The Account Fee is composed of a Program Fee, which is shared between CFS, Envestnet,

and Pershing, and an IAR Fee which shared between CFS, the CFS IAR and the CFS IAR's financial institution, if applicable. Please refer to the CAM account descriptions and Account Fee below for more information. In addition, the Account Fee is detailed in the Statement of Investment Selection signed by the client at account opening. There is also a statement surcharge fee of \$0.75 cents per statement plus a \$5 confirm fee both of which do not apply if the client opts for paperless statements/confirmations.

Although clients do not pay a charge for transactions in the CAM Program, CFS pays a fee to Pershing for most transactions in a client's Program account. The transaction charges vary based on the type of transaction (e.g., mutual fund, equity, options, etc.). This charge is paid by CFS and not the IAR on the account.

Any Strategists fees related to the CAM Strategist program are separate from and in addition to the Account Fee and are assessed directly by the Strategists to a CAM account in accordance with their respective billing terms. These fees are detailed in the fee schedule and/or Form ADV Part 2A disclosure brochure and are not determined by CFS.

The fees and charges of any Sub-Account Manager are paid to them from the Total Annual Account Fee listed in the client Statement of Investment Selection. Sub-Account Manager fees vary based on the selection of specific Sub-Account Managers and the Account assets allocated to the Sub-Account Manager. Sub-Account Manager fees range from 0.15% to 1.00% depending on the asset class, asset style managed, Program Account asset value and other factors. This variation in payments will occur between Sub-Account Managers across investment strategies as well as within an investment strategy.

If the Client's assets are allocated to the UMA or SMA Program, any change in the portfolio allocation, including a change in Sub-Account Manager, will impact the total fee paid by the Client. Any such change will affect only the compensation paid to the new Sub-Account Manager, and not any of the other parties to this Agreement. Additionally, SMA Managers, Sub-Managers or Envestnet can elect to execute trades at broker/dealers other than Custodian for some or all of their transactions or investment styles. This is frequently referred to as "trading away" or "step out trades". Clients who select such managers or participate in the SMA or UMA are subject to any transaction charges or other charges, including commissions, mark-ups, mark-downs, or other additional trading costs that can be imposed by the executing broker/dealer. Those costs are in addition to your program fees and will be included in the net price of the security. Such costs will not be reflected as a separate charge on your trade confirmation or account statements.

For all **CAM 3<sup>rd</sup> Party Strategists, CAM Funds, CAM ETF, and CAM Index Plus** Program accounts, you will pay the following standard fees:

CFS Program Fee: Up to 0.30% of account assets

IAR Fee: Up to 1.70% of account assets

For all **CAM UMA** Program accounts, you will pay the following standard ranges:

CFS Program Fee: Up to 0.30% of account assets

IAR Fee: Up to 1.10% of account assets

Manager Fee: Up to 0.75% of account assets

For all **CAM SMA** Program accounts, you will pay the following standard ranges:

CFS Program Fee: Up to 0.28% of account assets

IAR Fee: Up to 1.10% of account assets

Manager Fee: Up to 0.75% of account assets

For all **ActivePassive Portfolios** Program accounts, you will pay the following standard ranges:

CFS Program Fee: Up to 0.05% of account assets

IAR Fee: Up to 1.75% of account assets

For all **CAM Direct** Program accounts, you will pay the following standard ranges:

CFS Program Fee: Up to 0.25% of account assets

IAR Fee: Up to 1.70% of account assets

The total fee that you will pay will be the combination of the CFS Program Fee, the IAR Fee, and the Manager Fee (if applicable).

The Account Fee is negotiable with minimums and is payable monthly in arrears based on the average daily balance of the aggregate client accounts during the preceding calendar month. For purposes of calculating Account Fees and providing performance reports, the account month begins on the day on which the account is funded. The initial Account Fee is due at the end of the calendar month following execution of the CAM Investment Advisory Agreement and may include a prorated fee for the initial quarter. Subsequent Account Fee payments are due and assessed at the end of each month based on the average daily value of the assets under management as of the close of business on the last business day of that month as valued by an independent pricing service, where available, or otherwise in good faith reflected on the client's quarterly performance report.

#### CFS Asset Management Account Fees

Eligible Assets	Annual Maximum Fee
Equities, ETFs, MF, Options, UITs	1.5%
Fixed Income, Cash, Money market	



The Program Fee will be paid monthly in arrears, based on the market value of Eligible Assets in the Program. The fee will be calculated as follows:

The minimum annual Program Fee under this Program is \$125.00. Client may pay an effective rate that is greater than the rate specified in the annual Program Fee schedule above. For purposes of computing the Program Fee, the value of Eligible Assets shall be determined in good faith by CFS to reflect their estimated fair market value. CFS uses value of trade date for positions in the Program when determining the fee. Short market positions in Eligible Assets will be valued by determining the equivalent long market position. The Program Fee will be based on the value of Eligible Assets, including any Eligible Assets purchased on margin. Interest on any margin debt incurred by Client is in addition to the Program Fee.

Additional fees include a statement surcharge fee of 75 cents per statement plus a \$5 confirm fee both of which do not apply if the client opts for paperless statements/confirms. Other administrative or miscellaneous account fees may be assessed such as an annual IRA fee plus certain other fees for products and services that are not included in the Program.

Although clients do not pay a charge for transactions in the Program, client should understand that CFS pays a fee to Pershing for each transaction in a client's Program account. The transaction charges vary based on the type of transaction (e.g., mutual fund, equity, options, etc.) The fact that CFS, and ultimately, it's IAR, is responsible for the cost of the transaction charge is a conflict of interest. Clients should understand that the cost of the transaction charges may be a factor that IAR considers when deciding which securities to trade on a discretionary basis or recommend and how frequently to trade or recommend transactions in a client's account. To mitigate this conflict, CFS monitors Program accounts to ensure appropriate advisory services, including transaction activity, are being provided.

#### Financial Planning Fees

Fees and services for financial planning are agreed upon with the client prior to the commencement of the planning process. Fees for financial planning services depend upon the scope and complexity of the financial plan and may be a flat fee or an hourly rate. Unless otherwise approved in advance by the CFS Compliance Department, the maximum hourly rate may not exceed \$250 per hour and the maximum flat fee may not exceed \$10,000 within a 12-month period. In limited circumstances, CFS may also agree to charge an asset-based fee. Fees for services are specified in the client's Financial Planning/Investment Advice Profile (Schedule A). Considerations for establishing fees depend upon (i) the complexity and number of financial planning reports, (ii) the complexity of the client's investment goals and circumstances, (iii) the amount and complexity of custom documents for the IAR to review in order to complete the financial plan, and (iv) the total amount of assets involved in the client relationship.

Fees for financial planning services are negotiable and charged as services are agreed upon or rendered. Fees for financial planning service should be paid by check made payable to CUSO Financial Services, L.P. Other arrangements for paying fees include paying in advance, deducting from an account where CFS is the broker/dealer, or through monthly or quarterly installments. Financial Planning services may be terminated upon written notice without penalty. Any unearned portion of fees paid in advance will be refunded upon termination.

The financial plan or investment advice may include generic recommendations as to general types of investment products or specific securities, which may be appropriate for the Client to purchase given his financial situation and objectives. The Client is under no obligation to purchase such securities through CFS and the IAR in his/her capacity as a registered representative of CFS. However, if the Client desires to purchase securities or advisory services in order to implement the financial plan, this may result in the payment of normal and customary commissions or advisory fees to CFS and the IAR. To the extent that the IAR recommends that the Client invest in products that will result in compensation being paid to the IAR, this is a potential conflict of interest. CFS conducts periodic reviews of the IARs commissions received from financial planning clients to ensure that all fees and compensation are reasonable.

#### Participant Directed Retirement Account Fees

A quarterly fee on assets under management will be assessed by CFS to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter. The fee may be assessed to one account if multiple accounts exist.

The fees are based on a flat rate with a maximum Fee of 1.5% or on a sliding scale below:

Account Balance	Max Fee
\$0-\$500,000	1.50%
\$500,001-\$1,000,000	1.25%
Over \$1,000,000	1.00%

#### First Mercantile

Fees range from .40%-1.49% based on the Trust Fund Model selected.

#### FTJ FundChoice

For all **FTJ FundChoice** Program accounts, you will pay the following standard ranges:

Program Fee: Up to 0.45% of account assets

IAR Fee: Up to 1.70% of account assets

ETF Trading and Custody Fee: Up to 0.20% of account assets

The total fee that you will pay will be the combination of the Program Fee, the IAR Fee, and the ETF Trading and Custody Fee (if applicable). \*

\*Annual Account Maintenance Fee per Account w/ Electronic Delivery \$25.00

\*Annual Account Maintenance Fee per Account w/ Mailed Statements \$50.00

### AssetMark

A quarterly fee on assets under management will be assessed by CFS to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged in advance on the aggregate account balance at the end of each calendar quarter. If the program selected includes only AssetMark or their affiliate's proprietary mutual funds, there is no Program Fee since AssetMark will receive a management fee from the underlying funds. In addition to the below fees, the account will also be charged a custodian fee the amount of which varies per custodian. The custodian fee may be a fixed amount ranging from 0-\$250. Other custodians charge a percent of assets under management ranging from 0-.28%.

For all **AssetMark** Program accounts, you will pay the following standard ranges:

Program Fee: Up to 0.90% of account assets

IAR Fee: Up to 1.45% of account assets

Manager Fee: Up to 0.60% of account assets

The total fee that you will pay will be the combination of the Program Fee, the IAR Fee, and the Manager Fee (if applicable).

### Morningstar

A quarterly fee on assets under management will be assessed by CFS to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged on the aggregate account balance at the end of each calendar quarter. Mutual fund models are custodied at BNY and charge fees quarterly in arrears. The ETF and Stock Portfolios are custodied at Fidelity and charge quarterly fees in advance.

#### Mutual Funds

For all **Morningstar** Mutual Fund Program accounts, you will pay the following standard ranges:

Program Fee: Up to 0.40% of account assets

IAR Fee: Up to 1.10% of account assets

The total fee that you will pay will be the combination of the Program Fee and the IAR Fee.

## ETF Portfolio

For all **Morningstar** ETF Portfolio Program accounts, you will pay the following standard ranges:

Program Fee: Up to 0.30% of account assets

IAR Fee: Up to 1.10% of account assets

The total fee that you will pay will be the combination of the Program Fee and the IAR Fee. \*

\*Annual Minimum MIS Advisory Fee: \$150

## Select Equity Portfolio

For all **Morningstar** Select Equity Program accounts, you will pay the following standard ranges:

Program Fee: Up to 0.55% of account assets

IAR Fee: Up to 1.10% of account assets

The total fee that you will pay will be the combination of the Program Fee and the IAR Fee. \*

\*Annual Minimum MIS Advisory Fee (Custom Series): \$1,375

\*Annual Minimum MIS Advisory Fee (Strategist Series): \$550

## Employer-Sponsored Retirement Plan Services

The IAR will be paid an advisory fee as agreed upon by the business owner or the tax-exempt nonprofit organization based upon the total assets in the retirement plan. Depending on the program, Advisory fees may be paid directly by the employer or deducted quarterly in advance or arrears from participant accounts on a pro-rata basis. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. If deducted from participant accounts, the third-party record-keeper would typically facilitate the deduction of those fees and remit those to CFS (RIA). The IARs advisory fee is based on an annualized percentage of total plan assets with a maximum fee of 1.00% per year as shown below.

Total Plan Assets	Max Fee/Year
\$0-\$500,000	1.00%
\$500,001-\$1,000,000	0.75%
Over \$1,000,000	0.50%

## SEI – Mutual Funds, ETF and SMA

With the exception of accounts under the SEI Wealth Platform, a quarterly fee on assets under management will be assessed by CFS to the client's account or accounts based on the Fee Schedule below. Accounts under the SEI Wealth Platform will be assessed a monthly fee instead. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter or month, as applicable. SEI does not charge a program fee on their mutual fund portfolios since they are using their own proprietary fund family within their models.

Maximum Fee	Amount Invested
1.90%	For the first \$1 Million assets under management
1.10%	For the next \$2 Million assets under management
1.00%	For the next \$2 Million assets under management

## STAR™ Program

### STAR IV Managed Collar and Covered Call

Amount Invested	Maximum Fee
All Assets	2.00%

In addition to the Fees, STAR accounts will pay a transaction charge to the custodian to cover the cost of trade execution. Neither the IAR nor Partnervest will receive any portion of the transaction charges. CFS receives a portion of these fees. The transaction charges are as follows:

Trade Execution	Transaction Charge
Equities	\$15.00
Options	\$15.00 plus \$0.75/contract
Fixed Income	\$30.00
Mutual Funds	\$14.00
Mutual Fund Surcharge	\$10.00
Mutual Fund Exchanges (per trade) / Systematics	\$5.00 / \$2.00
Short Term Redemption Fee	\$50.00
Foreign Securities	\$85.00

The Mutual Fund Surcharge applies to a transaction in any mutual fund where Pershing as custodian does not receive networking fees. This is in addition to the transaction charge noted above for Mutual Funds.

STAR accounts without any transactions during a 12-month period based on anniversary will also be responsible for paying an annual inactive account fee of \$25.00 for accounts holding solely mutual funds and \$50.00 for accounts holding a combination of mutual funds and other securities. There is also a statement surcharge fee of 75 cents per statement plus a \$5 confirm fee both of which do not apply if the client opts for paperless statements/confirmations.

#### CFS Margin Interest Rates

Margin Account Balance	CFS Margin Interest Rates
Less than \$9,999.99	2.75% above Base Lending Rate
\$10,000 to \$29,999.99	2.00% above Base Lending Rate
\$30,000 to \$49,999.99	1.50% above Base Lending Rate
\$50,000 and up	0.75% above Base Lending Rate

Advisory programs offer varying pricing structures, which may or may not result in a higher fee to the client. For additional program information, please refer to Item 12 – Brokerage Practices.

#### TIAA-CREF Investment Solutions IRA

A quarterly fee on assets under management will be assessed by CFS to the client's account(s) based on the Fee Schedule below. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter. The total fee for all assets under management may be charged to one account if multiple accounts exist.

The fees are based on a flat rate with a maximum Fee of 1.5% as referenced below:

Account Balance	Max Fee
\$0-\$500,000	1.50%
\$500,001-\$1,000,000	1.25%
Over \$1,000,000	1.00%

### Digital Investment Program

The annual fee for management within the account is an asset-based fee of 0.10% (the “Fee”). The Fee is prorated and billed on a calendar quarter basis, in advance, based upon the account value on the last business day of the quarter. The initial Fee will be billed immediately based on the initial account value prorated for the remainder of the quarter. The Fee will be deducted directly from the Program account.

As described in Item 4 Advisory Business, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client’s brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain

Schwab Funds and Laudus Funds) in the client’s brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

### **Item 6 – Performance-Based Fees**

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

### **Item 7 – Types of Clients**

CFS provides portfolio management services to individuals, corporate pension and profit-sharing plans, charitable institutions, corporations, foundations, endowments, and trusts.

#### Minimum Account Size

None	First Mercantile, Ascensus, Financial Planning, SEI Mutual Funds
\$5,000	Digital Investment Program
\$25,000	CAM Direct, CAM ActivePassive Portfolios, STAR II Conservative Income, STAR II VEGA Core Plus
\$50,000	CAM Funds, CAM ETF, CAM Index Plus, AssetMark Mutual Funds, Morningstar, PFG STAR II, AssetMark ETFs, PFG STAR III Alpha, SEI ETF

\$100,000	CAM UMA and CAM SMA
\$250,000	SEI SMA, PFG STAR III VEGA, CFS Asset Management Account, Asset Mark GPS
\$500,000	STAR IV
Varies by Manager	CAM 3rd Party Strategist

Minimum account size for CAM Strategists vary by strategist starting as low as \$25,000. CFS, in its discretion, may decide to waive the minimum account sizes stated above. CAM Direct should not be used for day trading or other high volume or extremely speculative trading activity, including, without limitation, excessive options trading or trading in mutual funds based on market timing. If CFS, in its sole discretion, determines that the trading activity in a CAM Direct Account is excessive, CFS reserves the right to restrict trading or terminate the account.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### **Analysis and Strategies**

Advisors and IARs may utilize varying techniques in formulating investment advice or managing assets for clients. Advisors may use either a fundamental or technical method for analyzing investments. Fundamental analysis means that the overall business is considered by reviewing a business' financial statements and financial health, its management and competitive advantages, and its competitors and markets. Technical analysis is an investment analysis discipline that attempts to forecast the direction of prices through the study of historical trends in past market data, primarily price and volume. Note that past performance does not guarantee future results.

Advisors and IARs may also consider the overall economy, both domestically and globally, when selecting specific investments and making asset allocation decisions, as well as consider current and recent market levels and volatility. The types of sources of data include, but are not limited to, financial newspapers and magazines, economic and market research materials, research and model information created by third party advisors or service providers, conference calls hosted by mutual funds, corporate ratings services, annual reports, prospectuses, and company press releases.

The third-party managers and sources of information determine the method and source of their analysis and investment strategies. Please refer below and to the ADV brochure for the third-party managers for more information.



## CAM

IARs obtain detailed financial and other pertinent data from clients. This assists in determining the appropriate investment strategy for the account.

## CAM Direct

IARs obtain detailed financial and other pertinent data from clients. This assists in determining the appropriate investment strategy for the account. Security analysis methods, sources of information with respect to securities, and investment strategies for CAM Direct are determined by CFS IARs. In some cases, the IAR may purchase research and model information from third party investment advisors.

The following identify some of the risks associated with various investments available within the CAM Direct account:

### Options

Clients may elect to purchase and sell equity options and/or equity index options within the CAM Direct account. All CAM Direct accounts that wish to invest in options of any type must be approved for option trading in advance of any option transactions. Buying and selling options entails additional risks. These risks will be disclosed in writing to clients prior to signing an option approval form to receive approval for options. Clients should fully understand and agree to the risks associated with the type of option transactions that they will authorize in the CAM Direct accounts prior to signing the option approval form.

### Exchange Traded Funds

ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market. An ETF is only as good as the index it tracks. Equity-based exchange traded funds are subject to risks similar to those of stocks; fixed income-based ETFs are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Foreign investments have unique and greater risks than domestic investments.

### Structured Products

Clients may also elect to purchase structured products within the CAM Direct account. Structured products are securities derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. Structured products have a fixed maturity, but typically contain two components – a note and a derivative (which may be an option). Structured products are issued by financial institutions, such as investment banks, and

are senior, unsecured debt of the issuing institution. As such, structured products are subject to the credit worthiness of the issuer even if they are structured to offer principal protection, and any payments due at maturity are dependent on the issuer's ability to make payment. In addition to this credit risk, other risks of investing in structured products include, but are not limited to, liquidity risk, limitations on upside participation, and the tax treatment may be different from other investments in the CAM Direct account.

### Financial Planning Services

CFS, through its IARs, provides financial plans and investment advice consistent with a client's financial status, investment objectives and tax status. IAR will obtain the necessary financial data from the client to prepare the financial plan or provide investment advice.

### First Merc

First Merc establishes and maintains collective trust funds for retirement plans. First Merc provides the Asset Allocation Models and periodically rebalances the funds to target specific weightings. Neither CFS nor First Merc has discretion over client assets.

### AssetMark

AssetMark has established relationships with independent investment management firms (the Strategists), to create a variety of strategic asset allocation model portfolios (Models) comprised with mutual funds (both independent and affiliated) and ETFs. The Strategist will select and monitor the performance of the mutual funds and ETFs in their Models and will periodically adjust and rebalance the portfolios in accordance with their investment strategies.

The Strategists are selected by AssetMark to provide a wide range of investment options. Each Strategist will provide a range of Models corresponding to a specific risk-return profiles ranging from conservative to aggressive. The Models will be generally rebalanced quarterly. Any proprietary AssetMark funds will be fully identified when the client is making their model selection.

Additionally, AssetMark may offer Privately Managed Accounts, in which clients will engage AssetMark to act as an overlay manager. In this situation, AssetMark will contract with institutional investment management firms (Sub-Advisors) to provide model portfolios of individual securities. As overlay manager, AssetMark has limited discretionary authority to execute transactions on behalf of clients to track the model portfolios, provide tax management transactions, or to implement client-requested restrictions.

### Morningstar

Morningstar assembles portfolios by analyzing Funds using quantitative analyses and screening techniques. The foundation of the MIS Program is a range of asset allocation portfolios strategically built to meet different investment time horizons and risk levels ("Asset Allocation Strategy"). Each Asset Allocation Strategy strives to achieve long-term risk and return objectives through diversification among

multiple asset classes. Examples of Asset Allocation Strategy portfolios are Conservative, Income and Growth, Moderate Growth, Growth and Aggressive Growth.

#### Employer-Sponsored Retirement Plans

CFS, through its IARs will provide investment advisory services to business owners, tax-exempt nonprofit organizations and their employees. Investment advice will be tailored to meet the objectives of the “plan” as dictated by the responsible plan fiduciary or tailored to meet the investment objectives and risk tolerance of the Plan participants.

The final decision as to which mutual funds to offer in the Plan to participants is the responsibility of the Employer Plan Sponsor. Neither CFS nor the IAR have any discretionary trading authority.

#### SEI

SEI provides asset allocation advice to Clients based on the financial objectives, investment objectives, risk tolerance and investment restrictions of the Client. SEI uses a proprietary asset allocation model to make its recommendation. The model uses estimates developed by SEI of the long-term rates of return, volatility and correlations of various asset classes. SEI also provides comparisons of performance to relevant benchmarks. Client's assets are invested in pooled investment vehicles, including the SEI Funds, and collective funds and partnerships to which affiliates of SEI Investment Management Corporation provide services or are separately managed by other registered investment advisers who have contracted with SEI. SEI performs quarterly rebalancing based on standard variances.

#### STAR<sup>TM</sup> Program

STAR is no longer available to new investors. The following is provided for existing STAR clients and describes the investment strategy and methodology used by Partnervest, and its subadvisors in managing assets within each of the various STAR<sup>TM</sup> programs. For further information, client should refer to the Form ADV Part 2A or other relevant disclosure document for Partnervest.

##### *STAR<sup>TM</sup> II – Model Portfolios*

There are four STAR II Model Portfolios available: Conservative; Balanced; Moderate Growth and Conservative Income MORE. Based on the client’s investment objectives, time horizon, and risk tolerance, Partnervest determines an appropriate mix of asset classes and investment styles. The resulting model provides target ranges for each asset class or investment style. A wide variety of securities may be used in each investment style, including potentially, no load or load-waived mutual funds, Exchange Traded Funds (ETFs), individual equities, fixed-income securities, and other securities.

The securities are sorted and ranked according to Partnervest’s investment model comprising several criteria which may include: rates of return, fund inception, correlations, Sharpe Ratio, maximum drawdown, standard deviation, and other factors. Portfolio allocations are dynamic and can vary depending upon several factors, including client needs and circumstances, market conditions, and other factors. Partnervest uses a

tactical asset allocation to obtain a Mean-Variance optimization and identify the optimal portfolios on the efficient frontier curve. Partnervest then selects the proper mix of the asset classes.

#### *STAR II Conservative Income*

The STAR II Conservative Income program incorporates the basic STAR II program outlined above but refines it so that the strategy's focus is to maximize short term current income, consistent with preservation of capital and need for liquidity. The portfolio consists of actively managed short term fixed income ETF's with tax advantages and inflation protection. The duration of the Conservative Income portfolio is very short term and is designed to attempt to adjust quickly to a rise in interest rates. ETF selections are intended to capitalize on investment opportunities that arise as a result of economic, financial, or other prevailing conditions.

#### *STAR™ II -VEGA Core Plus*

The STAR II VEGA Core Plus strategy is managed by a subadvisor to Partnervest. In its role as subadvisor to Partnervest, Anfield provides regular and continuous supervisory management services for some or all of Partnervest's client assets invested in the Core Plus strategy. This includes full discretion to determine what investments shall be purchased, sold, or exchanged and what portion of assets shall be held not invested, in accordance with the client's Investment Advisory Agreement, suitability information, and Investment Policy Guidelines, as well as the subadvisory agreement signed with Partnervest. Anfield will determine which broker dealers will effect transactions, seeking best execution.

The Core Plus STAR II strategy seeks long-term growth of capital, a steady income stream, and is designed to minimize costs and reduce volatility. The portfolio consists of a non-traditional "core" comprised of an ETF that contains a diversified basket of ETFs, that may be managed by Partnervest, surrounded by a select group of actively managed satellite and fixed-income investments. The ETF strategy purchases a diversified basket of ETFs and simultaneously writes (sells) call options against each position in order to seek cumulative price appreciation from the portfolio's global exposure, while generating an additional income stream from the sale of covered calls. The ETF may also purchase protective puts to reduce the downside risk.

Investors in VEGA Core Plus benefit from the lower costs and operational efficiencies of a pooled investment vehicle, coupled with participation in an actively managed portfolio. In addition, the VEGA Core Plus strategy comprises separate satellite investments selected by Partnervest as part of its proprietary qualitative and quantitative investment process. Securities selected as satellites are intended to capitalize on investment opportunities that arise as a result of economic or financial conditions.

### *STAR™ III - Structured Target Returns*

STAR™ III comprises Partnervest's proprietary directly managed investment strategies. Currently, there are four strategies within STAR™ III; (1) Alpha which is managed by Partnervest's sub advisor Anfield Investment Group, and (2) VEGA and (3) VEGA Enhanced which are managed by Partnervest's sub advisor, Cinque Partners.

#### **STAR™ III Alpha**

The Alpha Strategy combines three non-correlated Exchange Traded Funds (ETF's), Exchange Traded Notes (ETN's), and other securities or options on these securities (collectively "securities") in the same portfolio, seeking to ensure the protection of principal across all market cycles. In attempting to achieve this goal, a majority of the assets are placed in a fixed income security using the iShares 20+ year Treasury Bond ETF (TLT) or similar securities. A portion of the account is provided market appreciation potential from both the S&P 500 and Gold securities, or other securities, while at the same time seeking to reduce the price volatility. There may be times when an account does not purchase all desired securities, for example when Partnervest deems a particular security to be overvalued or trading at a premium. There may also be times when more than three securities are purchased in order to achieve the objectives of the strategy.

Alpha is designed to generate quarterly income from options. Call options are sold on the securities held in the Account. As call option positions are closed and/or expire, a new strike price is calculated for each security and additional options on the underlying securities are sold.

As an alternative or in addition to purchasing securities and selling covered call options, Partnervest may sell cash-secured puts as a means to receive income premium. Partnervest, at its discretion, may also utilize the purchase of puts.

#### **STAR™ III VEGA**

The VEGA strategy consists of Exchange Traded Funds (ETF's), Exchange Traded Notes (ETN's) or other securities (collectively "securities") designed to mimic certain global indices. There may be times when an account does not purchase all desired securities. Call options are sold on the securities held in the Account. As call option positions are closed and/or expire, a new strike price is calculated for each security and additional options on the underlying securities are sold. As an alternative or in addition to purchasing securities and selling covered call options, Partnervest may sell cash-secured puts as a means to receive income.

VEGA is designed to generate quarterly income in the form of premiums received from the sale of covered calls and/or cash-secured puts. Certain premium amounts may be required for transactional and portfolio management purposes, or a client specific request for systematic withdrawals of income. The default choice for premium accumulation is a money market fund or FDIC deposit sweep account selected by Partnervest.

The Principal Protection feature is intended as a means to protect against potential price declines of 20% or greater in the client's VEGA Enhanced Account. The cost of the protection is expected to be derived from accumulated option premium but principal may be used. The use of this enhancement entails the purchase of put options on a security representing some or all of the market holdings of a client's Account.

#### STAR™ III VEGA Enhanced

The VEGA Enhanced strategy consists of an equally-weighted portfolio of Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs) or other securities (collectively "securities") designed to mimic certain global indices. There may be times when an Account does not purchase all desired securities. Call options are sold on the securities held in the Account. As an alternative or in addition to purchasing securities and selling covered call options, Partnervest may sell cash-secured puts as a means to receive income premium while setting a lower underlying security purchase price.

VEGA Enhanced is designed to generate quarterly income in the form of premiums received from the sale of covered calls and/or cash-secured puts.

The Principal Protection feature is intended as a means to protect against potential price declines of 20% or greater in the client's VEGA Enhanced Account. The cost of the protection is expected to be derived from accumulated option premium but principal may be used. The use of this enhancement entails the purchase of put options on a security representing some or all of the market holdings of a client's Account.

Except for premium amounts required for transactional and portfolio management purposes, Partnervest, in its discretion, will allocate the accumulated premium in the VEGA Enhanced strategy which includes Principal Protection, and may include Reinvestment Option Elections described below if selected by client on the Investment Policy Guideline.

- 1) Treasury Option Income Election: Periodic reinvestment of accumulated premium into the representative Treasury ETF, and sale of periodic call options on the same.

2) Volatility-Based Reinvestment Election: May be implemented on a systematic or periodic basis, by reinvesting accumulated option premium back into the underlying VEGA Enhanced account as the level of implied volatility rises and/or securities' prices decline. The CBOE Volatility Index (VIX) is used as a measure of current volatility.

Except for premium amounts required for transactional and portfolio management purposes, Partnervest usually does not reinvest the premium back into the original securities, unless client requests one of the elections described below. In normal circumstances, the use and/or investment of accumulated premium is determined by client selected Reinvestment Option elections. Unless otherwise specified, the default choice for premium accumulation is a money market fund or FDIC deposit sweep account selected by Partnervest. Due to minimum 100 share lot purchase requirement per security, total account equity per Account can be a factor considered by Partnervest when determining premium reinvestment elections.

#### STAR™ IV Managed Collar and Covered Calls

##### Managed Collar

The Managed Collar Strategy is an option overlay strategy that establishes a price band around a stock position, primarily to protect profits with a secondary objective of generating income in the form of earned option premiums. A Collar is a protective strategy in which covered calls and protective puts are established against a previously owned long stock position. For example, if the investor previously purchased XYZ Corporation at \$46 and it rose to \$62, a 'collar' involving the purchase of an October 60 put and the writing of a July 65 call could be established as a way of protecting some of the unrealized profit in the XYZ corporation stock position.

Unlike a static collar, the Managed Collar strategy is designed to avoid the risk of assignment or exercise by actively managing the two legs of the collar as necessary in conjunction with the price movement of the underlying stock and other conditions such as levels of implied volatility, ex-dividend dates, etc. However, the risk of assignment cannot be completely avoided. In general, the Managed Collar is designed to establish a floor under the current price of the underlying stock. In the event of a price decline, some or all of the protective puts would likely be sold and new puts purchased, rather than exercising the puts, which would be treated as a sale for tax purposes. Additionally, in the event of price appreciation, some shares of the underlying stock may be sold and the proceeds used to repurchase the current calls. The amount of shares sold would depend on the strike price of the covered calls and the amount of time remaining until expiration; however, it would not exceed the total dollar cost of the calls. New calls would then be sold at a higher strike price. It is possible that rapid price movements would prevent the

manager from unwinding the position in a timely manner and the entire stock position could be called away.

In general, it is expected that the credit received from the covered calls will exceed the cost of the protective puts over a reasonable time frame, generally defined as 12 months or longer. There can be no guarantee that this will be the case, as certain variables, such as the price of the underlying stock and the value of the options are depended on market factors.

While the intent is to manage the strategy and avoid assignments, the entire position may be called away at the call option strike price. There are some additional risks associated with a Managed Collar Strategy. For detailed risk information, refer to the Partnervest ADV Part 2A.

### Covered Calls

Under the Covered Calls (only) strategy, the client may at their choosing elect to have their stock position managed without the benefit of protective puts, only writing covered calls. While covered calls alone are risk reducing by nature, they carry more potential risk in the event of a stock decline, than covered calls used in conjunction with protective puts. This strategy consists of writing a call that is covered by an equivalent long stock position. It provides a small hedge on the stock, limited to the premium received on selling the call, and allows an investor to earn premium income, in return for temporarily forfeiting much of the stock's upside potential. The benefit of only writing covered calls without protective puts is that in general, it will allow the client to retain more of the income from the sale of the calls because the cost of protective puts is not incurred. There are other risks with this strategy including that the underlying stock position may be called away.

The Covered Calls (only) strategy only involves the risk of covered calls. The maximum loss is limited but substantial. The worst that can happen is for the stock to become worthless. In that case, the investor will have lost the entire value of the stock. However, that loss will be reduced somewhat by the premium income from selling the call option. The maximum gains at expiration are limited by the strike price. If the stock is at the strike price, the covered call strategy itself reaches its peak profitability, and would not do better no matter how much higher the stock price might be. The strategy's net profit would be the premium received, plus any stock gains (or minus stock losses) as measured against the strike price.

Client acknowledges that their stated Objectives may not be met by this strategy. Downside protection is extremely limited in a covered call strategy as compared to a collar



strategy and should not be a primary client objective. Please refer to the Investment Policy Guidelines for additional risk disclosures.

As stated above, the STAR™ II and STAR™ III Accounts use Exchange Traded Funds (“ETFs”). Although ETFs are typically registered under the Investment Company Act of 1940, similar to a mutual fund, ETFs differ from traditional mutual funds. In particular, an ETF is listed on a securities exchange and can be bought and sold during the trading day similar to equity securities. In addition, ETFs may be traded at a premium or discount to their net asset value. Many ETFs that invest in commodities are not registered under the Investment Company Act of 1940.

The STAR™ III programs also invest in Exchange Traded Notes (“ETNs”). An ETN is a senior, unsecured, unsubordinated debt security issued by an underwriting bank. An ETN is designed to track the performance of a market index or benchmark, less investor fees. ETNs are traded on an exchange at the prevailing market price; they are not mutual funds and they do not have a net asset value. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. Payments upon maturity are dependent upon the issuer’s ability to pay and the value of an ETN will be negatively impacted if there is a reduction in the credit rating of the issuer.

The STAR™ III Account requires margin approval (non-qualified accounts only). Client will be required to sign a margin approval form to receive the approval. There are additional risks associated with margin borrowing including; greater losses if the securities on margin go down in value and greater gains if the securities on margin go up in value.

### **Investment Characteristics**

Clients need to be aware that investing in securities involves risk of loss that the client needs to be prepared to bear. Risks related to investing include, but are not limited to, the possible loss of principal. The risk of specific investments and strategies are described below.

#### *Margin Accounts*

If an account is approved for trading on margin and the client enters into a margin agreement with the account custodian, the client will be charged margin interest on any credit extended to or maintained by the client. CFS will retain a portion of any margin interest received on accounts custodied at Pershing on behalf of CFS. This interest charge is in addition to the annual investment advisory fee charged. Moreover, the total account value including the margined securities is used to determine the annual advisory fee.

Clients should be aware that borrowing on margin involves additional risks. Margin borrowing will result in increased gain if the value of the securities go up, but will result in increased losses if the value of the securities in the account go down. The custodian, acting as the client’s creditor, will have the authority to liquidate all or part of the account

to repay any portion of the margin loan, even if timing would be disadvantage to the client.

### *Option Trading*

Partnervest employs the use of options in its management strategy and, thus, all STAR™ III Accounts must be approved for option trading. Option trading may be highly speculative in nature. On certain days, option trading may cease which could result in financial loss. The risks of covered call writing include the potential for the market to rise sharply. Writing or selling an option contract (such as call, put, or straddle) without depositing the underlying security, the risk of loss is potentially unlimited. The risks of cash-secured put writing include when the underlying security declines significantly and the put writer is assigned, the purchase price for the shares can be above current market price. The client must be willing and able to assume the financial risks and hazards of option trading. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put. Option Transactions are subject to the rules, regulations, customs, and usages of The Options Clearing Corporation and of the registered national securities exchange, national securities association, clearing organization, or market where such transaction was executed. Investors are advised to be especially diligent concerning options investing and prior to buying or selling an option, a person should read Characteristics and Risks of Standardized Options which is available through your financial advisor or online at [www.optionsclearing.com/about/publications/character-risks.jsp](http://www.optionsclearing.com/about/publications/character-risks.jsp).

### *Structured Products*

The risks associated with many structured products, especially those products that present risks of loss of principal due to market movements, are similar to those risks involved with options. In the case of a "principal protected" product, these products may only be insured by the issuer, and thus have the potential for loss of principal in the case of solvency problems with the issuing company. Additionally, there may be a relative lack of liquidity due to the highly customized nature of the investment.

### *Exchange Traded Funds*

ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market. An ETF is only as good as the index it tracks. Equity-based exchange traded funds are subject to risks similar to those of stocks; fixed income-based ETFs are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Foreign investments have unique and greater risks than domestic investments.

### *Performance*

There is no assurance that any advisory program strategy will be successful or result in a profit for the client.

### **Item 9 – Disciplinary Information**

CFS is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of CFS or the integrity of CFS's management. Over the past several years, the SEC filed actions related to the failure of registered investment advisers to make required disclosures regarding the sale of mutual fund share classes that paid a 12b-1 fee when a lower-cost share class for the same fund was available to clients. In June 2018, CFS self-reported the relevant payments to the SEC and entered into settlement terms to refund clients. Pursuant to the SEC Share Class Selection Disclosure Initiative, in March 2019 the SEC accepted CFS' settlement offer. Note that IAR's did not receive a portion of the 12b-1 fees to be disgorged to clients. CFS corrected all share class selection deficiencies as of March 2018.

### **Item 10 – Other Financial Industry Activities and Affiliations**

CFS is a registered broker-dealer and a member of FINRA (CRD 42132). This is the primary business of CFS. In addition, a CFS related entity, CFS Insurance & Technology Services, LLC formerly, CUSO Financial Services, Inc., is qualified to sell insurance products in California and various states. All CUSO insurance licenses fall under CFS Insurance & Technology Services, LLC. CFS has financial services agreements ("FSA") with other financial institutions that include credit unions whereby CFS provides advisory services to credit union members through Investment Advisory Representatives. Pursuant to the FSA, CFS shares a portion of advisory fees with the credit union.

CFS is affiliated with Sorrento Pacific Financial, LLC, a California limited liability company ("SPF"). SPF is an SEC registered investment adviser and a registered broker-dealer with FINRA (CRD 127787). CFS and SPF share common owners and officers. CFS and SPF entered into a Services Agreement whereby CFS provides to SPF back-office brokerage and advisory support.

CFS' General Partner is AWS 1, LLC, whose sole Managing Member is Atria Wealth Solutions, Inc. ("Atria"). Atria also owns Cadaret, Grant & Co. a broker/dealer, Capital Strategy Group, Ltd. a Registered Investment Advisor, Cadaret, Grant Agency, an insurance agency, Next Financial Group, Inc. a broker/dealer and Registered Investment Advisor and Western International Securities a broker/dealer and Registered Investment Advisor.

IARs may also be registered representatives with CFS. CFS conducts ongoing review of IAR commission and advisory fees to ensure suitability for source of funds for new advisory deposits. The focus of the review includes the IAR's past compensation on the advisory assets.

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

CFS places significant value on ethical conduct for all advisory business. In addition to CFS's obligation to comply with the federal securities laws, CFS has also established a standard of business conduct required of all our Supervised Personnel in the CFS Code of Ethics. The CFS Code of Ethics is designed to protect clients by deterring misconduct and preventing fraud by reinforcing fiduciary principles that must govern the conduct of CFS and our personnel. An Adviser, as a fiduciary to its clients, is responsible for providing professional, continuous, and unbiased investment advice. Fiduciaries owe their clients a duty of honesty, good faith, and fair dealing. In order to ensure that our IARs and employees strictly adhere to the highest of conduct and integrity in conducting business on behalf of our clients, we require that each sign our Code of Ethics.

In addition, the Code of Ethics governs personal trading by each employee of CFS deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of CFS are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates. CFS collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve potential conflicts of interest.

CFS will furnish a copy of its Code of Ethics to clients upon request. Clients can contact their IAR or the CFS home office at 858-530-4400.

On occasion, IARs may recommend a security in which they or CFS own shares or have some other financial interest. When the IAR recommends a security, CFS's procedures require the IAR to determine that the investment is suitable to the client's needs and risk profile. In the event that an IAR wishes to buy or sell for himself/herself a security that has also been recommended to a client; the client's order(s) are given priority.

No agency cross transactions or principal trades will be affected in an advisory account.

### **Item 12 – Brokerage Practices**

Depending on the advisory program selected by the client, the broker/dealer for execution of trades varies. There are three possible scenarios. First, CFS may require a specific broker/dealer as in the CAM and the CFS Asset Management Account. Second, the third-party managers may select the broker/dealer. Third, clients may have the option to elect a broker/dealer.

CFS is also a broker/dealer, and in such capacity clears its securities transaction through Pershing, LLC. ("Pershing"). Pershing is a BNY Mellon company and is located at One Pershing Plaza, Jersey City, NJ 07399. For the CAM, STAR, and CFS Asset Management Account, CFS requires that the client appoint CFS as the broker/dealer for trade execution. The client should understand that not all advisors require their clients to direct brokerage. This presents a conflict of interest because of the clearing relationship between CFS and Pershing. By directing brokerage to CFS, CFS may not be able to achieve most favorable execution of client transactions, and this practice may cost the client more money.

CFS makes every reasonable attempt to obtain the best execution possible, but it may not be possible given the requirement to trade through Pershing. Best execution is the full range and quality of a broker's services in placing brokerage, encompassing not only the overall cost of a client's trade, but also qualitative factors such as the broker's areas of expertise, the price at which the trade was executed relative to other trades in the security, and the broker's integrity and responsiveness. To carry out this ongoing evaluation of best execution practices, the CFS Pricing and Best Execution Committee investigates and evaluates the costs and services available from other clearing or execution firms in an effort to secure lower trading costs and more efficient and accurate clearing services. As part of our obligation to providing our clients with exemplary service, our Committee regularly reviews CFS reports, and produces periodic best execution reports that review execution quality and execution speed of CFS and its clearing firm.

In the CAM, STAR, and CFS Asset Management Account Programs, CFS is appointed sole and exclusive broker-dealer with respect to handling of securities transactions for client accounts as directed by the IAR. No agency cross transactions or principal trades will be affected in these Programs.

Block trades may be affected by third party money managers with discretionary authority. In such cases, the third-party money manager will provide CFS with allocation instructions. Additionally, for the CFS CAM Direct and Asset Management Accounts, IARs may combine orders for Mutual Funds and ETF's into block trades when more than one account is participating in the trade. The blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g. for the purpose of obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of the Advisor's investment advisory agreements. The trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of such block orders are performed in a timely and efficient manner. Managed accounts participating in a block execution receive the same execution price (average share price) for the purchase or sale in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, positions purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the position will be allocated pro rata based on the allocation statement. The third-party manager or IAR may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

### Digital Investment Program

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for Funds across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS&Co. provides us and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to CS&Co. retail customers. However, certain retail customers may be able to get institutional brokerage services from Schwab without going through us. CS&Co. also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. CS&Co.'s support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS&Co.'s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co.'s support services:

CS&Co.'s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS&Co.'s services described in this paragraph generally benefit the client and the client's account.

CS&Co. also makes available to us other products and services that benefit us but do not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co. also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

CS&Co. also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology and business consulting;
- Consulting on legal and related compliance needs;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

CS&Co. provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. CS&Co. also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources. [Describe your firm's use of the services described in the preceding paragraphs and how you mitigate any conflicts.] The availability of services from CS&Co. benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the Program, as described above under Item 4 Advisory Business, we do not pay SPT fees for the Platform so long as we maintain \$100 Million in client assets in accounts at CS&Co. that are not enrolled in the Program. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of CS&Co. as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of CS&Co.'s services and not Schwab's services that benefit only us.

### **Item 13 – Review of Accounts**

For Asset Management Accounts, each IAR is responsible for reviewing copies of periodic account statements and quarterly performance reports for his/her clients. The accounts are reviewed to ensure that the allocations and selected investments continue to fit the risk profile and investment objective of each client. Changes to asset allocations or investments are made when deemed appropriate by the IAR or the third-party investment advisor responsible for managing the account as described in the relevant program description in Items 4 and 8 above.

CFS reviews these CFS Asset Management Accounts, CUSO Asset Management ("CAM") Direct Program accounts using exception reports triggered by various criteria such as number of trades, percent stock allocation, percent cash allocation, position concentration, and account performance. The reviews are conducted on a quarterly basis by Compliance Department Analysts. Analysts are not assigned a specific number of exceptions or accounts to review.

Financial planning services terminate upon delivery of the financial plan. Thus, there are no ongoing reviews conducted by CFS. However, Advisor offers clients the opportunity for reviews as desired. The client may also choose to engage CFS for subsequent services to review and update the written plan at any time due to major life events or changes in the economic environment. Upon re-engaging CFS for an updated plan, the client would enter into a new investment advisory agreement for services. All financial planning updates or reviews are conducted by an IAR.

Clients will receive, at a minimum, quarterly account statements describing positions and activity. CFS does not provide the statements. Statements are provided by the custodian of the account. CFS urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Performance reports are provided by your CFS IAR and/or third-party asset manager. For any month there is additional activity in the account, the client will receive monthly statements detailing that month's activity. Moreover, clients will receive, or have made available, quarterly performance reports detailing asset allocation and returns.

## **Item 14 – Client Referrals and Other Compensation**

### Solicitation Activities and Receipt of Referral Fees

CFS also acts as a solicitor for various third-party investment advisors pursuant to solicitation agreements. In connection with these arrangements, CFS and IAR will receive solicitation compensation for referring clients to the third-party investment advisors for investment advisory services. The amount of compensation is disclosed to the client in writing at the time of the referral.

### Financial Services Agreements

CFS has entered into financial services agreements (“FSA”) with certain unaffiliated financial institutions (e.g., credit unions) that permit CFS and its IARs to provide investment advisory services to the financial institution’s customers/members. Pursuant to the FSA, CFS shares up to 100% of advisory fees with the financial institutions for use of the financial institution’s facilities and for referrals and access to financial institution customers/members.

### Transition Assistance

For financial institution investment programs (“investment program”) and independent IARs (those not associated with a financial institution), CFS may provide financial assistance for transitioning from another firm to CFS. The types of financial assistance that your investment program or independent IAR may receive from CFS include, but may not be limited to, forgivable or unforgivable loans, enhanced payouts, and discounts or waivers on transaction, platform and account fees; technology fees; account transfer fees; licensing and insurance costs; and the cost of attending conferences and events. The enhanced payouts, discounts, and other forms of financial benefits that your investment program or independent IAR may have the opportunity to receive from CFS provide a financial incentive for them to select CFS as



broker/dealer for your accounts over other broker/dealers from which they may not receive similar financial benefits or to use certain CFS advisory programs over other programs and investment options available through CFS. Clients are urged to read and consider the contents of this Brochure carefully and to inquire about CFS' or their IAR's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by CFS and their IAR. Further information about CFS' and your IAR's source of compensation and conflicts of interest is described in this Brochure.

### Other Compensation

#### Revenue Sharing

CFS earns fees when we invest your account assets or recommend that you invest in certain mutual funds (including money market funds) and ETFs. These fees are called "revenue sharing." Mutual fund and ETF sponsors and third-party money managers ("Partners") pay these fees to CFS in what we call the Partners Program. Partners pay different amounts of revenue sharing fees and receive different levels of benefits for their payments. We do not share revenue sharing fees with our IARs. An IAR's compensation is the same regardless of whether a sale involves a Partner's product or service.

The payments made under our Partners Program are calculated based either on gross sales or assets under management, or on a flat fee arrangement, and vary by Partner. The benefits Partners receive include our IAR contact lists and business metrics, preferred placement on our website, participation in product training initiatives and marketing and sales campaigns, and the ability to participate in our conferences.

We use the revenue from our Partners to support certain marketing, training, and educational initiatives including our annual National Educational Conference. The conference provides a venue to communicate new products and services to our registered representatives and IARs, to offer training to them and their support staff, and to keep them abreast of regulatory requirements. Revenue from Partners helps to pay for top producer conference costs. Top producing CFS registered representatives and IARs receive conference benefits based on total sales, including sales of Partners' mutual funds and ETFs.

We prepare and make available to our IARs a quarterly list of Partners' mutual funds and ETFs that have been screened for investment performance against other Partners' funds with similar objectives and asset classes (the "Select Fund List" or "List"). CFS and our IARs have a conflict of interest when an IAR chooses or recommends an investment from the Select Fund List for your portfolio because CFS receives revenue sharing fees from the mutual fund or ETF sponsor. Our receipt of revenue sharing fees influences our selection of mutual funds and ETFs, as our IARs are likely to recommend a fund or ETF whose sponsor pays us revenue sharing fees over a fund or ETF whose sponsor does not pay us.

You do not pay more to purchase funds from the List through CFS than you would pay to purchase these funds through another broker-dealer, and your IAR does not receive additional compensation for selecting a fund from the List. IARs are not required to choose or recommend investments from the Select Fund List.

CFS also receives compensation from certain Third-Party Advisors to assist in paying for ongoing marketing and sales support activities including, but not limited to, training, educational meetings, due diligence reviews, and day-to-day marketing and/or promotional activities. Not all Third-Party Advisors pay such compensation and participating Third-Party Advisors may change over time.

The compensation arrangements vary, and will generally be structured as follows:

- A stated percentage of gross sales.
- A stated percentage of assets under management.
- A stated percentage of net cash flow.
- A flat fee, fixed payment.
- A combination of the above.

A conflict of interest exists where CFS receives such compensation because there is an incentive to recommend these Third-Party Advisors over other investment opportunities in order to generate additional revenue for the firm. However, our IARs are not required to recommend any Third-Party Advisor providing additional compensation, nor do they directly share in any of this compensation.

To see CFS's Third-Party Fee Disclosure, which identifies the participants in the Partners Program including Third-Party Advisors, please visit [www.cusonet.com/disclosures](http://www.cusonet.com/disclosures).

### **Pershing Clearing Relationship**

When Pershing is the custodian of your account, Pershing automatically moves (sweeps) the cash in your account into money market funds and/or FDIC insured bank deposit accounts depending on your account type. All retail accounts default to the bank deposit account and all business accounts default to a money market fund. Pershing retains some of the interest paid on the bank deposit account, or shareholder servicing fees paid on the money market fund and pays a portion of that to CFS. These payments to CFS are called "distribution assistance" and they vary based on the bank deposit account or money market fund for which you are placed. CFS does determine the interest rates paid on bank deposit accounts but does not determine the shareholder servicing fees paid on money market funds, or the amount or percentage of distribution payments that it will receive. When interest rates are low, or in the event of a regulatory change, Pershing reserves the right to reduce or discontinue its distribution assistance payments to CFS.

CFS's receipt of distribution assistance payments, and ability to determine the interest rates paid on bank deposits, creates a conflict of interest because CFS has an incentive to recommend or make available money market funds and FDIC insured bank deposit accounts with higher distribution assistance payments over those with lower payments. CFS mitigates this conflict through disclosure in this brochure and by not requiring IARs to recommend accounts custodied at Pershing. CFS does not share distribution assistance payments with our IARs.

Pershing also pays fees to CFS, or shares fees it earns with CFS, for the following items:

- Transition assistance in the form of reimbursement of IRA termination fees of up to \$165 per account for a retirement account transferred to Pershing and up to \$125 per retail account for retail accounts transferred to Pershing;
- A growth assistance credit for seven years to support, service, and grow brokerage assets on the Pershing platform;
- A portion of certain brokerage account services and custodial fees charged to customer accounts that exceeds the amount that we are required to pay Pershing for such services, including account transfer fees, IRA custodial and termination fees, paper confirm and statement fees, inactive (custodial) account fees, retirement account maintenance fees, and margin interest.
- A portion of shareholder servicing fees from certain mutual fund sponsors as part of their FundVest® No Transaction Fee program (FundVest) as described below.

In the FundVest program, Pershing receives shareholder servicing fees from participating funds and a portion of those fees are shared with CFS. Our receipt of a portion of the FundVest funds' service fees creates a conflict of interest because we have an incentive to invest your assets or to recommend that you purchase or hold these mutual funds that pay fees to CFS over other funds that do not pay these fees. We do not share these fees with our IARs.

Most FundVest funds have higher internal expenses than funds that are not in the FundVest program, and the share classes of funds in the program have higher internal expenses than share classes not in the program. The higher internal expenses will reduce the long-term performance of an account when compared to an account that holds lower-cost share classes of the same fund. FundVest funds held less than six months are also subject to a short-term redemption fee of \$50. Further information regarding mutual fund fees and charges is available in the applicable mutual fund prospectus. For a list of funds participating in the FundVest program, please contact us or your IAR.

#### Digital Investment Program

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the arrangements because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The

availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## Item 15 – Custody

Pershing, LLC serves as a qualified custodian of assets for all CAM, STAR, and the CFS Asset Management advisory accounts. While CFS does not hold client funds or securities, CFS assists in effecting client requests on behalf of Pershing, which deems CFS to have custody per the definitions of securities regulations. Such activity includes the withdrawal of advisory fees, withdrawal or transfer of funds and securities from the account and transfers of funds and securities between CFS accounts requested by clients. Requests for withdrawals and account asset transfers to third parties must be made in writing by the client. Additionally, clients are reminded to make all checks and securities payable/endorsed to Pershing, the qualified custodian of the advisory program, and not to CFS.

Clients will receive at least quarterly statements from the broker-dealer, third party advisor or other qualified custodian that holds and maintains client's investment assets. See below for specific programs. CFS urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please keep in mind that these reports do not take replace the official statements received from the custodian of your Program account assets.

### First Mercantile

First Mercantile will act as custodian. Statements may be monthly or quarterly depending on the account activity.

### AssetMark

For the AssetMark program, clients may elect one the following custodians: Pershing, AssetMark Trust and TD Ameritrade. Statements may be monthly or quarterly depending on the selected custodian. AssetMark provides a quarterly performance report.

### Morningstar

Custody of investor assets will be at the fund company in omnibus ("house") accounts held in the name of Morningstar Managed Portfolios. Mutual fund portfolios are held at BNY and their ETF and stock basket portfolios are held at Fidelity. Clients will receive initial trade confirmations as well as statements and performance reports, which are provided quarterly.

### Employer-Sponsored Retirement Plans

The custodians vary depending on the program selected. Plan Sponsor and Plan participants can generally view account information (i.e. account balances, transactions, and performance) via the online third-party record-keeping systems made available by selected retirement services vendor(s)/provider(s).

### SEI

SEI will act as the custodian of assets. Clients will receive monthly account statements and quarterly performance reports.

### STAR

CFS will be listed on the STAR account as broker/dealer of record. Clients will receive periodic accounts statements directly from Pershing on a monthly or quarterly basis, depending on activity. Clients will receive quarterly performance reports from Partnervest.

### Digital Investment Program

Under government regulations, we are deemed to have custody of a client's assets if the client authorizes us to instruct CS&Co. to deduct our advisory fees directly from the client's account. This is the case for accounts in the Program. CS&Co. maintains actual custody of clients' assets. Clients receive account statements directly from CS&Co. at least quarterly. They will be sent to the email or postal mailing address the client provides to CS&Co. Clients should carefully review those statements promptly when received. We also urge clients to compare CS&Co.'s account statements to the periodic portfolio reports clients receive from us.

## **Item 16 – Investment Discretion**

With the exception of within the CFS Asset Management Account and certain CAM Direct program accounts, CFS IARs do not exercise investment discretion over client assets.

Upon written authorization from the client within the investment advisory agreement for the CFS Asset Management Account, the IAR will provide discretionary management services with respect to mutual fund and ETF holdings. The discretionary authority is limited only to affecting trades within the account; the IAR will determine the security and the amount to be bought or sold without obtaining the prior consent of the client. The IAR will not have discretionary authority with respect to other investment vehicles within the CFS Asset Management Account.

In CAM Direct accounts, which are by default non-discretionary accounts, upon written authorization from the client within an amendment to the CAM account agreement, the IAR provides advisory services on a discretionary basis for the purchase and sale of mutual funds, ETFs, closed-end funds and UITs. For other types of securities approved by CFS for investment in the account, advisory services are provided on a non-discretionary basis. In some cases, the client may provide discretionary authorization to the IAR for equities, fixed income securities and options. The client authorizes the IAR to have discretion by executing an amendment to the CAM account agreement.

In addition, third party advisors will be granted the authority to select investments for customers on a discretionary basis within certain advisory accounts described in this brochure. Discretionary authority includes the authority to determine the security and the amount to be bought or sold without obtaining

the prior consent of the client. This discretionary authority is obtained by the third party as part of a written client agreement and is signed by the client.

### **Item 17 – Voting Client Securities**

Neither CFS nor the IAR will vote proxies for any advisory program. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. For CAM UMA and CAM SMA, if the Client has not notified the IAR or CFS of their desire to exercise the right to vote proxies then Envestnet will be responsible for either voting or delegating the proxy voting to a Sub-Manager.

Clients will receive proxy solicitations from their custodian and/or transfer agent. Clients should contact the person identified by the issuer in the proxy materials with any questions about a particular solicitation.

### **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about CFS's financial condition. CFS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.