

# Fund Management Services Program Disclosure Brochure

**MML Investors Services**

## **Fund Management Services Program**

### **DISCLOSURE BROCHURE**

December 20, 2021

This brochure provides information about the qualifications and business practices of MML Investors Services, LLC. If you have any questions about the contents of this brochure, please contact us at 1-800-542-6767 Option 1, 1. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about MML Investors Services, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 10409.

MML Investors Services, LLC is an SEC registered investment adviser and securities broker-dealer. Please note that registration does not imply a certain level of skill or training.

MML Investors Services, LLC  
1295 State Street  
Springfield, MA 01111-0001  
1-(800)-542-6767 Option 1, 1  
[www.mmlinvestors.com](http://www.mmlinvestors.com)

## ITEM 2. MATERIAL CHANGES

Pursuant to SEC rules, this Item summarizes the specific material changes that have been made to this MML Investors Services, LLC (“MMLIS,” the “Firm,” “we,” “our,” or “us”) Form ADV disclosure brochure (“Firm Brochure”) since the last annual update of the Firm Brochure on March 31, 2021.

When required or appropriate, we will also provide clients interim summary updates of material changes to our Firm Brochure.

Clients may ask for a copy of our current Firm Brochure, which includes all material changes since the previous Firm Brochure, or a summary of material changes to the previous Firm Brochure at any time, without charge by contacting 1-800-542-6767 Option 1, 1.

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**The following is a summary of material changes to this Firm Brochure since the last annual update of the Firm Brochure on March 31, 2021.**

December 20, 2021 Update: Item 4 was updated to reflect that Total Assets Under Management (AUM) has decreased from \$510 million to \$67 million as of November 30, 2021. Item 5 was updated to (i) reflect changes to how MMLIS allocates and describes the components of the client fee for accounts, (ii) to include new information about IAR compensation and associated conflicts, and (iii) describe how an IAR can request that MMLIS systematically group eligible client accounts together for purposes of calculating the client fee. Additionally, Item 5 was updated to include new information about the annual fee to be charged for accounts that have not registered for electronic delivery. This new fee will not apply until June 2022.

Item 10 was updated to include information about incentives for MMLIS to continue to use NFS as its clearing firm. Item 14 was updated to include information about conflicts relating to a new loan program, a new dedicated service team, electronic delivery, and transferring investments to an advisory account.

October 11, 2021 Update: Item 9 was updated to provide information regarding disciplinary events involving (i) a consent order with the Massachusetts Securities Division (“MSD”) in connection with allegations that the Firm failed to supervise its broker-dealer agents’ posting about securities on social media, trading in outside accounts of other individuals, and excessive trading in personal accounts, (ii) a consent order with the MSD regarding allegations the Firm failed to register certain individuals as broker-dealer agents, and (iii) an order with the U.S. Securities and Exchange Commission regarding allegations the Firm had inadequate disclosures relating to revenue sharing received from the Firm’s custodian.

September 10, 2021 Update: Item 5 was updated to include information about a new annual fee of \$10 to be charged beginning December 2021 on accounts that have not registered for electronic delivery.

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## **ITEM 4. ADVISORY BUSINESS**

### **Description of Advisory Firm**

MMLIS is a registered investment adviser and broker-dealer. MMLIS began conducting business in 1981 and has been registered as an investment adviser since 1993. MassMutual Holding LLC is the Firm's principal owner. Massachusetts Mutual Life Insurance Company ("MassMutual") is MassMutual Holding LLC's principal owner.

MMLIS, together with other affiliates (see Item 10 – Other Financial Industry Activities and Affiliations -- for additional information), provides a wide array of financial products and services to its clients. When appropriate, MMLIS's representatives may recommend the purchase of one or more such products or services to assist clients in pursuing their savings, insurance, investment or other financial objectives. Typically, the products or services recommended will consist of or include products or services sponsored, issued, sold, distributed, advised, or serviced by MMLIS or its affiliates.

In addition to the advisory services described in detail in this Firm Brochure, MMLIS also offers other advisory services. If you want more information about the other advisory services available through MMLIS, ask an investment adviser representative of the Firm ("IAR").

### **Overview of the Advisory Services Offered by the Firm**

The Firm makes available to you a number of proprietary and nonproprietary investment advisory programs and services. This Firm Brochure provides you with information about the Fund Management Services Program available through the Firm (the "Program"). If you wish to learn about other investment advisory programs and services that the Firm offers, you may contact the Firm or an IAR to receive a similar disclosure brochure for those programs and services. Such brochures are also available on the SEC's website at <http://adviserinfo.gov>.

### **Fund Management Services Program**

The Program is one of the Firm's proprietary investment advisory programs. In addition to this Firm Brochure, you will receive from your IAR a Form ADV disclosure brochure ("Envestnet Brochure") for Envestnet Asset Management, Inc. ("Envestnet") which is the co-adviser and co-sponsor of the Program. You should carefully review this Firm Brochure and the Envestnet Brochure, since they outline important information about the Firm and Envestnet and each of their roles and responsibilities under the Program. MMLIS is the introducing broker under the Program and National Financial Services LLC ("NFS" or "Program Custodian") is the Program's custodian.

As of April 23, 2021, MMLIS will be the primary advisor for the Program. Although Envestnet will continue to provide the same services, it will do so in the capacity of a sub-adviser. As of April 23, 2021, Envestnet will no longer be a party to any Program Agreements (as defined below under "Portfolio Basics" in this Item 4).

### **Program Overview**

As of October 14, 2015, the Program is closed to new clients. The Program is an investment advisory program available to a variety of customers, such as individuals, high net worth individuals, various types of business organizations, pension and profit-sharing plans, charitable institutions, foundations, endowments and trusts. Clients should understand that the Program does not offer a tax-sensitive investment portfolio. Clients who wish to invest in an advisory program that offers a tax-sensitive investment portfolio may wish to consider other investment advisory programs available through the Firm.

The Program is a "mutual fund asset allocation program" under which a client receives various services, including the following:

- Review of client's investment objectives, risk tolerance, time horizon and other financial information provided by the client;
- Recommendation of a model investment portfolio ("Portfolio") and mutual funds pre-screened by Envestnet based on the client's investment objectives, risk tolerance and time horizon;
- Mutual fund purchase and sale execution, and custody of assets in client's investment advisory account ("Account");
- Rebalancing of client's account as described herein;
- Ongoing portfolio monitoring;

- Account statements (at least quarterly); and
- Periodic review of client accounts.

### **Firm Services**

If a client wishes to participate in the Program, the IAR will assist the client in determining whether the Program is appropriate for the client. If the client determines that the Program is appropriate given the client's needs, at the opening of an Account the IAR will collect information from the client about the client's present investment objectives, risk tolerance and time horizon and input such information into the Investment Questionnaire ("Questionnaire") which will determine a risk profile classification (an "Investment Objective") for client's Account, and generate an investment proposal ("Proposal") and Statement of Investment Selection ("SIS"). The Proposal and SIS designate a recommended Portfolio for the client. The IAR will review the information in the Proposal and the SIS with the client. The client is ultimately responsible for determining whether to participate in the Program, and whether to accept or reject the recommended Portfolio. The client must approve a Proposal and a SIS prior to implementation.

The IAR also assists the client in completing an Investment Account Application and Agreement (or equivalent document) ("IAAA"), which the client will use to apply for an Account with the Firm. In addition, IARs will accept inquiries about the Program and coordinate the provision of responses to clients. The Firm also provides ongoing client services related to the Program. Please see Item 13 for details.

While the IAR is responsible for obtaining the client's financial information, communicating the Portfolio recommendation to the client and providing client support, Envestnet is solely responsible for creating and maintaining the model Portfolios including the asset classes, investment style allocation mix and the mutual funds ("Program Funds").

In limited circumstances, the Firm may treat certain assets in client's Account as "Unsupervised Assets." Unsupervised Assets are excluded from the Account's asset allocation and the calculation of client's advisory fees. In addition, the Unsupervised Assets will not be included in determining client's Account balance (for purposes of assessing whether client's Account meets the Program minimum requirements). Unsupervised Assets can be assets that are ineligible for the Program that the Firm is permitting a client to hold in client's Account. Once a security has been designated as an Unsupervised Asset, all of client's holdings in that particular security or cash investment style position will be designated as an Unsupervised Asset. Assets that qualify for Fee Forgiveness (as defined in Item 5) may not be designated as Unsupervised Assets. Because Unsupervised Assets are not included in the calculation of advisory fees, the Firm and IARs have an incentive to recommend to clients that they (and for IARs to use their discretion to) sell Unsupervised Assets and invest the assets in securities that are included in the calculation of advisory fees.

For the limited purpose of implementing a tax loss harvesting strategy, the Firm will permit exchange-traded funds ("ETFs") to be held in a client's Account on a temporary basis.

When providing investment recommendations that are treated as fiduciary investment advice as defined by Department of Labor regulations ("Recommendations"), MMLIS and our IARs will act as investment advice fiduciaries to you under the Internal Revenue Code, ("Code") and/or the Employee Retirement Income Security Act ("ERISA") for your individual retirement account ("IRA") or retirement plan accounts, subject to Title I of ERISA, as applicable. Our fiduciary status relates only to the specific individual retirement accounts and retirement plan account(s) you have with us. Although we act as fiduciaries under the Code and/or ERISA, this does not necessarily mean that we act as fiduciaries under other laws. This acknowledgement does not create any enforceable legal rights beyond those conferred by the Code or ERISA as applicable. In particular, IRA owners and beneficiaries do not have a legal right of action to enforce the duties associated with our fiduciary status, which are enforceable only by the Internal Revenue Service under an excise tax provision of the Code. Our fiduciary status automatically terminates if your individual retirement account or retirement plan account with MMLIS terminates. We reserve the right to retroactively amend any representations or statements herein regarding our status as fiduciaries to the extent permitted by law.

### **Envestnet Services**

Envestnet assembles and maintains Portfolios (e.g., income, income and growth, growth and income, growth, aggressive) that are comprised of different asset classes (e.g., fixed income, equity, cash, etc.). Each Portfolio consists of a unique allocation of asset classes with a distinctive expected risk tolerance and investment objective. Certain asset classes may consist of multiple investment styles (e.g., large cap value, large cap core, large cap growth, etc.). Under the Program, client

invests in a Portfolio of Program Funds consistent with the client's risk tolerance, investment objective and time horizon that fits the client's financial situation. More information regarding the Portfolios can be found in the Program's Model Portfolio Lineup or similar document.

Under the Program, there can be one or more Program Funds for each investment style. Except for the cash sweep option (discussed below) which is designated by the Firm, Envestnet is responsible for screening funds and selecting Program Funds for the Program from a list of funds selected by the Firm. The Portfolios are constructed by Envestnet and may not be amended by the IAR or the Client. A client can only accept or reject a Portfolio in its entirety. It is up to the client to decide whether or not to invest in the Program Funds recommended to them.

#### **a. Portfolio Basics**

The Portfolios are maintained and managed by Envestnet. Envestnet has classified investors into 5 different categories, depending on their risk tolerance, investment objective and time horizon and has created multiple Portfolios for each of the 5 categories of investors.

As of April 23, 2021, each risk tolerance category will have a different maximum equity allocation limit and no minimum equity allocation requirement. Each Account's assigned Investment Objective will determine the maximum equity allocation for the Account. The equity exposure of a client's Account can decrease significantly and still be consistent with the Investment Objective assigned to that Account. Envestnet will monitor and designate a risk score for each Portfolio based on instruction from MMLIS, which will determine which Portfolios are assigned to each Investment Objective.

Envestnet also has divided the investment universe into asset classes and further divided some of these asset classes into investment styles. Envestnet has selected an asset class allocation mix for each of the 5 categories. In addition, under the Program, Envestnet has selected the Program Funds by subjecting mutual funds in a given asset class to a screening process. Only those mutual funds satisfying Envestnet screening criteria as described in section "b" of "Envestnet Services" below are included in the Program Funds under the Program. Thus, each of the Portfolios is comprised of a mix of asset classes and investment styles represented by the Program Funds. Clients may either select a Portfolio which consists solely of mutual funds from one particular fund family ("Single Fund Family Portfolio") or from a Portfolio comprised of mutual funds from multiple fund families ("Multi-Fund Family Portfolio"). Envestnet has sought to maintain diversification within each Portfolio through the Program Funds. The more aggressive Portfolios generally have greater small/mid cap equity and foreign exposure and the more conservative Portfolios generally have more bond and large cap exposure. The Portfolios containing significant portions of both equity and fixed income mutual funds seek to provide a combination of both capital appreciation and capital preservation.

MMLIS, in its discretion, may modify the assumptions underlying its risk methodologies which could result in changes to the risk scores associated with particular Portfolios. In such an instance, the Portfolios held by an Account may fall outside of the Investment Objective assigned to client's Account. Any modification to risk scoring classification may trigger the need for client to make modifications to the Portfolios in client's Account or to the Investment Objective assigned to client's Account.

Each client's Account will have a portion of the assets maintained in cash in order to, among other things, pay the client's fees. MMLIS provides a "cash sweep program" where uninvested cash balances (such as from securities transactions, dividends, interest payments, or deposits) in a client's Account are deposited into a selected investment option each business day. In certain circumstances, including periods of volatile or uncertain market conditions, any such cash sweep investment may comprise all or a substantial portion of the Account assets based on, for example, concerns about the market, a decision to pursue a defensive investment strategy, or for cash management purposes. The Firm, in its capacity as a broker-dealer, selects the sweep investment options available for client's portfolio. Please review the Investment Management Agreement or the MMLIS Wealth Management Services Terms and Conditions, depending on which agreement is applicable to your Account ("Program Agreement"), as well as the other account opening documents or communications provided by the Firm, for information about the MMLIS sweep program. Clients should also refer to the prospectus (or other disclosure document) for the Account's sweep vehicle which will be provided to clients and is also available upon request.

Generally, sweep investment vehicles generate lower yields than cash alternatives available outside of the sweep program. MMLIS has selected a money market fund as the default cash sweep option. Any cash balances invested in a money market



fund through the cash sweep vehicle are subject to such money market fund's management, distribution, transfer agent, and other expenses. These fees and expenses are in addition to, and will not reduce, the Fee, except as required by law. In low interest rate environments, the application of the Client Fee to the money funds invested through the sweep arrangement will exceed the return on the money funds, resulting in a zero yield for the selected sweep investment vehicle.

MMLIS instructs NFS to rebate any 12b-1 fees MMLIS receives in connection with the money market fund directly to each client's Account. MMLIS does not receive additional compensation (other than the Fee) in connection with the money market fund sweep vehicle.

#### *Bank Sweep Arrangement (Alternative Sweep Arrangement)*

If client rejects the default money market cash sweep option selected by the Firm and elects the bank sweep arrangement as the cash sweep option for client's account, MMLIS will earn fees from NFS on the amount of money in the bank sweep arrangement. MMLIS receives a higher amount than client on funds invested in the bank sweep arrangement. In addition, as interest rates rise, the payment MMLIS receives from NFS increases. As a result, MMLIS has an incentive for clients to select the bank sweep arrangement as the cash sweep option for their accounts. MMLIS mitigates this conflict of interest by selecting a cash sweep option for which it does not earn fees (other than the Fee) as the default option for client accounts. In addition, IARs do not receive any of the fees that NFS pays to MMLIS, and IARs do not receive any more or less compensation based on what cash sweep option is selected by a client. In low interest rate environments, the application of the Fee to the funds invested through the bank sweep arrangement will exceed the return on the sweep vehicle, resulting in zero yield for the selected sweep investment vehicle. Clients should consider this scenario, in addition to the compensation MMLIS receives in connection with the bank sweep arrangement, when evaluating the reasonableness of the Fee. The interest rate payable on the bank deposit sweep arrangement is lower than what is available directly from a bank.

#### **b. Envestnet's Screening Process**

The Firm provides Envestnet with a selection of mutual funds which are screened by Envestnet for inclusion into the Multi-Fund Family Portfolio. In addition, the Firm selects and designates the mutual fund families for Envestnet to construct the Single Fund Family Portfolios for the Program. With respect to the selection of individual mutual funds for inclusion in each particular Single Fund Family Portfolio, Envestnet may only select from the mutual funds from that particular mutual fund family designated by the Firm. The funds and fund families provided to Envestnet by the Firm are generally based on factors that include, but are not limited to the following: whether the Firm has a selling agreement with the fund company, the expenses and charges to the Firm associated to offering such funds within the Program and costs to client for owning such funds within the Program.

The purpose of the screening process is to identify mutual funds that satisfy certain minimum investment criteria set by Envestnet. The criteria utilized by Envestnet in selecting Program Funds are described in more detail in the Envestnet Brochure.

Program Funds are subject to market risk and possible loss of principal.

#### **Program Termination**

The Program Agreement will continue in effect until terminated by either the client or the Firm in accordance with the termination provisions of the Program Agreement. Notwithstanding the foregoing, the Firm may retain amounts in a client's Account sufficient to effect any open and unsettled transactions. In this respect, clients are responsible to pay for services rendered, and for transactions effected. Any termination will therefore not affect any liabilities or obligations that are incurred or that arise from transactions before such termination.

Upon termination by the client, it is the client's responsibility to instruct the Firm as to any future actions regarding the assets in the Account. Unless instructed otherwise, the Firm will move client's assets to a standard brokerage account. In addition, the Firm reserves the right to send cash related assets to client's address of record. If the Firm or Envestnet terminates the agreement, the client's assets will be moved to a standard brokerage account or client will be mailed a check as determined by the Firm. Upon termination of the Program Agreement, the client assets will not be managed. Any client assets transferred to a standard brokerage account will be subject to the fees and charges normally assessed by the Firm on its brokerage accounts. In addition, the client will continue to be bound to the terms and conditions of the brokerage

account agreement (or equivalent document for certain retirement accounts) (“Brokerage Agreement”), which the client enters into when the client signs the IAAA upon establishment of the FMS Account.

### **Total Assets Under Management (AUM)**

As of November 30, 2021, the Firm has approximately \$67 million AUM in total in the Fund Management Services Program (the “Program”). As of the date of this Firm Brochure, the Firm does not manage money on a discretionary basis in this Program.

### **ITEM 5. FEES AND COMPENSATION**

Clients in the Program will be charged the “Fee,” which, prior to January 1, 2022, was a non-negotiable annual fee of 1% that covers the advisory services provided by the Firm and Envestnet under the Program, the brokerage services involved in purchasing and selling the Program Funds, and the custodial and clearing services provided by NFS. NFS is responsible for deducting all Fees from client Accounts. The Fee is a percentage of the assets clients have in the Program, including any portion of the assets maintained in cash or other short-term investments, and will be paid in advance on a quarterly basis as described below.

Beginning January 1, 2022, the Fee includes an Execution, Clearing and Custody Fee of 0.06% and a negotiable IAR Fee up to a maximum of 1.54%. The Execution, Clearing and Custody Fee and the IAR Fee are based on an annualized percentage of assets that are invested in a client’s Account, including any portion of the assets maintained in cash or other short-term investments. MMLIS will use the Execution, Clearing and Custody Fee to pay NFS for the services NFS provides to client accounts. NFS’s fees are expected to be less than the total amount of Execution, Clearing and Custody Fees MMLIS will receive from client accounts and MMLIS will retain the amount of the Execution, Clearing and Custody Fee that remains after paying NFS. The IAR Fee can include breakpoints, which means a different fee (typically a lower fee) will apply to assets in a client’s Account that are above a certain amount. Information about the Fee and the breakpoint schedule for a specific client is provided in the SIS.

The IAR Fee is paid to MMLIS. MMLIS will pay a portion of the IAR Fee to the IAR after application of the compensation schedule and Administrative Assessment described below under “Additional Information about the IAR Fee.”

As of January 1, 2022, the Fee for all accounts will be converted to the fee schedule described above as follows: the Execution, Clearing and Custody Fee of 0.06% will be subtracted from the 1% Fee and the remainder (0.94%) will be the IAR Fee. The total fee paid by the client will remain the same following the conversion.

When negotiating client account fees, IARs may consider the amount of assets an IAR manages for a client (or group of clients) across one or multiple accounts. An IAR can include breakpoints in the IAR Fee, which means a different fee (typically a lower fee) will apply to assets in a client’s Account that are above a certain amount. In connection with negotiating client account fees, an IAR can request that MMLIS systematically group eligible client accounts together for purposes of calculating the IAR Fee. Systematically aggregating an ineligible account with a retirement account can result in tax penalties for a client. Clients should review their accounts and inform their IARs or MMLIS if a client believes their account is being systematically aggregated with an ineligible account. Clients should consult with their IAR regarding whether their accounts may be aggregated for purposes of calculating the IAR Fee.

IARs have different practices for negotiating client account fees and there is no guarantee that the fee schedule for your account will include breakpoints or that your account will be aggregated with other accounts for the purpose of calculating the IAR Fee for your account. Moreover, the IAR Fee negotiated will depend on the facts and circumstances for each client and IAR, and the IAR Fee will vary among IAR and clients, and certain IARs may charge higher fees than others for similar services.

#### *Other Information about the Fee*

Clients may purchase the same or similar securities without paying the Fee or may pay less than the Fee if such securities were purchased outside of a Program. Thus, in some cases, it may be more cost efficient for clients to purchase securities outside of the Program. However, clients will not receive the services provided under the Program if they choose to do so. The Fee a client pays may be higher than those charged by the Firm for other advisory programs offered through the Firm, or higher than those charged by other sponsors of comparable programs.



Fees charged for similar services often vary by office and by IAR. Certain IARs provide comparable services for fees that are different from those charged by other IARs, and some IARs charge higher fees than other IARs for similar services.

The Program Funds are “no load” or “load” waived mutual funds, meaning the sales charges typically associated with mutual funds will not be charged to the Client.

The Firm shares the Fee with the IARs and pays NFS to cover ticket charges and other transaction-related fees. The Firm reserves the right to lower the Fee for accounts held by employees, associated persons, agents, or independent contractors of the Firm or its affiliates and their immediate family members, or for any person for any other reason at its discretion.

The Firm and the IAR receive compensation as a result of client’s participation in the Program. This compensation may be more than what the Firm and the IAR would receive if the client participated in other advisory programs made available by the Firm or purchased the services provided under the Program separately. The Fee creates a financial incentive for the Firm and the IAR to recommend the Program over other advisory programs (including third-party advisory programs), and other types of accounts or services offered by the Firm. This incentive applies to both the initial recommendation to open an Account in the Program and to make subsequent contributions to such Account. MMLIS addresses this conflict by disclosing it to clients.

#### *Additional Information about the IAR Fee*

The final net compensation received by the IAR is subject to additional adjustments of fees between the IAR and MMLIS. MMLIS utilizes compensation schedules to calculate the overall compensation paid to IAR for their work associated with the Program and other offerings at MMLIS. The compensation schedule is set annually and is generally based on the amount earned by the IAR during the prior calendar year. The compensation schedule is also impacted by the total client assets attributable to that IAR or the IAR’s team reaching a certain threshold. For these purposes, the total client assets include assets across the advisory programs for which MMLIS serves as the broker-dealer and are custodied with NFS (including the Program) and assets managed by MassMutual Trust Company. This creates an incentive for IARs to recommend more investments this year to earn a higher portion of compensation the following year.

MMLIS incurs various administrative costs associated with offering the Program. MMLIS utilizes a portion of the IAR Fee (an “Administrative Assessment”) to pay for such administrative costs. MMLIS utilizes a fee schedule to determine the amount of the Administrative Assessment and the amount of the IAR Fee that will be paid to the IAR. The Firm has an incentive program where MMLIS will pay an IAR a larger portion of the IAR Fee based on total client assets attributable to that IAR or the IAR’s team. For these purposes, the total client assets include assets across the advisory programs for which MMLIS serves as the broker-dealer and are custodied with NFS (including the Program) and assets managed by MassMutual Trust Company.

The IAR is not entitled to any portion of the IAR Fee other than that portion determined by MMLIS in its sole discretion after application of the compensation schedule and Administrative Assessment.

These incentive programs create a conflict of interest and incentive for IARs to recommend these advisory programs (including the Program) to clients over third-party advisory programs and other types of accounts or services. This conflict of interest applies to both the initial recommendation to open an Account in the Program and to make subsequent contributions to such Account. MMLIS addresses these conflicts by disclosing them to clients. In addition, this incentive program does not take into account how the assets in an advisory program are invested. The amount of an IAR’s compensation or Administrative Assessment is not based on what mutual funds or mutual fund share classes clients are invested in, or what percentage of a client’s account is invested in cash or cash equivalents.

If an IAR’s overall compensation will decrease as a result of the fee conversion described above, MMLIS will take this into account when calculating the amount of the IAR Fee that will be paid to the IAR. In addition, pursuant to this incentive program, pursuant to this incentive program, certain IARs are not charged any Administrative Assessment.

MMLIS does not utilize an Administrative Assessment for the products and services it offers other than for the advisory programs for which MMLIS serves as the broker-dealer and are custodied with NFS. The Administrative Assessment

creates an incentive for MMLIS to recommend these advisory programs (including the Program) to clients over third-party

advisory programs and other types of accounts or services offered by MMLIS.

Clients should consider all relevant factors before contributing mutual fund shares to a Program, including the fact that clients may have paid a front-end sales charge and any applicable contingent deferred sales charges or redemption fees will remain the client's responsibility and will be in addition to the Fee. Clients should also consider that the contributed mutual fund shares may not be the lowest cost share class available.

As described below, certain clients may be eligible for Fee Forgiveness.

### *Mutual Funds*

Clients should understand that mutual funds generally offer multiple share classes depending on certain eligibility and purchase requirements. For instance, in addition to the more commonly offered retail share classes (typically, Class A, B and C shares), mutual funds may also offer institutional share classes and other share classes that are specifically designed for accounts that participate in fee-based investment advisory programs. Institutional share classes or classes of shares designed for purchase in an investment advisory program usually have a lower expense ratio than other share classes. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio or that a particular mutual fund company will allow all share classes to be available for the Program. In addition, only the mutual fund share classes that are available on NFS' platform are available in the Program. MMLIS will request that NFS add certain lower cost mutual fund share classes to their platform, as they are made available by particular mutual funds, if not already available on the platform. MMLIS will also request that Envestnet make the more favorable share class available in the Program and convert any holders of such mutual fund to the more favorable share class.

The Firm earns asset-based distribution or servicing fees (12b-1 fees or otherwise) from certain mutual funds (or their related persons) for providing distribution and/or administrative services to the mutual funds. When these mutual funds are held in a client Account, the 12b-1 fees are paid by the client as a shareholder in the underlying funds. However, the Firm instructs NFS to rebate the 12b-1 fees directly to such client Account.

Clients should contact their IAR for more information about share classes and share class eligibility.

### *Mutual Funds and Revenue Share from NFS*

NFS charges mutual fund companies a recurring fee to make their mutual funds available to broker-dealers that use NFS as their clearing firm. The amount of the fee varies and depends on whether a mutual fund's share classes are part of NFS's NTF or iNTF programs (no transaction fee) or TF program (transaction fee), or are not part of the NTF, iNTF or TF programs. Different share classes of the same mutual fund can be available on NFS' platform, and one share class of a mutual fund can be part of a program (the NTF program, for example) while another share class of the same mutual fund is not. MMLIS receives additional compensation when a client's Account is invested in certain mutual funds, as NFS shares with MMLIS a portion of the fee NFS receives ("revenue share payments") for the assets in the Program that are invested in NTF, iNTF and TF mutual fund share classes, with some exceptions (Fidelity funds, for example). MMLIS does not receive revenue share payments for assets invested in qualified plan accounts or IRAs.

NFS generally charges mutual fund companies a higher fee for NTF mutual fund share classes than for other mutual fund share classes. Therefore, MMLIS generally receives a higher revenue share payment from NFS for each investment in an NTF mutual fund share class than for mutual fund share classes that are not included in the NTF program. Certain fund companies with share classes in the NTF program pay a lower fee to NFS than other fund companies with share classes in the NTF program. This means that MMLIS receives a lower revenue share payment for each investment in such companies' mutual fund share classes in the NTF program than other mutual fund share classes in the NTF program.

Mutual fund share classes that are part of NFS's NTF program are generally more expensive for clients. In addition, clients are not charged transaction fees for transactions in any mutual funds in the Program regardless of whether the share classes are in NFS's NTF, iNTF or TF program.

The revenue sharing arrangements between NFS and MMLIS create a conflict of interest for MMLIS. Specifically, MMLIS has an incentive to make available, select and recommend the mutual funds and mutual fund share classes for which NFS pays revenue share to MMLIS over the mutual funds and mutual fund share classes for which NFS does not pay revenue

share to MMLIS, even if these mutual fund share classes are more expensive for clients. MMLIS has a similar incentive to make available, select and recommend the mutual funds and mutual fund share classes for which NFS pays a higher revenue share payment over other mutual funds and mutual fund share classes even if the investments for which NFS pays a higher revenue share payment are more expensive for clients. This may result in clients purchasing a higher cost share class than other share classes of the same fund for which the client may be eligible. MMLIS will not credit a client's Account for any revenue share payments MMLIS receives in connection with client's Account.

These conflicts are mitigated in several ways. IARs do not receive any of the revenue share payments that NFS pays to MMLIS, and IARs do not receive any more or less compensation based on what mutual funds or mutual fund share classes they select or recommend to clients. Additionally, the mutual funds and mutual fund share classes that are included in the Portfolios are selected by Envestnet, not MMLIS or the IARs.

#### *Mutual Funds and MMLIS Fee to NFS*

MMLIS pays a recurring fee to NFS based on a percentage of the aggregate assets invested in accounts in the Program, excluding any investments in NTF mutual fund share classes, Fidelity funds, cash and cash equivalents. This creates conflicts of interest. MMLIS has an incentive to make available, select and recommend mutual fund share classes that are excluded from the calculation of the fee MMLIS pays to NFS, even if such investments are more expensive for clients. MMLIS also has an incentive to maintain client assets in the Program in cash or cash equivalents.

When assets in MMLIS accounts that are custodied at NFS reach certain thresholds, the percentage used to calculate MMLIS's fee to NFS decreases. This creates an incentive for MMLIS to recommend advisory programs custodied with NFS (including the Program) over other advisory programs and to recommend that you increase the amount you have invested in such programs.

When the assets in a client's Account are less than a minimum amount established by NFS, NFS charges MMLIS an additional fee for such Account. This creates an incentive for MMLIS to recommend that such client increase the amount invested in client's Account.

These conflicts are mitigated in several ways. IARs do not receive any benefit if MMLIS pays lower fees to NFS and IARs do not receive any more or less compensation based on what investments, including mutual funds or mutual fund share classes, are held in client Accounts. In addition, the mutual funds and mutual fund share classes that are included in the Portfolios are selected by Envestnet, not MMLIS or the IARs. With respect to cash, each of the Portfolios have a Cash Target (as defined in Item 13) of 3% and Envestnet will rebalance a client's Account if the amount of cash in such Account exceeds the Cash Target.

#### **Fee Forgiveness**

When a client contributes assets to its Account from a previously established MMLIS brokerage account or contributes mutual funds for which MMLIS is the broker-dealer of record (either from the redemption of such assets and mutual funds or the assets and mutual funds themselves) such clients may be eligible for "Fee Forgiveness." The IAR Fee may be reduced for a limited period of time to take into account the cost of certain sales charges previously paid by the client or to be paid upon redemption. Fee Forgiveness is not available for assets for which MMLIS is not the broker-dealer of record. In addition, sales charges previously paid by the client will only be taken into account for Fee Forgiveness to the extent the client paid such sales charges in the previous two years (for A-share mutual funds) or previous 13 months (for C-share mutual funds, stocks, bonds, options and ETFs) and MMLIS was the broker-dealer of record for the mutual funds or applicable brokerage account at the time client paid the sales charges.

If the assets that qualified for Fee Forgiveness leave the Account, the Fee Forgiveness associated with such assets will be discontinued and any remaining fees associated with such assets scheduled to be forgiven will not be forgiven.

Fee Forgiveness is available only while a client's Account is open. If the Account is terminated for any reason, any remaining fees scheduled to be forgiven will not be forgiven.

Additional details regarding Fee Forgiveness can be found in the Program Agreement.

In order to effectuate trades under the Program, clients need to establish a brokerage account through the Firm with

Program Custodian, which will clear trades and act as custodian for clients' assets under the Program. Accordingly, it is expected that Envestnet will place all transactions for the purchase and/or sale of securities and other investments for client's Accounts through the Program Custodian. However, if Envestnet reasonably believes in good faith, and consistent with applicable fiduciary standards, that another broker or dealer will provide better execution considering all factors including but not limited to net price, a broker other than NFS can be used for execution. In such instances, clients will be subject to fees and charges associated with the transaction costs that are in addition to the Client Fee. These additional costs are reflected in the net purchase or sale price shown on the trade confirmation clients receive for the particular trade but are not disclosed separately in the trade confirmation. Please see the Envestnet Brochure for information on how trades are sent or directed to the Program Custodian. Please also see Item 12 for additional information regarding the execution of transactions for client's Account.

The Fee does not include special requests by clients or the internal management, operating or distribution fees, including any redemption fees or expenses imposed or incurred by the Program Funds. Clients should read each fund's prospectus for a more complete explanation of these fees and expenses, which pay for management, administration, shareholder servicing, distribution, transfer agent, custodial, legal, audit and other services.

If available, the Firm, as a broker-dealer, receives asset-based distribution or servicing fees (in the form of so-called "12b-1 fees" or otherwise) from certain Program Funds for providing distribution and/or administrative services to Program Funds. Further information regarding these fees and other charges assessed by Program Funds may be found in the appropriate prospectus or annual report. This compensation to the Firm from such Program Funds is in addition to the advisory and other fees the Firm receives under the Program. The Firm has an incentive for clients to invest in Program Funds that pay 12b-1 fees. When available, the Firm seeks to offer institutional share classes of Program Funds through the Program, which do not have 12b-1 fees. In instances where the Firm receives 12b-1 fees, the Firm credits client accounts an amount equal to any such 12b-1 fees the Firm receives on such assets held in client Accounts in order to offset the Fee paid under the Program.

Clients may purchase the Program Funds outside of the Program without paying the Fee or may pay less than the Fee. Thus, it may be more cost efficient for clients to purchase the Program Funds outside of the Program. However, clients will not receive the services provided under the Program if they choose to do so. The Fee a client pays may be higher than those charged by the Firm for other advisory programs offered through the Firm, or higher than those charged by other sponsors of comparable programs.

#### **a. Payment of Fees and Expenses**

Upon acceptance of the IAAA and the Account being funded at or above the Program minimum, \$10,000, unless waived by the Firm, clients pay an initial Fee that is based on the initial market value of the Account. The first payment is prorated to cover the period from the date the Account is opened through the end of the current calendar quarter. Thereafter, the quarterly Fee is paid at the beginning of each calendar quarter for such quarter. The quarterly Fee is based on the fair market value of the assets in the Account (which includes any assets in the cash investment style) on the last business day of the preceding calendar quarter as calculated by NFS.

Clients also are subject to a Fee for any additional lump sum contribution(s) in a calendar quarter equal to or greater than \$2,000. Clients will pay for that portion of the ongoing quarterly Fee that relates to the number of days remaining in the calendar quarter on the date of an additional contribution equal to or greater than \$2,000. Payment of the fee will be made in the quarter following any such contribution and will be based on the amount of the contribution.

Clients may withdraw assets from their Account at any time, subject to the usual and customary settlement procedures. All withdrawals are first funded from the amount in the client's cash sweep option. Withdrawals may have tax consequences such as capital gains or other applicable taxes. If the amount maintained in the cash sweep option is not enough to meet a withdrawal request, the remaining amount of the withdrawal request will be satisfied by redeeming shares of the Program Funds in the client's Account at Envestnet's discretion. Envestnet will rebalance the Account back toward the selected allocation, thus triggering a possible taxable event.

MMLIS will adjust or refund Fees paid by client that are attributable to partial withdrawals equal to or greater than \$10,000 that Client made during any calendar quarter. MMLIS will refund client for that portion of the ongoing quarterly Fee that relates to the number of days remaining in the calendar quarter on the date of a partial withdrawal equal to or greater than \$10,000. Payment of such refund will be made in the month following any such contribution and will be based on the

amount of the withdrawal.

If an Account is terminated, MMLIS will refund to clients a pro rata portion of any pre-paid, but unearned Fee for the current quarter. The amount refunded to clients will be based on the number of days remaining in the quarter after the date of termination.

Clients pay the Fee and other applicable fees and expenses under the Program by instructing NFS through the Program Agreement to automatically debit the Fee, and applicable fees and charges (collectively “Expenses”), from their Account. The amount debited to pay the Expenses under the Program will appear on statements clients receive from NFS. The Expenses are first deducted by NFS from assets a client has in the cash sweep option. Envestnet will automatically rebalance a client's Account if payment of the Expenses under the Program causes the client's cash investment style to fall below the percentage threshold (and if the dollar threshold is met) and/or to cover any Account debit balances. If this occurs, Envestnet will cause the remaining amount of the Expenses and/or Account debit balances that cannot be covered by assets in the cash investment style to be paid by redeeming shares of Program Funds in the client's Account. In such cases, the client may face a taxable event, to which capital gains (or other) taxes may apply. Clients should consult with a qualified independent tax advisor.

The money debited from client's Account will be sent by NFS to the Firm.

#### **b. Additional Client Fees**

Each client Account is subject to an annual fee of \$10, which is charged on June 30, unless the Account is registered to receive account statements electronically before June 15 of that year. This fee will not apply to Accounts opened between April 1, 2022 and June 30, 2022 until June 2023. Please see Item 14 – “Incentives Relating to Electronic Delivery” for additional information about electronic delivery.

Retirement Accounts will also be subject to an Annual Maintenance Fee of \$17.00. This fee is deducted by NFS from a client's cash sweep option (initially, before other Account assets) at the time it is incurred. The Fee does not include this Annual Maintenance Fee.

In addition, client Accounts are subject to the following brokerage account termination fees (the “Termination Fees”):

- Retirement Accounts - \$125
- All Other Accounts (if transferred to another firm) - \$50

Termination Fees are deducted from the Account at termination. The Fee does not include Termination Fees.

The amount of these fees (other than the Termination Fee for Retirement Accounts) are higher than the corresponding fee NFS charges MMLIS and therefore MMLIS receives additional revenue from charging these fees.

If NFS charges a recurring annual fee for any Unsupervised Assets in Accounts within the Program (such as alternative investments), these fees will be paid by the client and are in addition to the Client Fee. Clients will sign a separate agreement with NFS describing these fees if such investments will be included in a client's Account.

### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Firm does not charge clients in the Program 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**

The Firm provides investment advisory services to individuals, high net worth individuals, various types of business organizations, pension and profit-sharing plans, charitable institutions, foundations, endowments, and trusts.

The Firm generally requires a client to execute a Program Agreement and a Brokerage Agreement and complete an IAAA and SIS in order to participate in the Program. Some clients (e.g., a trust or a corporate pension plan) may be required to submit additional documentation in order to open an account. The Brokerage Agreement governs the brokerage services provided by MMLIS in connection with client's participation in the Program.

The minimum initial contribution to open an Account under in the Program is \$10,000 unless waived by the Firm, and the



minimum subsequent contribution amount in the Program is \$25 if payment is made by ACH, fed fund wires, or by check. Clients may make additional contributions to their Accounts at any time subject to the above minimums. Clients can fund contributions to the Program with cash or securities.

Accounts cannot be aggregated, even if they are beneficially owned by the same person or entity, for the purpose of meeting the minimum thresholds. Your assets in the Program will not be managed until the Program minimum of \$10,000 is reached, unless waived by the Firm. In such situations, any cash will be placed in the cash sweep option until the asset value reaches the Program minimum. Once the Program minimum is met, client assets will then be invested in accordance with client's selected Portfolio.

Additional contributions under the Program are allocated initially to the cash sweep option and will remain there until a client's Account is rebalanced. Accordingly, additional contributions under the Program will remain in the sweep option until a rebalance is triggered as determined by Envestnet. Clients should be aware that it can take at least one business day for new or additional contributions to be available for investment. As a result, executions of trade orders can occur at prices that are significantly different from the market price at the time of a contribution. Please see the Envestnet Brochure for more information.

If an Account falls below the \$10,000 account minimum requirement at any time and for any reason, the Firm may, in its discretion, close the Account and transfer the assets therein to a standard brokerage account. Once in a standard brokerage account, such assets will not be managed and will be subject to the fees and charges normally assessed by the Firm on its brokerage accounts.

Clients who intend to fund the Program with securities that cannot be accepted into the Program, (e.g. non-Program funds), will need to liquidate those securities before transferring them into the Program. If the Firm receives securities that cannot be accepted into the Program, the Firm in its discretion may liquidate those securities holdings. Such liquidation of current securities holdings may have tax consequences that should be carefully considered and discussed with a qualified tax advisor before the client initiates the transfer into the Program.

If a client owns shares of a Program Fund outside of the Program and wants to transfer such shares into the Program, Envestnet will rebalance the client's Account in accordance with the client's initial investment style allocation mix, if necessary. This means that if all of the shares of the Program Fund cannot be transferred into the Program without causing the client's Account to be out of balance with the selected Portfolio, those shares that would cause the client's Account to be out of balance may be sold by Envestnet at its discretion. The proceeds of the sale will be used to purchase other Program Funds in accordance with the client's investment style allocations. Since transferring shares of a Program Fund held outside the Program into the Program may trigger fund sales, such transfers may result in a taxable event in which capital gains or other taxes apply. Clients therefore should consult with a tax professional before initiating the transfer. Client further understands that if it seeks to transfer a Program Fund into the Account held in a share class not offered through the Program, if possible, Envestnet will convert such shares into the appropriate share class available under the Program. Client understands that transferring shares of a Program Fund held outside the Program into the Program may thus result in a taxable event to which capital gains or other taxes apply. The proceeds of the sale will be used to purchase other Program Funds in accordance with client's asset class and investment style allocations.

#### **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

As indicated in Item 4, Envestnet is tasked with the responsibility for creating and maintaining the Portfolios, which includes screening for the inclusion or the removal of Program Funds for each Portfolio, under the Program. In fulfilling this responsibility, Envestnet uses its proprietary due diligence and analytical methodologies to create, monitor and maintain Portfolios and to monitor and maintain the Program Funds. Please refer to the Envestnet Brochure for further details.

The IAR assigned to the client's Account will assist the client in selecting the Portfolio made available by Envestnet. The IAR may discuss with the client various factors, including but not limited to client preferences, historical performance and portfolio risk. The client is ultimately responsible for deciding which Portfolio to choose. When appropriate, the IAR may also assist the client in determining whether the existing Portfolio should be replaced. The IAR may discuss some or all of the foregoing factors with the client in order to assist the client in making an appropriate decision.

The Firm conducts due diligence on Envestnet, generally on an annual basis. The due diligence includes a review of



Envestnet's organization, personnel, investment philosophy, investment process (asset allocation and investment selection), due diligence process, performance, and back office. The annual due diligence typically includes site visits to some of the Envestnet offices.

The Firm does not calculate Envestnet's investment performance, or reviews its performance information in order to determine or verify i) its accuracy or compliance with any presentation standards, or ii) if such information is calculated on a uniform or consistent basis. Furthermore, the Firm does not advertise or publish any information about its own investment performance.

Investing in securities, including Program Funds, involves risk of loss that clients should be prepared to bear. Clients may experience loss in the value of their Account under the Program, including loss of principal, due to market fluctuation.

There is no guarantee that a client's investment objectives will be achieved by participating in the Program. Clients should read carefully a copy of the current prospectus for each Program Fund selected under the Program prior to investing. The prospectus contains information regarding the fees, expenses, investment objectives, investment techniques, and risks of the Program Funds. The investment returns on a client Account will vary and there is no guarantee of positive results or protection against loss. No warranties or representations are made by the Firm concerning the benefits of investment in the Program. The Firm and its IARs do not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert.

Set forth below are certain material risks to which a client might be exposed in connection with the Program:

*Acts of God and Geopolitical Risks* – The performance of an Account could be impacted by Acts of God or other unforeseen and/or uncontrollable events (collectively, “disruptions”), including, but not limited to, natural disasters, public health emergencies (including any outbreak or threat of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola, or other existing or new pandemic or epidemic diseases), terrorism, social and political discord, geopolitical events, national and international political circumstances, and other unforeseen and/or uncontrollable events with widespread impact. These disruptions may affect the level and volatility of security prices and liquidity of any investments. There is risk that unexpected volatility or lack of liquidity will impair an investment's profitability or result in it suffering losses. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or securities industry participants in other countries or regions. The extent of the impact of any such disruption on MMLIS, clients, Accounts, and any underlying portfolio investments' operational and financial performance will depend on many factors, including the duration and scope of such disruption, the extent of any related travel advisories and restrictions implemented, the impact of such disruption on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. A disruption may materially and adversely impact the value and performance of any investment, MMLIS's ability to source, manage and divest investments, and MMLIS's ability to achieve clients' investment objectives, ultimately resulting in significant losses to the Account. In addition, there is a risk that a disruption will significantly impact, or even temporarily or permanently halt, MMLIS's operations and/or the operations of any underlying portfolio funds and companies.

*Alternative Mutual Funds Risk* – Alternative mutual funds have many of the same protections as other registered investment companies, but accomplish investment objectives through non-traditional investments and trading strategies. Alternative mutual funds may present risks including but not limited to those associated with the use of derivative instruments for hedging or leverage, liquidity and volatility risks associated with distressed investments, liquidity risks associated with restrictions on securities purchased in an initial public offering or from privately held issuers, currency risk due to investments in or exposure to foreign assets or instruments, and risks associated with short selling of securities.

*Asset Allocation Risk* – The risk that Envestnet's decisions regarding a Portfolio's allocation to asset classes or underlying funds will not anticipate market trends successfully.

*Investment Company Risk* – When a Portfolio invests in an investment company, such as mutual funds, in addition to directly bearing the expenses associated with its own operations, it will bear a pro rata portion of the investment company's expenses. Further, while the risks of owning shares of an investment company generally reflect the risks of owning the underlying investments of the investment company, the Portfolio may be subject to additional or different risks than if the

Portfolio had invested directly in the underlying investments.

*Leverage Risk* – A pooled investment vehicle (e.g., mutual fund, ETF, etc.) may borrow money (and/or establish a line of credit) to provide for opportunistic asset allocation, facilitate payments on withdrawal and to remain fully invested in anticipation of future contributions. Additionally, a pooled investment vehicle may enter into various derivatives (such as options, futures and swaps) that have implicit or internal leverage in that the notional value of the derivative instrument is much larger than the cash needed to establish and maintain the derivative instrument. Although leverage will increase the pooled investment vehicle's investment return if the investment purchased with borrowed funds earns a greater return than the interest expense the pooled investment vehicle pays for the use of those funds, the use of leverage will decrease the return on the pooled investment vehicle if the pooled investment vehicle fails to earn as much on its investment purchased with borrowed funds as it pays for the use of those funds. The use of leverage will in this way magnify the volatility of changes in the value of an investment in the pooled investment vehicle, especially in times of a "credit crunch" or during general market turmoil.

*Money Market Funds* – An investment in money market funds is not a bank deposit nor is it insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the money market fund seeks to maintain a constant price per share of \$1.00, you may lose money by investing in the money market fund. The money market fund may experience periods of heavy redemptions that could cause the money market fund to liquidate its assets at inopportune times or at a loss or depressed value, particularly during periods of declining or illiquid markets. This could have a significant adverse effect on the money market fund's ability to maintain a stable \$1.00 share price, and, in extreme circumstances, could cause the money market fund to suspend redemptions and liquidate completely.

*Portfolio Turnover Risk* – To the extent that a Portfolio buys and sells Program Funds frequently, such activity may result in increased brokerage or other higher transaction costs and additional capital gains tax liabilities. These costs affect the Portfolio's performance. In addition, the Portfolio will have no control over the turnover of the underlying fund. In addition, the withdrawal of a Portfolio from an underlying fund could involve expenses, such as redemption fees, to the Portfolio under the terms of the Portfolio's investment.

*Reliance on Technology; Cybersecurity Risk; Back-up Measures* – MMLIS's operation is dependent on various computer and telecommunications technologies, many of which are provided by or are dependent upon third parties such as data feed, data center, telecommunications, or utility providers. The successful deployment, implementation, and/or operation of such activities and strategies, and various other critical activities, could be severely compromised by system or component failure, telecommunications failure, power loss, a software-related "system crash," unauthorized system access or use (such as "hacking"), computer viruses and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. It is not possible to provide comprehensive and foolproof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. Any event that interrupts such computer and/or telecommunications systems or operations could have a material adverse effect on clients, including by preventing MMLIS or Envestnet from trading, modifying, liquidating, and/or monitoring its clients' investments. In addition, clients should be aware of the risk of attempted cyber-attacks, including denial-of-service attacks, and harm to technology infrastructure and data from misappropriation or corruption. Due to MMLIS's interconnectivity with third-party vendors, central agents, exchanges, clearing houses, and other financial institutions, MMLIS could be adversely impacted if any of them is subject to a cyber-attack or other information security event. Although MMLIS takes protective measures and endeavors to modify its operations as circumstances warrant, computer systems, software, and networks may be vulnerable to unauthorized access, issues, computer viruses or other malicious code, and other events that could have a security impact. MMLIS has certain backup measures in place for such disruptions, but no assurance can be given that these plans will be realized, or that, in particular, MMLIS would be able to resume operations following a business disruption.

## **ITEM 9. DISCIPLINARY INFORMATION**

On June 17, 2011, MMLIS entered into a Letter of Acceptance, Waiver and Consent ("AWC") for the resolution of charges with FINRA. The alleged rule violations relate to the Firm's compliance with FINRA Rules applicable to Firm compensation in connection with Trade Reporting and Compliance Engine ("TRACE") eligible securities during the period October 9, 2008 through June 26, 2009 (the "Review Period"). During the Review Period, in 14 transactions, the Firm purchased or sold TRACE-eligible securities as agent for a customer in transactions for a commission or service charge that was in excess of a fair amount, taking into consideration all relevant circumstances. The Firm also failed to enforce its

written supervisory procedures by charging commission in excess of the procedure's limits. The conduct constituted violations of NASD Rule 2440, NASD Rule 3010, NASD Rule 2110 (for conduct prior to December 15, 2008) and FINRA Rule 2010 (for conduct on or after December 15, 2008). Under the Acceptance, Waiver and Consent, the Firm consented to a censure and a fine of \$32,500.

On November 16, 2011, MMLIS entered into an AWC for the resolution of alleged rule violations with FINRA. The alleged rule violations related to the Firm's compliance with FINRA Rules applicable to filing Forms U5 and amendments to Forms U4 and U5. From approximately May 13, 2008 through October 10, 2010, the Firm failed to file in a timely manner at least 98 filings, including 5 Form U5 filings and 93 amendments to Forms U4 and U5. Forms U4 and U5 contain information regarding the firm's registered representatives and the rule requires timely updates to these forms. FINRA also found that the Firm failed to establish and maintain a supervisory system and establish, maintain and enforce supervisory procedures that were reasonably designed to achieve compliance with the reporting requirements set forth in Article V of FINRA's By-Laws. This conduct constituted violations of NASD Conduct Rule 2110 (for conduct prior to December 15, 2008) and 3010 and FINRA Rule 2010 (for conduct after December 14, 2008). Under the Letter of Acceptance, Waiver and Consent, the Firm consented to a censure, a fine of \$300,000 and undertakings related to a review of the Firm's supervisory systems, written supervisory procedures and quarterly reporting in 2012 to FINRA of any Form U5 filings or amendments to Forms U4 or U5 the were not timely filed during that quarter.

On December 6, 2012, the Director of The Rhode Island Department of Business Regulation (the "Director") entered into a Consent Order Making Findings and Imposing Remedial Sanctions (the "Order") for the resolution of a matter involving MMLIS. The matter was resolved prior to instituting administrative proceedings. MMLIS neither admitted, nor denied the findings. The matter arose out of the conduct of two former representatives of MMLIS who have been barred from engaging in any securities business in the state of Rhode Island as a result of their conduct. On March 28, 2011, MMLIS advised the Securities Division that one of these representatives had embezzled money from one of his clients over the course of ten years by inducing the client to invest in fraudulent and non-existent promissory notes sold through the representative's outside business activity. The Director alleged that MMLIS failed to reasonably supervise these representatives in violation of R.I. Gen. Laws Section 7-11-212(b)(1). The Order directs MMLIS to: (i) immediately cease and desist from any further violations of the Rhode Island Uniform Securities Act of 1990 and the rules promulgated thereunder; (ii) pay a penalty in the amount of \$250,000 to the Rhode Island Department of Business Regulation; (iii) confirm in writing that it has reimbursed the client for losses according to the terms of a settlement negotiated amongst the parties; and, (iv) retain an independent consultant to conduct a comprehensive review of its Rhode Island Detached Branch Offices and registered representatives in such locations and issue a written report to be filed with the Director.

On August 21, 2013, MMLIS entered into an AWC with FINRA. The AWC found that that MMLIS violated FINRA rules by failing to reasonably supervise and investigate certain of its registered representatives engaged in the sale of promissory notes not approved by MMLIS. Without admitting or denying the findings, MMLIS consented to a censure, a fine of \$125,000 and agreed to pay restitution to investors totaling \$787,847.70.

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

MMLIS entered into an AWC with FINRA for the resolution of a matter effective November 15, 2016. FINRA made findings that the Firm disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge ("Eligible Customers"). FINRA found that these Eligible Customers were instead sold Class A shares with a front-end sales charge or Class B or C shares with back-

end sales charges and higher ongoing fees and expenses. The AWC stated that the Firm failed to establish and maintain a supervisory system and written policies and procedures reasonably designed to ensure that Eligible Customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. The AWC also stated that the Firm failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales. FINRA found that the firm relied on its financial advisors to determine the applicability of sales charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination, including failing to establish and maintain written procedures to identify applicable sales charge waivers in fund prospectuses for Eligible Customers. Without admitting or denying the findings, the Firm consented to a censure and agreed to pay restitution to investors totaling \$1,864,167.77, plus interest.

MMLIS (and three other broker-dealers affiliated with MassMutual) entered into an AWC with FINRA for the resolution of a matter effective June 30, 2017. FINRA made findings that the Firm failed to maintain certain electronic books and records in a non-erasable and non-rewritable format known as the “Write Once, Read Many” (WORM) format that is intended to prevent the alteration or destruction of broker-dealer records stored electronically. The findings also stated that the Firm failed to (i) provide the required 90-day notice to FINRA prior to retaining a vendor to provide electronic storage, (ii) implement an audit system as required for such electronic books and records, (iii) provide letters of undertaking from independent third-parties with the ability to access and download information from the Firm’s electronic storage media; and (iv) enforce written supervisory procedures concerning the Firm’s storage of electronic brokerage records in WORM format. Without admitting or denying the findings, the Firm consented to a censure and agreed to a fine in the amount of \$750,000 (to be paid jointly and severally by the three other MassMutual affiliated broker-dealers). The Firm also agreed to certain undertakings, mainly to submit to FINRA within 60 days a written plan of how the Firm will conduct a comprehensive review of the adequacy of the relevant policies and procedures (written and otherwise), including a description of remedial measures leading to full compliance.

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

On September 10, 2021, MMLIS entered into an agreement and order (“Order”) with the U.S. Securities and Exchange Commission (“SEC”). The Firm neither admitted nor denied the allegations in the Order. The Firm was censured and ordered to cease and desist from committing or causing violations or future violations of Section 206(2) or 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. In connection with the Order, MMLIS agreed to pay disgorgement of \$1,150,505, prejudgment interest of \$258,952.29 and a penalty of \$700,000. The Order included allegations regarding breaches of fiduciary duties by MMLIS and MSI Financial Services, Inc. (“MSI”), a formerly registered investment adviser and broker-dealer that was integrated with MMLIS in March 2017, in connection with third-party compensation that MMLIS and MSI received based on their advisory clients’ investments without fully and fairly disclosing their conflicts of interest. In particular, the Order stated that during certain periods since at least March 2015, MMLIS and MSI invested clients in certain share classes of mutual funds that resulted in the firms receiving revenue sharing payments pursuant to agreements with their unaffiliated clearing broker. The SEC alleged that in spite of these financial arrangements, MMLIS and MSI provided no disclosure or inadequate disclosure of the conflicts of interest arising from this compensation. The SEC alleged that MMLIS and MSI also breached their duty to seek best execution by causing certain advisory clients to invest in share classes of mutual funds that paid revenue sharing when share classes of the same funds were available to the clients that presented a more favorable value under the particular circumstances in place at the time of the transactions. Furthermore, the Order stated that MMLIS and MSI failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its mutual fund share class selection practices and disclosure of conflicts of interest arising out of its revenue sharing practices. As a result of the conduct described herein, the SEC alleged that MMLIS willfully violated sections 206(2) and 206(4) of

the Advisers Act and Rule 206(4)-7 thereunder.

MMLIS entered into an agreement and consent order (“Order”) with the Massachusetts Securities Division (“MSD”) for the resolution of a matter effective September 15, 2021. The Firm neither admitted, nor denied the allegations. The MSD alleged that MMLIS failed to supervise its broker-dealer agents’ posting about securities on social media, trading in outside accounts of other individuals, and excessive trading in personal accounts, and that these allegations constituted violations of Mass. Gen. Laws 204(A)(2)(J). In connection with the Order, MMLIS was censured and agreed to pay a fine of \$4,000,000. MMLIS was ordered to cease and desist from future violations of Massachusetts securities laws and engage an independent third party consultant to review policies and written supervisory procedures regarding (1) its broker-dealer agents’ use of social media platforms, (2) detecting and monitoring broker-dealer agent trading in the accounts of others, and (3) monitoring of personal trading of registered agents. MMLIS also agreed to conduct compliance training and three years of annual compliance audits.

MMLIS entered into an agreement and consent order (“Order”) with the Massachusetts Securities Division for the resolution of a matter effective September 15, 2021. The Firm neither admitted, nor denied the allegations. The allegations stated that MMLIS employed three hundred four (304) individuals who transacted securities business in Massachusetts, sixty-three (63) individuals who supervised MMLIS agents transacting securities business in Massachusetts, and one hundred eleven (111) agency supervisor officers who assisted in supervising agents while not registered as agents. In connection with the Order, MMLIS was censured and agreed to pay a fine of \$750,000. MMLIS was ordered to cease and desist from future violations of Massachusetts securities law and conduct a review of policies and procedures.

#### **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

The Firm is registered with the SEC as an investment adviser and a broker-dealer and certain of its principal officers are registered as IARs and/or registered representatives (“RRs”) of the Firm. In its capacity as a broker-dealer, the Firm sells variable insurance products and general securities, including, but not limited to, stocks, bonds, municipal and government securities, and mutual funds to the public. The insurance products available through the Firm include products issued by affiliated insurance companies as well as those issued by unaffiliated issuers. As part of this business, the Firm, through its RRs who may also be IARs, provides a broad range of securities brokerage services which may include clients who participate in the Program. The Firm, as a broker-dealer, effects securities transactions for these brokerage customers for compensation and may recommend that customers buy or sell securities or investment products in which the Firm or its officers, directors, employees or RRs have a financial interest or may themselves purchase or sell. Clients should be aware that compensation earned by the Firm and its RRs vary by product and by issuer. Therefore, the Firm and its RRs may receive more compensation for selling certain products issued by a Firm affiliate than for selling certain products issued by companies that are not affiliated with the Firm.

The following describes the relationship or arrangement that the Firm has with its affiliates and other nonaffiliated firms that may be material, either to the advisory business of the Firm or to its clients.

##### **Broker Dealers, Other Investment Advisers and Investment Companies**

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

MMLIS is owned by MassMutual Holding LLC. Massachusetts Mutual Life Insurance Company (“MassMutual”) is MassMutual Holding LLC’s principal owner. MMLIS’s registered representatives and IARs are all licensed insurance agents or brokers of MassMutual or its affiliates. MMLIS’s RRs are all licensed to sell securities and may effect securities transactions for compensation for any client.

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



MassMutual Holding LLC is the sole shareholder of Barings LLC (“Barings”), a registered investment adviser. MMLIS had entered into a solicitor’s agreement with Barings whereby MMLIS received compensation for referring clients to Barings for asset management services. Baring accounts have been assigned, with client’s consent, to LMCg Investments, LLC (formerly known as Lee Munder Capital Group LLC). MMLIS continues to receive a referral fee on those accounts. MMLIS may also recommend that its advisory clients invest in mutual funds advised by Barings.

Recommending a mutual fund advised or distributed by an affiliate (an “Affiliated Fund”) creates a conflict of interest between MMLIS and advisory clients. Investing in an Affiliated Fund results in additional compensation being paid to MMLIS and/or one of its affiliates. In many cases there are alternative funds that are available for investment that will provide clients with substantially similar exposure to the asset class or sector represented by an Affiliated Fund. MMLIS addresses this conflict of interest by disclosing it to clients. In addition, MMLIS generally relies on third parties to provide the underlying analysis to determine whether a mutual fund is eligible to be recommended in an advisory program.

If Affiliated Funds are in any of the Portfolios, MMLIS and/or one of its affiliates receives a financial benefit when a Client selects such Portfolio for a Program Account. This conflict of interest is mitigated because neither MMLIS nor the IARs select the investments within a Portfolio.

MassMutual, directly and/or through one or more of its affiliates, owns common shares (approximately 16% of outstanding common shares) and preference shares of, and has certain shareholder rights with respect to, Invesco Ltd. (“Invesco”) as a result of the sale of MassMutual’s formerly affiliated asset management business, OppenheimerFunds, to Invesco. MMLIS, in its broker-dealer or investment adviser capacity, may recommend that a client invest in an investment product advised and/or distributed by one or more Invesco entities. MMLIS addresses this conflict of interest by disclosing it to clients. In addition, MMLIS generally relies on third parties to provide the underlying analysis to determine whether a mutual fund is eligible to be recommended in an advisory program. Investment products advised and/or distributed by one or more Invesco entities may be in a Portfolio. This conflict of interest is mitigated because neither MMLIS nor the IARs select the investments within a Portfolio.

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

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

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

### **Relationship with NFS**

Not all investment advisers are dually registered as broker/dealers or have affiliates that are broker/dealers. Further, not all investment advisers that are dually registered as broker/dealers or that have affiliated broker/dealers require their clients to use the related broker/dealer as introducing broker. MMLIS has an incentive to select itself as the introducing broker-dealer for the Program. In addition, although MMLIS is often able to obtain price improvement through its trade executions with NFS that it believes is beneficial to its clients, MMLIS’s clearing relationship with NFS provides MMLIS with economic benefits by using itself as the broker/dealer and NFS as the clearing firm for accounts. For example, MMLIS receives additional compensation in the form of revenue-sharing payments from NFS as described below and in Item 5 – Mutual Funds and Revenue Share from NFS. MMLIS’s agreement with NFS also provides that NFS shall pay to MMLIS incentive credits for reaching and maintaining certain levels of assets with NFS.

MMLIS receives revenue sharing payments from NFS for investments in mutual fund shares in NFS’s NTF, iNTF and TF programs. MMLIS will not credit the client’s Account for any revenue share payments the Firm receives in connection with that Account. If available, the Firm, as a broker-dealer, also earns 12b-1 fees from certain mutual funds for providing distribution and/or administrative services to mutual funds. In addition, the fee MMLIS pays to NFS is based on the aggregate assets clients invest in advisory accounts, excluding any investments in NTF mutual fund share classes, cash and



cash equivalents. Please see Item 5 of this Firm Brochure for additional information about the revenue-sharing payments MMLIS receives from NFS, 12b-1 fees and the fee MMLIS pays to NFS, and the resulting conflicts of interest.

MMLIS receives additional compensation from NFS in the form of annual recurring business development credits, based on the amount of new assets that MMLIS customers' custodied with NFS over the previous year (including the assets in the Program), and maintaining a certain amount of accounts and assets that MMLIS customers' custody with NFS (including the accounts and assets in the Program). Therefore, MMLIS has an incentive to recommend products and services that will lead to more assets being custodied with NFS, including the Program, over products and services that are custodied with other custodians. These credits are paid directly to the Firm and are not shared with IARs.

NFS will also pay fees to attend Firm sponsored sales and/or training conferences.

This additional compensation received by MMLIS creates a conflict of interest with MMLIS's clients because MMLIS has an economic incentive to use NFS as its clearing firm for trade execution and custody over other firms that do not or would not share revenue with MMLIS. In selecting NFS as the clearing firm, MMLIS considers the full range and quality of NFS' services including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness. Further detailed discussion of the economic benefits MMLIS receives from its relationship with NFS can be found in Item 5.

This additional compensation also creates a conflict of interest because MMLIS has an incentive to recommend clients invest in advisory programs (including the Program) for which MMLIS receives compensation from NFS over advisory programs (such as third-party programs) for which MMLIS does not receive compensation from NFS. This conflict applies to both the initial recommendation to open an Account in a Program and to make subsequent contributions to such Account.

MMLIS received credits from NFS when it began using NFS as its clearing firm. If MMLIS terminates its relationship with NFS before a certain period of time, MMLIS will have to pay a portion of these credits back to NFS. MMLIS will also have to pay additional fees to NFS if MMLIS terminates its relationship with NFS before a certain period of time. These repayment and payment obligations create a conflict of interest with MMLIS's clients because MMLIS has an economic incentive to continue to use NFS as its clearing firm for trade execution and custody over other firms.

Additionally, NFS has waived certain sporadic fees that MMLIS owes to NFS. This also creates an economic incentive for MMLIS to continue to use NFS as its clearing firm for trade execution and custody over other firms.

MMLIS does not pay transaction fees to NFS and MMLIS does not charge transaction fees to clients. However, when the number of trades in a client's account exceeds a certain threshold, NFS will charge MMLIS a set fee per trade. MMLIS does not pass this fee on to the client. This presents a conflict of interest because MMLIS has an incentive to limit the number of trades in a client's account below the threshold that would lead to NFS charging MMLIS a transaction fee. This conflict is mitigated because Envestnet, not MMLIS or IARs, have discretion to trade in a client's account.

### **Relationship with Envestnet**

In addition to the advisory business relationship between Envestnet and the Firm as described in Item 4 above, MMLIS has entered into other agreements with Envestnet and Envestnet affiliated investment advisers to offer other advisory programs. Please contact MMLIS or your IAR for additional information about such programs. Furthermore, Envestnet and, if applicable, its affiliates and subsidiaries, from time to time pay fees to attend Firm sponsored sales and/or training conferences. In 2020, Envestnet paid \$60,000 in such fees to the Firm and in 2021, Envestnet is expected to pay \$75,000 in such fees to the Firm. Representatives from Envestnet and, if applicable, its affiliates and subsidiaries, generally network with and provide training to IARs and the Firm's personnel at these conferences. The fees received by the Firm are generally used to offset expenses associated with hosting conferences and other expenses, and are not paid directly to IARs. While IARs do not receive a portion of these fees, IARs may be more likely to recommend the Program, other Envestnet advisory programs, or products offered through Envestnet affiliates or subsidiaries that are accessible through the Firm, to prospective clients because of the education and the exposures that IARs receive on such services and products.

Certain associates of the Firm ("Investment Specialists") receive compensation from the Firm to provide sales support to IARs. The compensation may be based on criteria related to new Program Accounts or subsequent contributions to Program Accounts for which they may have provided sales support. While Investment Specialists do not sell products or

provide product recommendations directly to clients, clients should be aware that Investment Specialists may have an incentive to favor the presentation of the Program to IARs for their review as potential products to discuss with their clients over products for which they do not receive compensation. Clients should also be aware that the compensation received by Investment Specialists is not shared with IARs or their sales manager. Furthermore, not all IARs will use Investment Specialists for sales support or for support on products available through the Firm.

Certain IARs of the Firm may also be affiliated with and provide investment advisory services, primarily financial planning services, through an investment adviser that is not affiliated with the Firm ("Third Party Adviser"). In that respect, such IARs may offer investment advisory programs through both the Firm and the Third Party Adviser. The compensation that they receive from the Third Party Adviser for offering investment advisory services may be more or less than the compensation that they receive from the Firm. While the investment advisory programs made available by the Third Party Adviser may differ materially from the programs made available by the Firm, the IARs may potentially recommend an investment advisory program that offers them the greatest compensation potential.

Moreover, should a trade error occur where the Firm acts as the broker-dealer to the Account and the error/correction results in a gain, the gain will be kept by the Firm. Gains that are captured due to trade errors are placed in the Firm's general account and used at the Firm's discretion. If gains are not used to cover an expense within a fiscal year, such gains will be considered a profit.

#### **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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

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

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

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

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

The Firm (including the IAR), and/or its affiliates, may have investment responsibilities, render investment advice to, and perform other investment advisory services for, other individuals and entities ("Other Accounts"). Clients should be aware that the Firm and its affiliates, and their respective partners, directors, trustees, officers, agents, IARs and employees may buy, sell or trade in any securities for their respective accounts ("Affiliated Accounts") or Other Accounts. The Firm (including IARs) and its affiliates may give advice or exercise investment responsibility and take such other actions with respect to Other Accounts and Affiliated Accounts which may be similar to, differ from, or contradict, the advice given or the timing or nature of action taken with respect to clients' Account(s).

Additionally, Other Accounts and Affiliated Accounts may at any time, hold, acquire, increase, decrease, dispose of or otherwise deal with positions in investments in which client's Account may have an interest from time to time, whether in transactions which involve client's Account or otherwise. The Firm shall have no obligation to purchase for client's

Account a position in any investment which Other Accounts or Affiliated Accounts may acquire, and that the client shall have no first refusal, co-investment or other rights in respect of any such investment.

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

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

## **ITEM 12. BROKERAGE PRACTICES**

In order to effectuate trades under the Program, client will need to establish a brokerage account through the Firm with NFS who will clear trades and act as custodian for client's assets under the Program. Accordingly, all trading activity in connection with the Program will be effected through this brokerage account with the Program Custodian.

Program Custodian will act in the capacity as a clearing firm and perform centralized cashiering, bookkeeping and execution, clearing and settlement functions for all Accounts in the Program. Program Custodian will handle the delivery and receipt of securities purchased or sold in client's brokerage account; receive and distribute dividends and other distributions; and process exchange offers, rights offerings, warrants, tender offers and redemptions.

By entering into the Program Agreement, client authorizes and directs Envestnet to place all trades in client Accounts through MMLIS, in its capacity as an introducing broker-dealer, to be executed through Program Custodian. Program Custodian is responsible for executing, clearing and settling such transactions and maintains custody of clients' assets. Client has made the decision to direct Envestnet to direct transactions through MMLIS for execution through Program Custodian in recognition of Program Custodian's execution capabilities and because the Program Fee covers trading costs for trades placed through MMLIS. Client directs Envestnet to trade through MMLIS for execution through Program Custodian even if the use of a different broker-dealer may result in lower prices or more favorable execution.

However, if Envestnet reasonably believes in good faith, and consistent with applicable fiduciary standards, that another broker or dealer will provide better execution considering all factors including the net price, a broker other than the Custodian can be used for execution. In such instances, clients will be subject to transaction costs and fees that are in addition to the Fee. These additional costs are reflected in the net purchase or sale price shown on the trade confirmation clients receive for the particular trade but are not disclosed separately in the trade confirmation. Please see the Envestnet Brochure for information on how trades are sent or directed to the Custodian or other broker-dealers. Clients should also review MMLIS's Step-Out Trading Disclosure which includes additional information and a list of the Strategists that engage in step-out trading (available at <https://fieldnet.massmutual.com/public/mmlisi/pdfs/step-out-trade-disclosure.pdf>).

Furthermore, the Firm does not use soft dollar research or services.

## **ITEM 13. REVIEW OF ACCOUNTS**

### **Services provided by the Firm**

The Firm, through the IARs, will be available during business hours to answer any questions that the client may have regarding their Account and/or to provide client services. The Firm will notify clients in writing at least quarterly to contact the Firm if there have been any changes in their financial situation or investment objectives that might affect the manner in which their Account assets should be managed, or if the client wishes to add or modify any existing investment restrictions imposed on Envestnet.

The Firm, or the IARs, will also contact clients at least annually to review each client's Account and to inquire whether anything has changed in client's financial circumstances or investment objectives that might affect the manner in which the client's Account assets should be managed and if the client would like to add to, remove or modify any previously accepted investment restrictions imposed on the Account.

The IAR is available on an ongoing basis to discuss the client's participation in the Program or the client's investments in general. The Firm will forward any updated information it receives from client to Envestnet for review and assist the client in making any appropriate changes to the client's Account, if necessary.

### **Services provided by Envestnet**

Under the Program, Envestnet has certain responsibilities. Envestnet's execution of its responsibilities may have a significant impact on the composition and performance of the Portfolios as well as important tax consequences. Client should carefully consider the potential tax implications of the transactions effected by Envestnet described below, and consult a qualified, independent tax professional for advice. Please refer to the Envestnet Brochure for more details. Envestnet has the authority to make trades in client's account as necessary to fulfill its obligations under the Program. This includes the authority to make appropriate Program Fund replacements and Portfolio changes as described below. The client will be notified of such changes through confirmations and account statements from the Program Custodian. The client does not have the ability to opt out of this aspect of the Program.

#### **a. Program Fund Replacement**

Envestnet may, in its discretion, remove a Program Fund from the Program and/or any Portfolio if such Program Fund does not meet its screening criteria, and replace it with another mutual fund. Envestnet will automatically transfer the assets from the old Program Fund into the new replacement Program Fund selected by Envestnet. If a replacement Program Fund is not selected, assets from the old Program Fund will be automatically reallocated by Envestnet for investment among the other Program Fund(s) currently held within the Portfolio in accordance with the Portfolio's target investment style allocation mix. The foregoing replacement process will be subject to the usual and customary settlement procedures governing mutual funds and may have tax consequences. As noted above, Envestnet's Program Fund selection criteria does not apply to the cash sweep option. The client does not have the ability to opt out of this Program feature and will be notified of such changes through confirmations and Account statements from the Program Custodian.

Please see the Envestnet Brochure for additional information regarding Envestnet's screening, monitoring and replacement processes.

#### **b. Portfolio Changes**

Envestnet may, in its discretion, discontinue a particular Single Fund Family Portfolio if the Program Funds in such Single Fund Family Portfolio fail to meet the applicable screening criteria. If Envestnet discontinues a particular Single Fund Family Portfolio selected by the Client, Envestnet will reallocate the client's Account in a comparable Multi-Fund Family Portfolio, replacing Program Funds in the client's Account as necessary without prior notice or client consent. Additionally, certain financial and economic events may prompt Envestnet to change the recommended asset allocations comprising a given Portfolio. If Envestnet deems it advisable, it may, in its sole discretion, adjust the recommended asset class percentages forming a Portfolio. Such a change will result in adjustments to the investment style and Program Fund allocations in the client's Account. The client will not have the ability to opt out of these changes by Envestnet. If such a change occurs, the client will be notified of the changes through confirmations and Account statements from the Program Custodian. There may be tax consequences when there is an adjustment to the Portfolio.

The transactions described in "a" and "b" above do not apply to the cash sweep option.

### **Account Rebalancing**

The Program contains a feature under which Envestnet reviews Accounts on an annual basis to determine if rebalancing should occur. The client does not have the ability to opt out of this feature. If Envestnet determines rebalancing should occur, it will rebalance the Account back to the Portfolio selected by the client. Annual rebalancing occurs if the current weighting of the Program Funds causes an investment style to vary by any predetermined percentage of the threshold and the minimum trade amount can be met. The minimum trade amount is \$50.00.

The value of each Program Fund may vary over time. On an annual basis, Envestnet will assess the value of the Program Funds in a client's Account, and if a given investment style deviates from the client's selected Portfolio, then the client's Account will automatically be rebalanced to the Portfolio selected by the client as long as the minimum trade amount can be met. Envestnet will purchase additional shares of certain Program Funds and sell shares of other Program Fund in order to return the investment style back to the Portfolio selected by the Client. Redemptions and exchanges resulting from rebalancing a client's Account may have tax consequences.

All of the Portfolios in the Program have a cash investment style target level of 3% ("Cash Target"), meaning the Portfolios are designed to maintain approximately 3% in the cash investment style to pay for fees and charges under the Program. There may be instances when the cash allocation temporarily exceeds the Cash Target due to standard operational processing, such as the removal of Program Funds from client Accounts, processing of client contributions or withdrawals, or during the initial investment of a client Account. If the amount of a client's cash investment style varies beyond the percentage threshold (and the dollar threshold is met), then the client's Account will automatically be rebalanced by Envestnet back toward its original allocation mix so that the client's cash investment style again constitutes approximately 3% of the Portfolio. This rebalancing occurs as required and is not limited to annually.

### **c. Performance Reports**

Clients have the ability to request an Account Performance Report from their IAR at any time. The report generally includes the beginning and ending account value, net contribution and withdrawals, and a rate of return for a specific time period. Clients should be aware that the Account Performance Report is not an official Account statement from the Program Custodian. It should be used only for informational purposes and should not be relied upon for making investment decisions or tax purposes. Clients should promptly notify the Firm or IAR upon discovery of any errors, discrepancies or irregularities.

## **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

### **Additional Compensation Related to Advisory Activities and Referral Arrangements**

MMLIS has a Strategic Partner Program with certain investment companies ("Strategic Partners") that may offer mutual funds that are underlying investments in a Portfolio available in the Program. Strategic Partners are provided with increased access to our home office personnel, registered representatives and investment adviser representatives (referred to herein collectively as "Representatives"). This access includes some or all of the following: (1) participation in sales conferences, (2) training and education seminar sponsorship, (3) receipt of MMLIS sales information and Representative lists, (4) access to various enhanced methods of communication with our Representatives, and/or (5) other services agreed to between the Strategic Partners and MMLIS. MMLIS also publicizes Strategic Partners and their products and services in proprietary marketing materials and/or websites, as well as providing links to Strategic Partners' websites. Strategic Partners also provide support and help create targeted marketing campaigns for Representatives. You should be aware that the Strategic Partners pay MMLIS to be a part of the Strategic Partner Program, as discussed further below.

Each Strategic Partner makes cash payments to MMLIS to participate in the Strategic Partner Program. This compensation allows MMLIS to offset some of the expenses associated with offering the Strategic Partner's products and services (i.e., marketing, training and education, conferences and/or other expenses as permitted by applicable law), and gives the Strategic Partners access to resources and arrangements that we believe may enhance our Representatives' understanding of the Strategic Partner's products or services.

In 2020, the following investment companies made cash payments to MMLIS to participate as a Strategic Partner: American Funds, Brinker Capital, BlackRock, Invesco, Fidelity, and BNY Mellon, in order of largest contribution to smallest contribution. American Funds, BlackRock, Invesco and Brinker Capital each paid more than \$1.25 million, and BNY Mellon, and Fidelity each paid between \$300,000 and \$600,000. These Strategic Partners are expected to make similar payments in 2021.

We understand that these cash payments are not paid out of the assets invested by clients in mutual funds or with Strategists. In addition, no portion of these payments is made by means of brokerage or advisory commissions generated by the Strategic Partners, and none of the cash payments described in this section are made directly to our branch managers or Representatives who sell these products and services. You should read each prospectus, Statement of Additional



Information, offering materials or documents, Form ADV disclosure brochure, or other disclosures (collectively, “Disclosures”) provided to you in connection with the Program.

Strategic Partners make payments to MMLIS based on one, or a combination, of the following: 1) a percentage of initial and/or additional investment amount made by MMLIS customers, 2) a percentage of total assets sold by MMLIS, 3) a flat fee, 4) fee(s) for attending MMLIS conferences or events, 5) payment of networking fees (fees paid to an investment company, where applicable, to offset those incurred by MMLIS to electronically process certain mutual funds issued by the investment company, and/or 6) other formula agreed upon between a Strategic Partner and MMLIS as permitted by applicable law.

MMLIS also has a Conference Partner Program with other investment companies that offer mutual funds that may be underlying investments in a Portfolio. These investment companies (“Conference Partners”) contribute to and/or participate in MMLIS conferences and/or training meetings attended by Representatives. They also receive increased access to Representatives. The Conference Partner tier they select and the fee that they pay determines which conferences and training programs Conference Partners participate in and the level of access they receive.

In 2020, MMLIS received payments from each of the following Conference Partners, listed in order of largest contribution to smallest contribution (if Conference Partners contributed the same amount, they are listed in alphabetical order): Morningstar, Northern Trust Asset Management, and Symmetry. The amount of payments from these Conference Partners ranged from \$60,000 to \$90,000. Each payment was used to offset some of the expenses of the applicable conference or training meeting. Due to the unlikelihood of holding in-person conferences in 2021, these Conference Partners may make lower payments in 2021. MMLIS also receives access to free educational services from Northern Trust Asset Management as a result of reaching a certain threshold of assets under management by Northern Trust Asset Management belonging to MMLIS clients.

MMLIS has other marketing support arrangements similar to but separate from the Strategic Partner Program described above. In 2020, MMLIS received between \$30,000 and \$620,000 from each of Franklin Templeton, Lord Abbett and JP Morgan (in order of largest contribution to smallest contribution). These payments are based on a percentage of assets under management belonging to MMLIS clients held by each investment company. These investment companies are expected to make similar payments in 2021.

MMLIS also received an annual conference credit of \$150,000 from NFS and expects to receive a similar payment in 2021. In addition, in 2020, MMLIS received networking fee income less than \$40,000 from each of Franklin Templeton and DWS Investments.

As a fiduciary, we endeavor at all times to put the interest of our clients ahead of our own interest. Clients should be aware that the receipt of such compensation in connection with the Strategic Partner Program, Conference Partner Program, and other arrangements described above, creates a financial incentive for MMLIS and its Representatives to favor Strategic Partners, Conference Partners and other companies that participate in these arrangements when making recommendations to clients. Specifically, MMLIS has a financial incentive to recommend the Program over other advisory programs that do not include mutual funds issued by Strategic Partners. Clients should also be aware that marketing or educational activities paid for with these payments lead to greater exposure of a Strategic Partner’s products and services with the Firm’s RRs and IARs. Payments made by Strategic Partners create an incentive and lead to a greater likelihood, for the Firm or its IARs to recommend either a Single Fund Family Portfolio that is made up of only Program Funds of a Strategic Partner, or the Multi-Fund Family Portfolio, which may include Program Funds of Strategic Partners, over a Single Fund Family Portfolio that comprised only of Program Funds of a non-Strategic Partner.

You should also be aware that the rate associated with marketing support and conference support payments differs among certain of the Strategic Partners, and the basis on which the payments are calculated may differ among certain of the Strategic Partners. Therefore, MMLIS has a financial incentive to favor those Strategic Partners whose payment structure would result in the most compensation for MMLIS. However, these conflicts are mitigated because MMLIS’s Representatives do not share in the compensation received by MMLIS and do not receive differential compensation based on whether clients choose Portfolios including funds issued by Strategic Partners.



For marketing support arrangements where the payment amount is based on assets under management invested in a Strategic Partner's products, MMLIS instructs its Strategic Partners to exclude assets from (i) qualified plan accounts and IRAs, and (ii) accounts for clients located in Massachusetts, from the payment calculation.

From time to time, the Firm and its RRs (who may also be IARs) also receive other compensation from mutual fund companies that issue Program Funds. Such mutual fund companies sponsor their own conferences for training and educational purposes, which certain of the Firm's RRs are invited to attend. In addition to the Firm's RRs attending these conferences without charge, these mutual fund companies also reimburse or pay for the travel and other related expenses incurred by the Firm's RRs or reimburse a Firm's branch office for expenses related to dinners or events for clients and other miscellaneous business-related expenses incurred by RRs. Some mutual fund companies provide free investment tools to IARs. These conferences, reimbursements and access to free investment tools create an incentive for the Firm and the IARs to make available and recommend (or select on a client's behalf) the mutual funds provided by the sponsoring mutual fund companies. These mutual fund companies may also provide nominal gifts to the Firm's RRs.

The Firm enters into certain agreements with various organizations and associations pursuant to which such entities endorse financial products and services offered by or through the Firm and its affiliates. Typically, such entities provide access to their members in exchange for a flat fee or other negotiated compensation arrangement permitted by applicable law.

The Firm enters into marketing arrangements with third parties ("Solicitors") who will receive compensation from the Firm for referring prospective investment advisory clients to the Firm. Where required by federal or state law, each marketing arrangement will be governed by a written agreement between the Firm and the Solicitor that complies with the SEC's "cash solicitation" rule (Rule 206(4)-3). In particular, clients will be provided with copies of Part 2A of the Firm's Form ADV, a separate solicitor disclosure statement that describes the nature of the marketing or referral arrangement (including compensation features) applicable to the client being referred, and any other document required to be provided under applicable law. The fees and expenses that the Firm pays to a Solicitor under these referral arrangements are not passed on to referred clients, but depending on the circumstances, the existence of such marketing or referral arrangements may affect the amount of the Firm's overall fees or its willingness to negotiate fee reductions in particular instances.

Under these marketing arrangements, a Solicitor may introduce prospective clients to the Firm or an IAR to further discuss whether the Firm's investment advisory services, including the Program, may be appropriate for the prospective clients. The Solicitor's sole responsibility under the marketing arrangement is to refer prospective clients to the Firm or an IAR and may not provide investment advice to prospective clients or the Firm's clients on behalf of the Firm or the IARs. Additional information about this arrangement, including the relationship between the Solicitor and the Firm, the role of the Solicitor and any compensation that the Firm pays to the Solicitor for introducing prospective clients, is outlined in a separate solicitor disclosure statement, which the Solicitor will provide to prospective clients before they are introduced to the Firm or an IAR.

The Firm and certain banks and credit unions (collectively "Financial Institutions") have entered into alliance arrangements where employees of Financial Institutions may refer individuals who may be interested in learning more about the Firm's advisory services to IARs. The Firm will share a portion of the fees earned by the Firm with Financial Institutions for referring individuals who eventually obtain advisory services, which may include the Program from the Firm. Employees of the Financial Institutions are not authorized to provide investment advice, or discuss the features of, or qualify individuals for, advisory services, on behalf of the Firm. Employees of Financial Institutions may receive nominal compensation for referring individuals to IARs regardless of whether such individuals obtain advisory services from the Firm. To the extent that a referred client participates in the Program, the compensation paid to Financial Institutions or their employees as described herein can increase or otherwise affect the fees a customer pays for obtaining advisory services from the Firm. The fees and expenses that the Firm pays to a Financial Institution under these arrangements are not passed on to referred clients, but depending on the circumstances, the existence of such marketing or referral arrangements can affect the client's Fee or the Firm's or the IAR's willingness to negotiate a lower Fee.

#### *Incentives Relating to Electronic Delivery*

When the number of MMLIS accounts that are custodied at NFS reach certain thresholds of adoption of electronic delivery of statements and confirmations, the percentage used to calculate MMLIS's fee to NFS decreases. In addition, NFS charges MMLIS a fee for every account that receives statements and confirmations by U.S. mail. These economic arrangements

create an incentive for MMLIS to encourage clients to adopt electronic delivery (by charging fees for paper delivery, for example).

#### *Incentives Relating to Transferring Investments to an Advisory Account*

MMLIS's Registered Representatives that are also IAR of MMLIS have an incentive to recommend clients transition brokerage or direct accounts to an advisory account after clients have purchased or sold investments resulting in commissions or other fees. MMLIS mitigates this conflict when MMLIS is the broker-dealer for the transferring investment through its fee forgiveness program. See "Fee Forgiveness" in Item 4 for additional information about fee forgiveness.

MMLIS charges its Registered Representatives a fee for providing quarterly performance reports to brokerage account clients. MMLIS does not charge this fee for advisory accounts. This creates an incentive for MMLIS's Registered Representatives to recommend clients transition brokerage accounts to advisory accounts.

#### *IRA Rollovers – Conflict of Interest and Incentive*

MMLIS and IARs have a conflict of interest and incentive to recommend IRA rollovers from a 401(k) or other employer-sponsored retirement account in order to earn compensation on investment recommendations for the IRA account. Fees and costs for investments acquired for an IRA account (including the Program), and compensation generated for us from these transactions generally are higher than those for investments and transactions in employer-sponsored retirement accounts.

There are also certain benefits associated with employer-sponsored retirement accounts that are not available with an IRA account.

#### *Bank Sweep Arrangement*

If client rejects the default cash sweep option selected by the Firm and elects the bank sweep arrangement as the cash sweep option for client's account, MMLIS will earn fees from NFS on the amount of money in the bank sweep arrangement. MMLIS receives a higher amount than Client on funds invested in the bank sweep arrangement. In addition, as interest rates rise, the payment the Firm receives from NFS increases. As a result, MMLIS has an incentive for clients to select the bank sweep arrangement as the cash sweep option for their accounts. MMLIS mitigates this conflict of interest by selecting a cash sweep option for which it does not earn fees (other than the Fee) as the default option for client accounts. In addition, IARs do not receive any of the fees that NFS pays to MMLIS, and IARs do not receive any more or less compensation based on what cash sweep option is selected by a client.

In low interest rate environments, the application of the Fee to the funds invested through the bank sweep arrangement will exceed the return on the sweep vehicle, resulting in zero yield for the selected sweep investment vehicle. Clients should consider this scenario, in addition to the compensation MMLIS receives in connection with the bank sweep arrangement, when evaluating the reasonableness of the Fee. The interest rate payable on the bank deposit sweep arrangement is lower than what is available directly from a bank.

The Custodian and the financial institutions that participate in the bank sweep arrangement ("Program Banks") may also earn a fee in connection with offering and/or administering the arrangement. Please refer to the disclosure document for the bank sweep arrangement, which is provided to clients who select the bank sweep arrangement and is also available upon request, for full details. MMLIS is not affiliated with Custodian or any of the Program Banks. MMLIS and its affiliates may offer and provide products and services to Custodian, Program Banks and each of their employees, officers, directors, agents and independent contractors in MMLIS's normal course of business.

The Firm wants its clients to make an informed decision when they purchase products or receive services from a Firm's RR or IAR. Therefore, the Firm is disclosing material arrangements and any potential conflicts of interest that clients may find informative when making their decisions. In addition to providing disclosures to its clients, the Firm, on an ongoing basis, communicates, trains and/or supervises its RRs and IARs on its policies and procedures regarding conflicts of interest. Furthermore, when an RR or an IAR makes a product or program recommendation to a client, the Firm reviews whether the recommendation is suitable for the client against any financial information provided by the client, such as the client's risk tolerance, time horizon and investment objective. Nevertheless, clients should always carefully and independently review all product or program features and risks, along with any applicable disclosures before making any investment decisions.

Your IAR is compensated by the Firm and its affiliates for the services described in this Firm Brochure, for other advisory services provided to customers and for the sale, renewal and servicing of various investment products. Your IAR's overall compensation includes base commissions and other forms of compensation that vary from product to product, service to service, and/or by the amount of the assets in his or her clients' accounts. You should be aware that the amount of his or her compensation will increase in part based upon the opening of your account and the amount of assets in your account within a defined period of time. He or she also is eligible for additional cash compensation (such as medical, retirement and/or other benefits) and non-cash compensation (such as conferences, rewards, recognition, matching of charitable contributions, trips and sales support services) based upon similar criteria, including overall sales and productivity, as applicable. Your IAR's manager may also offer rewards, recognition and trips based upon similar criteria. Also, IARs are required to meet minimum overall sales requirements in order to continue their affiliation with MassMutual and its affiliates and/or to continue to qualify for certain compensation arrangements described above.

In addition, certain IARs are eligible for loans to assist with their transition to become insurance agents of MassMutual. If these IARs achieve specified sales goals, which can include the amount of assets invested in advisory programs (including the Program), some or all of the loan can be forgiven, or MassMutual could pay additional compensation to the IAR to offset the loan repayment.

MMLIS also has a loan program for new and existing IARs as an incentive for them to join or stay at MMLIS. MMLIS expects IARs to use the loans to purchase another IAR's book of business. The amount of the loan available for an existing IAR is based on total client assets attributable to the IAR. For this purpose, total client assets include assets across the advisory programs for which MMLIS serves as the broker-dealer and are custodied with NFS (including the Program). Advisory programs for which MMLIS serves as the broker-dealer and are custodied with NFS are referred to herein as NFS Custodied Programs. For a new IAR, the amount of the loan is based on a combination of the assets attributable to the IAR from the IAR's previous investment adviser that are likely to transfer into and the assets that do transfer into an NFS Custodied Program (including the Program). These loans are not forgivable.

This loan program creates an incentive for IARs (existing and new) to recommend the Program over (i) advisory programs that are not NFS Custodied Programs, and (ii) other types of accounts and services offered by MMLIS and, because the amount of the loan available increases as the amount of assets in NFS Custodied Programs increases, to recommend larger investments in the Program. This incentive applies to both the initial recommendation to open an account in the Program and recommendations to make subsequent contributions to such account. The loan program also creates an incentive for new IARs to recommend clients transfer assets into the Program rather than leaving the assets with the IAR's previous investment adviser.

Certain IARs receive a different level of service from MMLIS's service center. These IARs receive more personalized attention from a dedicated service team. The criteria to qualify for this higher level of service is based on assets attributable to the IAR that are invested in NFS Custodied Programs. The opportunity to qualify for a higher level of service creates an incentive for IARs to recommend the Program over (i) advisory programs that are not NFS Custodied Programs, and (ii) other types of accounts and services offered by MMLIS, and to recommend larger investments in the Program. This incentive applies to both the initial recommendation to open an account in the Program and recommendations to make subsequent contributions to such account.

Therefore, your IAR has an incentive to offer you the Program order to meet these requirements and qualify for these benefits and services, and to recommend that you increase the amount you have invested in such programs. Additionally, your IAR's manager is compensated by the Firm and its affiliates generally based on overall sales goals, including those that include the Program, achieved by the IARs whom they supervise and may qualify for additional compensation based on non-sales related factors as set by the Firm and/or its affiliates from time to time. Generally, the manager's compensation is aligned with that of your IAR, as noted above.

MMLIS pays Envestnet and NFS a fee for the services that they provide in the Program and the other advisory programs MMLIS offers that are on Envestnet's platform. MMLIS pays Envestnet an annual licensing fee. MMLIS pays Envestnet an additional, tiered platform fee in the event MMLIS exceeds a level of assets under management in the advisory programs on Envestnet's platform. For all of its advisory program accounts held at NFS, MMLIS pays fees to NFS relating to clearing, custody and administrative services that NFS provides for these accounts.

## **ITEM 15. CUSTODY**

Program Custodian acts as a qualified custodian for client funds and securities managed under the Program. As such, Program Custodian will send client statements of all activity in client's brokerage account on no less than a quarterly basis, and written confirmations of trades executed through client's brokerage account. Client should review such statements carefully.

Additionally, clients have the ability to request an Account Performance Report from their IAR at any time. The report generally includes the beginning and ending account value, net contribution and withdrawals, and a rate of return for a specific time period. Clients should be aware that the Account Performance Report is not an official Account statement from the Program Custodian. It should be used only for informational purposes and should not be relied upon for making investment decisions or for tax purposes. Clients should carefully review Account statements and confirmations issued by the Program Custodian and compare such statements against reports received from the Firm and promptly notify the Firm or his/her IAR upon discovery of any errors, discrepancies or irregularities.

MMLIS does not maintain physical custody of client assets under the Program, although MMLIS may be deemed to have custody of client assets if the client gives MMLIS authority to withdraw assets from the client's Account in the Account opening documentation or pursuant to a standing payment instruction. Because this authority includes withdrawals in addition to deductions for fees, MMLIS is required to undergo an annual surprise inspection of its client accounts by an independent public accountant.

## **ITEM 16. INVESTMENT DISCRETION**

Except for the selection of the cash sweep option (in its capacity as broker-dealer) as described in Item 4 of this Firm Brochure, the Firm and its IARs do not have investment discretion under the Program. As described in Item 13 of this Firm Brochure and in the Envestnet Brochure, Envestnet has investment discretion over the assets in client's Account under the circumstances described therein.

As discussed in Item 4 of this Firm Brochure, under the Program, clients have the opportunity to impose reasonable investment restrictions on Envestnet applicable to their assets in the Account by requesting them on the SIS.

## **ITEM 17. VOTING CLIENT SECURITIES**

The Firm and its IARs shall have no obligation or authority to take any action or render any advice with respect to proxies, consents, waivers or other documents regarding any securities held by or for a client in client's Account.

Except with respect to voluntary corporate action notices, the client expressly retains all responsibility for responding to proxies, consents, waivers and other documents with respect to any securities held in a client's Account, which may be received from NFS or the issuer's corporate communications service provider. Provided that Envestnet timely receives voluntary corporate action notices, Envestnet will determine on behalf of the client whether client's Account will participate in particular voluntary corporate actions. Envestnet will make such determinations in its full discretion, consistent with its policies and procedures. Client should refer to the Envestnet Brochure for additional details on its policies and procedures in this regard.

## **ITEM 18. FINANCIAL INFORMATION**

The Firm does not require clients who participate in the Program to prepay its fees six months or more in advance. Additionally, the Firm does not have any material financial conditions that would impair its ability to meet its contractual commitments to clients. Clients should review the Envestnet Brochure for any disclosures that Envestnet may be required to make under this Item.

## **Important Notices to Clients**

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

### **PRIVACY POLICY**

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

#### ***We Protect Your Personal Information By:***

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

#### ***Personal Information We May Collect:***

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

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

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

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

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

**Important Privacy Choices**

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

- Call us at 1-855-520-7715

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

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

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

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

If you have questions or concerns about this Privacy Notice, please contact us at 1-855-520-7715.