

## **MMLIS Wealth Management Services Portfolio Solutions Programs Wrap Fee Brochure**

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This wrap fee program brochure ("Brochure") provides information about the qualifications and business practices of MML Investors Services, LLC ("MMLIS" or the "Firm"). If you have any questions about the contents of this Brochure, please contact us at (800) 542-6767 (options 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 MMLIS is also available on the SEC's website at <http://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.

### **ITEM 1. COVER PAGE**

### **ITEM 2. MATERIAL CHANGES**

A summary of material changes made to this Brochure since the last annual update of this Brochure will be listed here under Item 2.

#### February 19, 2021 Update:

Item 4 and Item 9: Updates were made to Items 4 and 9 regarding the addition of investment models managed by the MMLIS Wealth Management Services Investment Team ("WMIT") and related conflicts of interest. If a MMLIS WMIT or MMLIS Strategist Model is selected for client's Account, MMLIS receives a higher portion of the Total Client Fee. MMLIS and its IA-Reps therefore have a conflict of interest and incentive to recommend Models managed by MMLIS WMIT and MMLIS Strategists over Models managed by Third Party Strategists, or other MMLIS advisory programs or models where MMLIS or its IA-Reps do not receive a portion of the Strategist Fee. The Firm attempts to mitigate this conflict of interest through its compensation structure, as MMLIS IA-Reps do not receive any more or less compensation for recommending a MMLIS WMIT or MMLIS Strategist Model for client's Account over Third Party Strategists or unaffiliated money managers available in other MMLIS advisory programs. Updates were made to Item 9 regarding conflicts of interest relating to revenue sharing payments and MMLIS WMIT Models.

Other updates to Item 4: Updates were made to Item 4, which will be effective on or around April 23, 2021, regarding the Firm's use of a risk methodology to assign an Investment Objective and manage client Accounts based on maximum equity allocation of the applicable Account.

Item 5: Updates to disclosures were made in Item 5 of the brochure describing the Client Fee. There were no changes to the Client Fee for any Accounts as a result of these disclosure updates.

January 5, 2021 Update: Item 4 was updated to reflect a change to the fee MMLIS pays to NFS and include information about the associated conflicts. Item 4 was also updated to clarify that certain accounts moved to the Strategist Select Program from other MMLIS advisory programs maintained the fee schedules applicable under the prior MMLIS advisory program. In addition, Item 4 was updated to include additional information about IA-Rep compensation schedules and associated conflicts. Item 4 was also updated to reflect that accounts with Fee Forgiveness will be eligible to use the DCA and Protected Cash features and to add information about MMLIS's Step-Out Trading Disclosure. Item 9 was

updated to include information about loans made to certain investment adviser representatives and the associated conflicts. Item 9 was also updated to include information about IRA rollovers and associated conflicts.

July 1, 2020 Update: Item 4 was updated to add information about householding. Effective July 1, 2020, certain client accounts will be householded, or grouped, for purposes of calculating breakpoint eligibility. Item 9 was updated to clarify information about MMLIS's Strategic Partner and Conference Partner Programs. Items 4 and 9 were also updated to disclose that trade confirmations are available upon request.

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### ITEM 4. SERVICES, FEES AND COMPENSATION

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.

#### 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 Brochure provides you with information about the Portfolio Solutions Programs (the "Programs") available through the Firm. If you wish to learn about other investment advisory programs and services that the Firm offers, you may contact the Firm or an investment adviser representative of the Firm ("IA-Rep") to receive a similar disclosure brochure for those programs and services. Such brochures are also available on the SEC's website at <http://adviserinfo.sec.gov>.

#### The Portfolio Solutions and Portfolio Solutions Premier Programs

The Portfolio Solutions Programs are investment advisory programs that provide clients with access to asset allocation models ("Models") created and managed by MMLIS home office investment personnel ("MMLIS Wealth Management Investment Team" or "MMLIS WMIT"), certain MMLIS IA-Reps ("MMLIS Strategists") or third-party investment managers ("Third Party Strategists", and together with the MMLIS WMIT and MMLIS Strategists, "Strategists"). The Models can consist of mutual funds, exchange-traded funds (ETFs), stocks, and/or fixed income securities. The MMLIS IA-Rep and Client select one Model for each account in the Programs (each an "Account" and collectively "Accounts"). The Portfolio Solutions Program offers pre-constructed Models comprised of mutual funds and/or ETFs. The Portfolio Solutions Premier Program offers pre-constructed Models comprised of mutual funds, ETFs, stocks, and/or fixed income securities.

Strategists who will offer models within the Portfolio Solutions and Portfolio Solutions Premier Programs:

#### *Strategists*

**MMLIS Wealth Management Services Investment Team** – The MMLIS WMIT consists of investment professionals based in the MMLIS home office. The investment professionals of the MMLIS WMIT are not IA-Reps of MMLIS, nor do they provide personalized investment advice to any client or Account, in connection with managing MMLIS Models offered in the Portfolio Solutions Programs. The MMLIS WMIT offers Active, Passive ETF, and ActivePassive Models. The MMLIS WMIT ActivePassive Models are comprised of strategically asset allocated equity and fixed income portfolios comprised of third-party passive index funds/ETFs and actively managed mutual funds. The MMLIS WMIT Passive ETF Models are a suite of strategically asset allocated equity and fixed income portfolios comprised of passively managed ETFs. The MMLIS WMIT Active Models are a suite of strategically asset allocated equity and fixed income portfolios comprised of actively managed, third-party mutual funds.

**Fortis Lux Asset Management ("FLAM")** – Fortis Lux Asset Management is a marketing name for the MMLIS Strategist team comprised of MMLIS IA-Reps based in New York, NY. Available Models managed by FLAM include standard and tax sensitive models consisting of (i) only mutual funds or (ii) mutual funds, ETFs and/or stocks. Their investment philosophy is based on the importance of employing a structured and disciplined asset allocation that reflects an investor's risk profile. Using various macroeconomic data and long-term capital markets assumptions they position the portfolios to take advantage of short-term market dislocations through modest tilts. Based on their proprietary research and analysis, FLAM seeks to identify the optimal mix of underlying managers and vehicles for executing the selected asset allocation strategy.

**Aligne Wealth Advisors Investment Management ("AWAIM")** – AWAIM is a MMLIS Strategist team comprised of MMLIS IA-Reps based in Los Angeles, CA. Models managed by AWAIM include the Aligne Capital Global Macro portfolios (060 Aligne ACGM-Low Growth Strategy, 070 Aligne ACGM-Moderate Growth Strategy, 080 Aligne ACGM-High Growth Strategy and 090 Aligne ACGM-Aggressive Growth Strategy), which leverage a proprietary global macro outlook. The ACGM portfolios have been designed for clients who desire a growth-oriented portfolio solution. Portfolio holdings reflect targeted asset, sub-asset and sector allocations, using low-cost index funds.

#### *Additional Information Regarding MMLIS WMIT and MMLIS Strategists*

If a MMLIS WMIT or MMLIS Strategist Model is selected for client's Account, a portion of the Client Fee ("Strategist Fee" described further below under Item 4) is paid to MMLIS (including MMLIS Strategists, if applicable) for investment management services. MMLIS therefore receives a higher portion of the Client Fee if Client selects a MMLIS WMIT or MMLIS Strategist Model than if client selects Third Party Strategist Model available in the Programs or in other MMLIS advisory programs. As a result, and due to the MMLIS WMIT's and MMLIS Strategists' affiliation with the Firm, MMLIS and its IA-Reps have a conflict of interest and incentive to recommend Models managed by MMLIS WMIT and MMLIS Strategists over Models managed by Third Party Strategists, or other MMLIS advisory programs or models where MMLIS does not receive a portion of the Strategist Fee. The Firm attempts to mitigate this conflict of interest through its compensation structure, as MMLIS IA-Reps recommending Models in the Programs do not receive any more or less compensation for recommending a MMLIS WMIT or MMLIS Strategist Model for Client's Account over Third Party Strategists or unaffiliated money managers available in other MMLIS advisory programs.

Please note that all MMLIS Strategists are affiliated with a specific MMLIS branch office and may only be available to MMLIS IA-Reps affiliated with the same MMLIS branch office. Therefore, certain IA-Reps can only recommend the MMLIS Strategist affiliated with their branch office, MMLIS WMIT or a Third Party Strategist in the Programs.

#### *Additional Program Information*

The Firm has engaged Envestnet Asset Management, Inc. ("Envestnet") to provide technology and trading services, including research, performance and portfolio management tools, to support administration of the Programs. Each Account will be assigned one of five investment objective classifications ("Investment Objective") based on client's risk tolerance, time horizon and other objectives. Each Account's assigned Investment Objective will determine the maximum equity allocation for the applicable Account. Envestnet monitors and designates a risk score for each Model based on instruction from MMLIS, which determines which Models are assigned to specific Investment Objectives.

MMLIS, in its discretion, may replace a Model selected for client's Account with a different Model in the Programs managed by the same Strategist, a different Strategist, MMLIS WMIT or a MMLIS Strategist if appropriate and in accordance with the Firm's role as investment adviser to client's Account. MMLIS, in its discretion, may also replace a Model selected for client's Account with a different Model in a different MMLIS advisory program, including replacement with a MMLIS WMIT or MMLIS Strategist Model. This represents a conflict of interest and incentive for MMLIS because MMLIS will retain an increased portion of the Client Fee if a MMLIS WMIT or MMLIS Strategist Model is selected for Client's Account.

The more aggressive models have greater Global Equity exposure and the more conservative models have greater Global Fixed Income exposure. The Models emphasizing balance contain significant portions of both equity and fixed income exposure and generally provide a combination of both capital appreciation and income. There are multiple Models available for each Investment Objective. Please refer to Item 6 for information on how Models are selected for inclusion in the Programs.

The Programs may be appropriate for those clients seeking ongoing investment advice. These Programs are not appropriate for clients who prefer to manage their investment portfolio on their own, without the assistance of a financial professional, or who are not looking for ongoing or comprehensive investment advice. Clients should

understand that where MMLIS expressly agrees to act as an adviser, as it does under the Programs, the IA-Rep's primary role is to provide advice. Where MMLIS acts solely as a broker, its primary role is to execute trades based on client instruction. MMLIS's obligations are different when it acts as adviser and when it acts as broker. Clients should refer to the Firm's Form CRS for additional information regarding the differences between advisory and brokerage relationships and discuss further with their IA-Rep, as appropriate.

Clients have the opportunity to impose reasonable investment restrictions on the investment of their assets under the Programs by requesting them through the Statement of Investment Selection ("SIS"). See Item 7 below for additional information about investment restrictions.

In limited circumstances, the Firm will treat certain assets in a client's Account as "Unsupervised Assets." Unsupervised Assets are excluded from the Account's asset allocation, performance reports, 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 selected 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 below) may not be designated as Unsupervised Assets.

For the limited purpose of implementing a tax loss harvesting strategy, the Firm will permit ETFs to be held in a client's Account in the Portfolio Solutions Program on a temporary basis

### **Account Opening Process**

If a client wishes to participate in one of the Programs, the first thing the IA-Rep will do is assist the client in determining whether a Program is appropriate for the client. The IA-Rep will also provide the client Account opening documents, disclosures and other documents necessary for the client to make an informed decision about participation in a Program. If the client determines that a Program is appropriate given the client's needs, the IA-Rep 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 scoring and Investment Objective for client's Account, and generate an investment proposal ("Proposal") and SIS. As described below, the Proposal and SIS recommend a Model for client's Account based on the client's Investment Objective.

The IA-Rep will review the information in the Proposal and the SIS with the client. The client is ultimately responsible for determining whether to participate in a Program, and whether to accept or reject the recommended Model. Client must approve an initial Proposal and SIS prior to implementation. By signing the SIS, the client is also agreeing to the MMLIS Wealth Management Services Terms and Conditions ("Program Agreement"), a separate agreement that governs the relationship among the client and MMLIS and sets forth the parties' responsibilities and obligations with respect to the client's Account.

The IA-Rep also assists the client in completing a Brokerage Account Application ("Account Application") and Customer Agreement (or equivalent document for certain retirement accounts) ("Brokerage Agreement"), which the client will use to apply for an Account with the Firm, accepts any inquiry from the client about the selected Program, coordinates the provision of responses to the client, and provides all Account opening documents, disclosures and other necessary documents.

In addition to this Brochure, you will receive the Form ADV Disclosure Brochure Supplement for individuals from the MMLIS WMIT or MMLIS Strategist team or the Form ADV Disclosure Brochure of the Third Party Strategist (collectively "Strategist Brochure"), as applicable. You should carefully review this Brochure and the selected Strategist Brochure, since they outline important information about roles and responsibilities under the Programs. You should also review the informational guide that you will receive from your IA-Rep entitled "Additional information about MML Investors Services Wealth Management Offerings" ("Informational Guide"). The Informational Guide contains important information and disclosures about the Firm.

### **Other Services**

#### *MMLIS Services:*

The IA-Rep will assist the client in selecting an available Model that corresponds to the Investment Objective of the client's Account. The asset allocation within the Models may not be modified by either the IA-Rep recommending the

Model or the client. The IA-Rep may discuss with the client various factors, including but not limited to client preferences, fees charged by the Strategists, information on Strategists, including their performance, and the account minimum requirements of Models. The client is ultimately responsible for deciding which Model to choose.

MMLIS also has ongoing responsibility to advise clients regarding the appropriateness of the Model and the Strategist selected by the client for the Account in light of the client's objectives, assets, risk tolerance and investment experience as disclosed to MMLIS. When appropriate, the IA-Rep may also assist the client in determining whether the existing Model should be replaced. The IA-Rep may discuss some or all of the foregoing factors with the client in order to assist the client in making an appropriate decision.

The IA-Rep is not responsible for the selection of specific mutual funds, ETFs and/or other securities included in the Models. The applicable Strategist has selected these mutual funds, ETFs and/or other securities by analyzing such securities using its own quantitative and/or qualitative analysis and screening techniques. Only those securities satisfying the applicable Strategist's criteria are included in the Programs. Only securities that are available through the Firm's Custodian (defined below) may be selected for a Model.

MMLIS selects the Strategists and Models available for the Programs that meet MMLIS' screening criteria. Please see Item 6 for a description of how the Strategists and Models are selected, monitored and, where applicable, replaced.

With respect to qualified retirement accounts (such as an individual retirement account or a retirement plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), MMLIS and our IA-Rep(s) act as fiduciaries under ERISA, or the Internal Revenue Code of 1986, as amended ("Code"), or both, when providing recommendations, with respect to your Account, that are treated as fiduciary investment advice under sections 3(21) and 3(38) of ERISA or sections 4975(e)(3)(A) and (B) of the Code.

For a description of the ongoing services that the Firm provides under these Programs, please see Item 9 of this Brochure.

#### *Envestnet Services:*

In many instances, Envestnet will provide MMLIS with research or performance information relating to a Model. For historic information on performance other than for MMLIS WMIT or MMLIS Strategist Models (as described below), Envestnet receives performance data from Third Party Strategists and/or other sources, such as reporting service providers, but does not independently verify such performance information. In addition, Envestnet is responsible for creating and maintaining the system that generates, among other things, the Questionnaire, Proposal and SIS used by the Firm and IA-Reps to advise clients.

Each Strategist manages the applicable Model and instructs Envestnet as to the transactions to be placed in client's Account in accordance with the selected Model. Envestnet is responsible for performing administrative and/or trading duties at the discretion of the Strategists via a licensing agreement between Envestnet and MMLIS (for MMLIS WMIT and MMLIS Strategists) or Envestnet and Third Party Strategists.

Envestnet will generate reports concerning the performance of client's Account on at least a quarterly basis. Envestnet will provide such reports to clients and the Firm.

#### *NFS Services:*

In order to effectuate trades under a Program, clients must establish a brokerage account through the Firm with National Financial Services LLC ("NFS" or "Custodian"), which will act as clearing firm and custodian for clients' assets under the Programs. Accordingly, it is expected that trading activity in connection with all of the Programs will be effected through the Firm and cleared by NFS. Client understands that if trades are not executed by NFS, which may occur if Envestnet (or a Strategist, if applicable) 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, client may be subject to fees and charges 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. NFS will act in its capacity as a clearing firm and perform centralized cashing, bookkeeping and execution, clearing and settlement functions. NFS will handle the delivery and receipt of securities purchased or sold in clients' brokerage accounts, receive and distribute dividends and other distributions, and process exchange offers, rights offerings, warrants, tender offers and redemptions. NFS 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 clients' brokerage accounts. Clients should review such statements carefully.



### *Strategist Services:*

Each Strategist manages the applicable Model and instructs Envestnet as to the transactions to be placed in client's Account in accordance with each selected Model. Each Strategist reviews the Accounts it manages to determine if rebalancing should occur. If the value of the mutual funds, ETFs and/or other securities in client's Account results in the Account deviating from the guidelines applicable to the Model selected for such Account, then the client's Account will be rebalanced to align the Account with the guidelines applicable to such Model. The Strategist will instruct Envestnet to purchase additional shares of certain mutual funds, ETFs and/or other securities and sell shares of other mutual funds, ETFs and/or other securities in order to achieve this objective. Redemptions and exchanges resulting from rebalancing a client's Account may have tax consequences.

In the Program Agreement, you authorize the Strategist that provides a Model, or implements its investment decisions directly for a Model selected for your Account to exercise discretion by selecting the securities to be held by a Model and delivering such Model to Envestnet, which Envestnet will implement.

Certain of the Third Party Strategists participate in the Firm's Conference Partner or Strategic Partner Programs. Please see Item 9 of this Brochure for more information about these programs, including any associated conflicts.

### **Additional Information**

#### *MMLIS Sweep Program*

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. The Firm, in its capacity as broker-dealer, selects the sweep investment vehicles available for client's Account. Please review the Program Agreement, as well as other account opening documents or if applicable, communications provided by the Firm, for information about the MMLIS Sweep Program.

#### *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 in a Program. In addition, only the mutual fund share classes that are available on NFS' platform are available in a Program. MMLIS will request that NFS add certain lower cost mutual fund share classes to its platform, as they are made available by particular mutual funds, if not already available on the platform.

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 IA-Rep for more information about share classes.

#### *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 (transaction fee) programs, 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 the NTF program while another share class of the same mutual fund is not. NFS shares with MMLIS a portion of the fee NFS receives ("revenue share payments") for the assets in the Programs 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 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 Programs 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, the MMLIS WMIT and MMLIS Strategists. Specifically, MMLIS, the MMLIS WMIT and MMLIS Strategists have 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, the MMLIS WMIT and MMLIS Strategists have 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.

These conflicts are mitigated in several ways. The MMLIS WMIT, IA-Reps, including IA-Reps comprising MMLIS Strategist teams, do not receive any of the revenue share payments that NFS pays to MMLIS, and the MMLIS WMIT, MMLIS Strategists and IA-Reps do not receive any more or less compensation based on what mutual funds or mutual fund share classes they select for their Models or recommend to clients.

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

MMLIS pays a recurring fee to NFS based on the aggregate assets invested in Accounts in the Programs, excluding any investments in NTF and iNTF mutual fund share classes, cash and cash equivalents. This creates conflicts of interest. MMLIS, MMLIS WMIT and MMLIS Strategists have 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 Programs in cash or cash equivalents.

These conflicts are mitigated in several ways. The MMLIS WMIT and IA-Reps, including IA-Reps comprising MMLIS Strategist teams, do not receive any benefit if MMLIS pays lower fees to NFS and IA-Reps 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 Models are selected by the Strategists, not MMLIS or the IA-Reps.

#### *Non-Purpose Loan Programs*

The Firm may contract with third parties to make non-purpose loans (each an "NPL") available to clients. Clients in the Programs may apply using their Account as collateral and must enter into an NPL agreement directly with the financial institution providing the NPL (the "Loan Provider"). Client should fully understand the following before using assets in an Account as collateral to obtain an NPL:

- Neither the Firm nor the Firm's IA-Reps will make recommendations or provide advice in connection with an NPL.
- The client will not be permitted to withdraw any of the assets in the Account that is used as collateral to secure the NPL.
- The client will pay interest to the Loan Provider directly. These payments are in addition to the Client Fee and other fees charged to the client's Account for services provided under a Program.
- The Loan Provider can demand repayment at any time and may require liquidation of some or all of the collateral in the Account to meet the NPL requirements.
- The Loan Provider can sell (or direct the Firm to sell) a client's securities or other assets without contacting the client. Clients are not entitled to choose which securities or other assets in an Account are liquidated or sold to meet a call. Forced liquidation of assets in an Account can affect a client's long-term investment strategies, result in adverse tax consequences and impact the performance of the Account and the ability of the Firm to manage the Account.

- Neither the Firm nor the Firm's IA-Reps will act as investment adviser to a client with respect to the liquidation of securities held in an Account to meet an NPL demand or call.
- The Loan Provider can loan the securities held in your Account which collateralize your NPL. As a result of these loans, you may not be entitled to receive certain benefits of a securities owner, such as the ability to exercise voting rights and/or receive interest, dividends, and/or other distributions with respect to the securities lent.

### *Cash Management Features*

MMLIS makes available three cash management features for client Accounts: Dollar-Cost Averaging (DCA), Protected Cash and Pending Distribution. If you or your IA-Rep designate cash in your Account to one of these features, such amount will be removed from your Account's asset allocation. Any amounts designated to DCA or Protected Cash will be charged a negotiable annual fee ranging from 0.20% to 0.50%. Any amounts designated to Pending Distributions will be charged the Client Fee. DCA is an investment technique in which a fixed dollar amount will be invested into your Account on a periodic schedule. The Protected Cash feature may be used to remove an amount from your Account's allocation and hold such amount as cash for a certain period of time. The Pending Distribution feature is generally used to set aside cash for expected withdrawals. Any amount in client's Account designated for DCA, Protected Cash, or Pending Distribution will be included in the cash sweep option available within the applicable Program.

Due to system limitations, any account with Fee Forgiveness (as defined below) in effect will not be eligible to utilize the DCA or Protected Cash features.

## **Fees and Charges**

### **Overview**

Clients will pay a single fee to MMLIS, the "Client Fee," for the services provided under the selected Program. The services include the brokerage and advisory services provided by the Firm and the IA-Rep, the technology and trading services provided by Envestnet, the advisory services provided by Strategists, the brokerage services involved in purchasing and selling the securities in a client's Account, and the custodial and clearing services provided by NFS. The Client Fee will be paid to MMLIS in advance, on a quarterly basis.

Clients may purchase the same or similar securities without paying the Client Fee or may pay less than the Client Fee if such securities were purchased outside of the Programs. Thus, in some cases, it may be more cost efficient for clients to purchase securities outside of the Programs. However, clients will not receive the services provided under the selected Program if they choose to do so. The Client 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 MMLIS branch office or locations and by IA-Rep. Certain IA-Reps provide comparable services for fees that are different from those charged by other IA-Reps, and some IA-Reps charge higher fees than other IA-Reps for similar services.

The Firm reserves the right to reduce the Client Fee for employees, associated persons, agents, or independent contractors of the Firm or its affiliates and their immediate family members or for any other person for any other reason at its discretion.

The Client Fee will be calculated in accordance with the Program Agreement. The Custodian is responsible for deducting the Client Fee from client's Account in accordance with the Program Agreement.

The mutual funds are "no load" or "load" waived mutual funds, meaning the sales charges associated with mutual funds will not be charged to client.

### **Client Fee**

A portion of the Client Fee is paid to the IA-Rep ("IA-Rep Fee"). This portion of the Client Fee is negotiable at the discretion of each IA-Rep within a range at various breakpoints as shown in the chart below. Another portion of the Client Fee is retained by MMLIS, referred to as the "Firm Fee" in the below chart, which includes other costs associated with administering the program such as operational and clearing and custody expenses. Additional information about these portions of the Client Fee and breakpoint schedule applicable to Client's Account are included in the Client's SIS.



Finally, a portion of the Client Fee is paid to MMLIS (including the MMLIS Strategist if applicable) or Third Party Strategist ("Strategist Fee") for the cost of managing the Model within the Account and assessed on the overall percentage of assets managed by the Strategist. In addition, a portion of the Strategist Fee for Third Party Strategists includes additional compensation retained by Envestnet for providing support to the Strategist and/or for trading services (not applicable to MMLIS Strategists). Strategist Fees range from 0.02% to 0.50%.

If selecting a Model managed by MMLIS WMIT or a MMLIS Strategist, please refer to the fact sheet or other materials provided by your IA-Rep for applicable fees associated with such Model, including whether any breakpoints apply. If selecting a Third Party Strategists, please see each applicable Strategist Brochure for additional information about the fees for such Model, including whether any breakpoints apply. An IA-Rep will have a financial incentive to recommend Strategists with lower fees if the IA-Rep believes a lower Strategist Fee will allow the IA-Rep to negotiate a higher IA-Rep Fee.

The below chart provides additional detail regarding the Client Fee. Please note that as the assets in Client's Account increase, the Firm's portion of the Client Fee decreases and the IA-Rep's portion of the Client Fee may increase. Please also note that the following chart does not take into account the fee associated with assets that have been designated to the DCA or Protected Cash features.

<u>Amount of Assets in Account</u>	<u>Range of IA-Rep Fee</u>	<u>Firm Fee Portion</u>	<u>Range of Strategist Fee</u>	<u>Maximum Client Fee at Sample Account Sizes (Flat Rate Basis Points)*</u>
First \$250,000	0.00%** – 1.30%	0.30%	0.02%-0.50%	- At \$250,000 = 2.10%
Next \$250,000	0.00%** – 1.30%	0.28%		- At \$500,000 = 2.08%
Next \$500,000	0.00%** – 1.30%	0.26%		- At \$1 Million = 2.06%
Next \$1 Million	0.00%** – 1.15%	0.24%		- At \$2 Million = 1.89%
Next \$1 Million	0.00%** – 1.15%	0.22%		- At \$3 Million = 1.87%
Next \$2 Million	0.00%** – 0.80%	0.20%		- At \$5 Million = 1.50%
> \$5 Million	0.00%** – 0.80%	0.18%		- At \$10 Million = 1.48%

#### **Additional Client Fees**

Client Accounts are subject to the following brokerage account termination fees (the "Termination Fees"):

- Retirement Accounts — \$125
- All Other Accounts (if transferred to a different firm) — \$50

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

### **Additional Information about the IA-Rep Fee**

As previously described, IA-Reps are compensated with a portion of the Client Fee. The final net compensation received by the IA-Rep may be subject to additional adjustments of fees between the IA-Rep and MMLIS. MMLIS utilizes compensation schedules to calculate the overall compensation paid to IA-Reps for their work associated with the Programs and other offerings at MMLIS. MMLIS also has an incentive program where an IA-Rep will receive an additional percentage of the compensation paid to MMLIS based on total client assets attributable to that IA-Rep or the IA-Rep's team. For these purposes, the total client assets include assets across certain advisory programs offered by MMLIS (including the Programs). This creates an incentive for IA-Reps to recommend these advisory programs (including the Programs) to clients over other types of accounts or services. This incentive applies to both the initial recommendation to open an Account in a Program and to make subsequent contributions to such Account. In addition, this incentive program does not take into account how the assets in an advisory program are invested or which Strategist or Model is recommended by the IA-Rep. IA-Reps do not receive any more or less compensation 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. IA-Reps on MMLIS Strategist teams are not eligible to include assets in the Programs for purposes of the incentive program.

### **Householding**

Certain client Accounts will be househanded, or grouped, for purposes of calculating breakpoint eligibility. Householding Accounts can allow for breakpoints in the IA-Rep Fee and/or Firm Fee to be reached sooner than if Accounts were not grouped together, leading to potentially lower fees. Eligible Accounts are accounts belonging to a client, a client's spouse or domestic partner, and a client's minor children. IA-Reps are primarily responsible for identifying which Accounts should be househanded together. MMLIS monitors new Accounts based on tax ID and mailing address to help ensure eligible Accounts are included in a household and that ineligible Accounts are not included in a household. Clients should review their Accounts and inform their IA-Reps or MMLIS if a client believes their Account should be househanded or is being househanded with an ineligible account. Householding an ineligible Account with a retirement account can result in tax penalties for a client.

### **Other Fees and Expenses**

The Client Fee does not include certain other fees and charges such as any fees imposed by the SEC, fees resulting from any special requests client may have, fees or commissions for securities transactions (including without limitation dealer mark-ups or mark-downs) that are not executed through MMLIS and cleared by the Custodian, or costs associated with temporary investment of client funds in a money market account. In addition, when applicable, NFS charges additional miscellaneous fees (including, but not limited to, ACAT fees and IRA maintenance fees).

Fees will not be charged on the basis of a share of capital gains or capital appreciation of a client's funds or any portion of a client's funds. Other costs that are charged to the client, when applicable, and that are not part of the Client Fee include spreads paid to market-makers, exchange fees, and other fees and charges customary to securities brokerage accounts.

The Client Fee also does not include the internal management, operating or distribution fees or expenses imposed or incurred by a mutual fund or ETF held in a client's Account. If a client's assets are invested in any mutual funds, ETFs, or pooled investment vehicles, in addition to the Client Fee, client will incur the internal management and operating fees and expenses, which may include 12b-1 fees, mutual fund management fees, early termination fees (which include fees on whole or partial liquidations of client's assets) and other fees and expenses that may be assessed by the investment vehicle's sponsor, custodian, transfer agent, adviser, shareholder service provider or other service providers. These expenses generally include administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Further information regarding charges and fees assessed are discussed in the appropriate prospectus, annual report and/or custodial agreement applicable to the corresponding investment vehicle ("Fund Disclosure Documents"). Clients should review the Fund Disclosure Documents of the mutual funds and ETFs held in their Account.

As indicated above, the Firm also serves as the broker-dealer for client Accounts under the Programs. 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. This compensation to the Firm from such mutual funds is in addition to the advisory and other fees the Firm receives under the Programs. This compensation creates a financial incentive for the Firm to recommend for clients to invest in mutual funds that pay 12b-1 fees. This conflict is mitigated because the Strategists (and not MMLIS or the IA-Reps) select the mutual funds or mutual fund share classes for the Models. In addition, the Firm instructs NFS to rebate the 12b-1 fees directly to such client

Account. Further information regarding these fees and other charges assessed by mutual funds may be found in the applicable mutual fund prospectus.

In order to effectuate trades under the Programs, clients need to establish a brokerage account through the Firm with the Custodian, which will act as clearing firm and custodian for clients' assets under the selected Program. Accordingly, it is expected that Envestnet will place transactions for the purchase and/or sale of securities and other investments for client's Accounts through MMLIS which will be cleared by the Custodian. However, if Envestnet (or a Strategist, where applicable) 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, then it may trade through firms other than the Custodian. Client understands that if trades are not executed through the Custodian the client may be subject to transaction costs and fees 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 (or the Strategist Brochure, where applicable) for information on how trades are sent or directed to the Custodian or other broker-dealers.

Trustees may also charge ERISA Accounts additional fees.

### **Payment of Fees and Expenses**

Upon acceptance of the Account Application, the Program Agreement and the Account being funded at the "Required Account Opening Amount," which is the greater of (i) an amount at or above the Program minimum, unless waived by the Firm, or (ii) an amount at or near the investment amount identified in the Proposal which was agreed upon between the client and the IA-Rep, clients pay an initial Client 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 Client Fee is paid at the beginning of each calendar quarter for such quarter. The quarterly Client Fee is based on the fair market value of the assets in the Account on the last business day of the preceding calendar quarter as calculated in accordance with the Program Agreement and as described above.

Please see Item 5 below for information about account minimums for the Programs.

Clients also are subject to a Client Fee for any additional lump sum contribution(s) in a calendar quarter equal to or greater than \$10,000. Such clients will pay for that portion of the ongoing quarterly Client 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 \$10,000. Payment of the Client Fee will be made in the month 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 and other cash balances. If the amount maintained in the cash sweep option and other cash balances is not enough to meet a withdrawal request, the remaining amount of the withdrawal request will be satisfied by redeeming securities in the client's Account. Withdrawals may have tax consequences such as capital gains taxes, the sale of securities or other assets in or outside of the cash sweep option and other cash balances may trigger taxable event, to which capital gains (or other) taxes apply. Envestnet will rebalance the Account back toward the selected allocation, thus triggering a possible taxable event.

MMLIS will adjust or refund Client 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 such clients for that portion of the ongoing quarterly Client 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 withdrawal 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 Client 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 Client Fee and other applicable fees and expenses under the selected Program by instructing NFS through the Program Agreement to automatically debit the Client Fee, and applicable fees and charges (collectively "Expenses"), from their Account. The amount debited to pay the Expenses under the selected 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 and other cash balances. Envestnet will automatically rebalance a client's Accounts if payment of the Expenses under a Program causes the client's cash investments to fall below the percentage threshold (and if the dollar threshold

is met) and/or to cover any Account debit balances. If this occurs, the remaining amount of the Expenses and/or Account debit balances that cannot be covered by assets in the cash sweep option and other cash balances will be paid by redeeming shares of securities 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.

### **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 Firm Fee and the IA-Rep 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.

Please note that the chart above showing the range of fees does not take Fee Forgiveness into account.

### **Termination**

The Program Agreement will continue in effect until terminated by either the client, the Firm or Envestnet 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.

## **ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

MMLIS generally provides investment advisory services to individuals, high net worth individuals, various types of business organizations, pension and profit-sharing plans, charitable institutions, foundations, endowments, trusts and different types of retirement accounts, including SEPS, Simple, and traditional IRAs.

The Firm generally requires a client to enter into a Program Agreement and a Brokerage Agreement and complete an Account Application and SIS in order to participate in a 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 a client's participation in a Program.

The minimum initial contribution to open an Account in the Portfolio Solutions Programs vary by Strategist and/or Model, and ranges from \$10,000 - \$100,000.

Particular Models may have higher minimum requirements which the Firm cannot waive. As a result, clients may not be able to invest in a particular Model if the amount to be invested in the Model would be less than the Model minimum. Clients should speak to their IA-Reps for a description of the Model investment minimums and should also refer to each Strategist Brochure for more information.

While accounts generally cannot be aggregated, even if they are beneficially owned by the same person or entity, for the purpose of meeting the minimum thresholds, the Firm and/or Strategist may consider waiving account minimum requirements at its discretion. Initial asset value less than the Required Account Opening Amount will not be managed under the Program but will be placed in the cash sweep option until the asset value reaches the Required Account

Opening Amount. Once the Required Account Opening Amount is reached, client assets will then be invested in accordance with client's selected Model.

Clients may make additional contributions to their Accounts at any time subject to the above minimums. Clients may fund contributions to a Program with cash or securities. Additional contributions are allocated initially to the cash sweep option and will remain there until a client's Account is rebalanced or the cash allocation in client's Account exceeds certain parameters. Please see the Envestnet Brochure for more information.

If an Account falls below the 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.

If a Client contributes securities to an Account, the Firm, Strategist and Envestnet have the right to liquidate those securities in their sole discretion. Clients should be aware that a reasonable amount of time is necessary for the Firm to execute such trades. Clients should consider the cost, if any, of sales charges previously paid or to be paid upon such redemption, which are in addition to the Client Fee paid under the Program. Clients should be aware that such redemptions might have tax consequences that should be discussed with an independent tax advisor before making any redemptions.

#### **ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION**

In the Portfolio Solutions Programs, clients have access to Models designed and managed by the MMLIS WMIT, MMLIS Strategists, or Third Party Strategists. The Firm, through its IA-Reps, provides clients with the advisory services described in Item 4 of this Brochure. As indicated in Item 4, MMLIS is tasked with several responsibilities under the Programs, including selecting, screening and/or making available Strategists and Models for the Program.

##### *Selection of Available Strategists and Models*

MMLIS utilizes its own due diligence and/or the services of third party due diligence service providers to evaluate the MMLIS WMIT, MMLIS Strategists and Third Party Strategists for the Programs and provides ongoing due diligence and monitoring of all Strategists and Models available in the Program.

When conducting due diligence on Strategists and Models, MMLIS and/or third party due diligence service providers conduct teleconference and/or onsite meetings with Strategists and reviews reports including information relating to: investment philosophy, management/personnel, performance, longevity, compliance, operations and disciplinary history, if applicable. MMLIS and/or third party due diligence service providers also review additional information about Third Party Strategists including their ADVs and websites, and information on their executives available on BrokerCheck.

All Strategists and Models (or the criteria used to select Strategists and Models) must be approved by the MMLIS IA-Investment Committee.

Notwithstanding the Firm's review and due diligence processes regarding Strategists and Models available in the Programs, clients should be aware that investing in the Models is subject to market risk and possible loss of principal. The purpose of MMLIS' screening and due diligence process is to identify Strategists and Models that satisfy certain minimum investment criteria.

For information regarding the mutual funds and ETFs available in the Programs, including any associated fees, please read the prospectus of each particular mutual fund and ETF and consult your IA-Rep for additional information.

Regarding Strategists or Models in the Programs, please refer to the fact sheet, Strategist Brochure, or other marketing materials on each Strategist which includes information on the Models that each Strategist creates and/or manages for the Programs. MMLIS WMIT's and MMLIS Strategists' investment strategies and methods of analysis may include use of third party research reports, as well as qualitative and quantitative analysis in connection with selecting securities for inclusion in a Model. Profiles of Strategists are available from the IA-Rep.



### *Selection of Model for a Client's Account*

Client's IA-Rep will assist client in selecting a Strategist and Model for client's Account. The IA-Rep will discuss with the client various factors, including but not limited to client preferences, fees charged by the Strategist, information on Strategists, including their performance, and the account minimum requirements of Models. The client is ultimately responsible for deciding which Model to choose.

MMLIS also has ongoing responsibility to advise clients regarding the appropriateness of the Strategist and the Model selected by the client for the Account in light of the client's objectives, assets, risk tolerance and investment experience as disclosed to MMLIS. When appropriate, the IA-Rep may also assist the client in determining whether the existing Model should be replaced. The IA-Rep may discuss some or all of the foregoing factors with the client in order to assist the client in making an appropriate decision.

### *Additional Information*

#### *IA-Rep Prerequisites*

In order to become an IA-Rep of the Firm and provide services to clients under a Program on behalf of the Firm, the IA-Rep must fulfill a series of prerequisites including, but not limited to completing on-line training courses, meeting certain Firm defined compliance and business conduct standards, and adhering to the Firm's Code of Ethics, which is described in Item 9 of this Brochure. Once an IA-Rep has been approved to provide advisory services under a Program, the IA-Rep must annually certify that the IA-Rep continues to comply with the Firm's policies and procedures. If an IA-Rep is unable to continue servicing a client's account for any reason, client's account will be assigned by the Firm to another qualified IA-Rep, who will service client's account on the Firm's behalf.

#### *Due Diligence on Envestnet*

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.

## **ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

As described in Item 4, the information that client supplies in the Account Application, the Investment Questionnaire, the SIS and any other documentation provided by client is used by the Firm and its IA-Reps to provide clients with investment advisory services under each Program. The Firm also makes available such information to Envestnet so that Envestnet may fulfill its obligations as described in Item 4 of this Brochure and in the Envestnet Brochure. Client has the obligation to inform the IA-Rep of any change in client's financial and personal circumstances that may have a material impact on the management of client's Account. Any updated information that client provides is also shared with Envestnet and the applicable Strategist.

Clients have the opportunity to impose reasonable investment restrictions on the investment of their assets in either of the Programs by identifying them on the SIS. The Firm will forward any investment restrictions requested by the client to Envestnet and to the Strategists, as applicable. Investment restrictions must be reasonable, as determined by Envestnet and/or the Strategist and must be complete and consistent with applicable law. MMLIS, Envestnet, and the Strategist observe the investment restrictions that a client provides in the SIS, if deemed reasonable; provided that Envestnet and the Strategists reserve the right to seek further direction from the client through the Firm before any such investment restrictions are observed. Clients may impose new, or modify any existing, investment restrictions on the investments in their Account at any time by contacting their IA-Rep.

## **ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Clients have access to their IA-Rep for information on their Account. IA-Reps will also accept inquiries from clients about Strategists or Envestnet as well as their roles under each Program and coordinate the provision of responses to clients.

## **ITEM 9. ADDITIONAL INFORMATION**

### **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.

## **MATERIAL RISKS**

### *Risks*

Investing in securities involves risk of loss that clients should be prepared to bear. Clients may experience loss in the value of their Account under a Program due to market fluctuation. There is no guarantee that a client's investment objectives will be achieved by participating in a Program. Clients should read carefully a copy of the current Strategist Brochure and the prospectus, or other disclosure documents, associated with the mutual funds and ETFs. Those disclosure documents contain information regarding any fees, expenses, investment objectives, investment techniques, and risks. 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 participating in a Program. The Firm and its IA-Reps do not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert.

In general, MMLIS, the MMLIS WMIT, and MMLIS Strategists rely on third-party investment advisers and money managers to perform investment related research and to provide allocation and securities recommendations, including recommendations to reallocate and rebalance portfolios to clients. Please refer to Item 4 for a description of our services and the services provided by Third Party Strategists. When reviewing Strategists, the Firm examines factors such as the experience, expertise, investment philosophies, firm infrastructure and past performance, initially and on an ongoing basis, in an attempt to determine if that Strategist has reasonably demonstrated an ability or the potential to meet their investment objectives over a period of time and in different economic conditions. A risk of investing with a Strategist who has been successful in the past is that he/she may not be able to replicate that success in the future.

Strategists may themselves utilize research as the basis for their investment recommendations under the Programs. Please refer to the Envestnet Brochure and each Strategist Brochure or marketing materials, as applicable, for more information.

Given the wide range of investments in which a client's Account may be invested, there is similarly a very wide range of risks to which a client's assets may be exposed. This Brochure does not include every potential risk associated with an investment strategy, or all of the risks applicable to a particular Account. Rather, it is a general description of the nature and the risks of the strategies and securities and other financial instruments in which Accounts may invest. The client should refer to the prospectus or other offering materials that it receives in conjunction with certain investments made in their Account for a complete list of risks associated with that investment.

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

Your Account may be a stand-alone asset allocation strategy or part of an overall asset allocation strategy and your IA-Rep may recommend a focused or completion Model primarily to complement an existing investment strategy. All strategies implemented by MMLIS involve a risk of loss that clients should be prepared to bear.

*Asset Allocation Risk* — Asset allocation, often referred to as "traditional" or "strategic" asset allocation, is a strategy that seeks to diversify assets across various types of asset classes. Asset classes could include broad asset classes (such as equity or fixed income), or sub-asset classes (such as large cap, small cap, or international). The weights assigned to each asset class are expected to result in an overall portfolio with risk and return characteristics that meet the client's investment objectives. Asset allocation assumes that the mix of asset classes will remain fairly consistent over a long period of time. The client's asset allocation targets typically are not changed unless the client's circumstances or objectives change. There are risks associated with asset allocation. One such risk is that the client may not participate in sharp increases in a particular security, industry or market sector. Clients with an asset allocation may not achieve their investment objectives and may lose money.

Tactical asset allocation is a strategy that actively adjusts a portfolio's asset allocation based upon short-term trends that could include financial market trends, economic cycles and asset class valuations. Based upon short-term assumptions, the portfolio allocations to certain asset classes are increased, while the portfolio allocations to other asset classes are decreased. There are risks associated with tactical asset allocation. Clients with a tactical asset allocation may not achieve their investment objectives and may lose money. Tactical asset allocation is a market timing strategy, but its risk lies more in asset categories rather than individual securities. At different points in time, the tactical asset allocation and structure of the client's portfolio vary significantly and is likely to vary from the Investment Objective selected for the Account. There is no guaranty a tactical asset allocation will correctly predict or track market movements or that it will provide comparable returns or decreased volatility relative to traditional strategic asset allocation programs. Clients in tactical asset allocations are relying significantly on the skills and experience of the manager's ability to correctly judge changes in market behavior and construct a portfolio that predicts market behavior. In addition, even if the portfolio is correctly positioned, there is no guaranty that the client will not experience substantial losses. The tactical asset allocation results in a portfolio may experience frequent trading in order to take advantage of anticipated changes in market conditions. A high level of portfolio turnover may negatively impact performance by generating greater tax liabilities and brokerage and other transaction costs.

Focused or completion strategies are portfolios that are concentrated in a certain asset class or deploy a specific strategy. Generally, focused or completion strategies are used to complement other holdings. There are unique risks associated with focused and completion strategies, such as increased volatility since portfolios are often concentrated in a particular asset class.

For specific information about the asset allocation associated with each Model, please refer to each Strategist Brochure and/or other information provided about each Strategist or Model.

*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.

*Equity Market Risk* — The risk that stock prices will fall over short or extended periods of time.

*Exchange-Traded Funds (ETFs) Risk* — The risks of owning shares of an ETF generally reflect the risks of owning the underlying securities the ETF is designed to track, although lack of liquidity in an ETF could result in its value being more volatile than the underlying securities.

*Fixed Income Market Risk* — The prices of fixed income securities respond to economic developments, particularly interest rate changes, as well as to perceptions about the creditworthiness of individual issuers, including governments and their agencies. Generally, fixed income securities will decrease in value if interest rates rise and vice versa. Declines in dealer market-making capacity as a result of structural or regulatory changes could decrease liquidity and/or increase volatility in the fixed income markets. In the case of foreign securities, price fluctuations will reflect international economic and political events, as well as changes in currency valuations relative to the U.S. dollar. In response to these events, an Account's value may fluctuate and its liquidity may be impacted. Additionally, a mutual fund may experience increased redemptions from shareholders, which may impact the mutual fund's liquidity or force the mutual fund to sell securities into a declining or illiquid market.

*Investment Company Risk* — When an Account invests in an investment company, including mutual funds, closed-end funds, UITs and ETFs, 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 Account may be subject to additional or different risks than if the Account had invested directly in the underlying investments. For example, the lack of liquidity in an ETF could result in its value being more volatile than that of the underlying securities. Closed-end investment companies issue a fixed number of shares that trade on a stock exchange or over-the-counter at a premium or a discount to their net asset value. As a result, a closed-end fund's share price fluctuates based on what another investor is willing to pay rather than on the market value of the securities in the fund.

*Investment Style Risk* — The risk that the Model's strategy may underperform other sectors of the markets or the markets as a whole.

*Market Risk* — The risk that the market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector or the equity or bond market as a whole.

*Money Market Funds Risk* — With respect to an investment in money market funds, an investment in the money market fund 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, client 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.

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

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

The Firm is registered with the SEC as an investment adviser and a broker-dealer and its principal officers are registered as IA-Reps 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 products available through the Firm include products issued by our affiliated insurance companies as well as those issued by unaffiliated issuers. As part of this business, the Firm, through its RR's who may also be IA-Reps, provides a broad range of securities brokerage services which may include clients who participate in the Programs. 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 RR's have a financial interest or may themselves purchase or sell. Clients should be aware that compensation earned by the Firm and its RR's vary by product and by issuer. Therefore, the Firm and its RR's 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 companies that may be material either to the advisory business of the Firm or to 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' registered representatives and IA-Reps are all licensed insurance agents or brokers of MassMutual and/or other affiliated or unaffiliated insurance companies. MMLIS' RRs are all licensed to sell securities and may effect securities transactions for compensation for any client.

MML Investment Advisors, 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 a solicitor's agreement with Barings whereby MMLIS received compensation for referring clients to Barings for asset management services. Barings 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. This conflict of interest is addressed through clear and prominent disclosure 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.

Affiliated Funds may be available as underlying investments in a Model. When an affiliated fund is an underlying investment in a Model, MMLIS and/or one of its affiliates receives a financial benefit. This conflict of interest is mitigated because neither the MMLIS WMIT, MMLIS Strategist, Third Party Strategist nor the IA-Reps recommending Models in the Programs receive any more or less compensation for selecting such affiliated funds within a Model.

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

MMLIS is the sole shareholder of MMLIS Financial Alliances, LLC, a Delaware limited liability company which operates as an insurance agency and investment adviser. MMLIS previously received client referrals from MMLIS Financial Alliances, LLC and paid a solicitor's fee for such referrals. MMLIS no longer receives referrals for new advisory clients from MMLIS 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 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 Programs. 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' 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 revenue-sharing payments from NFS as described below and in Item 4 – Mutual Funds and Revenue Share from NFS. MMLIS' 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. 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 and iNTF mutual fund share classes, cash and cash equivalents. Please see Item 4 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 service credits from NFS, based on the total assets that MMLIS customers' custody with NFS, including the assets in the Programs. Therefore, MMLIS has an incentive to recommend products and services that will lead to more assets being custodied with NFS, including the Programs. These credits are paid directly to the Firm and are not shared with IA-Reps.

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' 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 this Item 9.

## **Relationship with Envestnet**

In addition to the 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 IA-Rep 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 2019, Envestnet paid \$150,000 in such fees to the Firm and in 2020, Envestnet is expected to pay approximately \$125,000 in such fees to the Firm Representatives from Envestnet and, if applicable, its affiliates and subsidiaries, generally network with and provide training to IA-Reps 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 IA-Reps. While IA-Reps do not receive a portion of these fees, IA-Reps maybe more likely to recommend the Program, other Envestnet advisory programs, or products offered through Envestnet's affiliates or subsidiaries that are accessible through the Firm, to prospective clients because of the education and the exposures that IA-Reps receive on such services and products.

Certain IA-Reps of the Firm are 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 IA-Reps 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 IA-Reps may potentially recommend an investment advisory program that offers them the greatest compensation potential.

As previously discussed, IA-Reps receive a portion of the compensation paid to MMLIS for the services described in this Brochure. MMLIS utilizes compensation schedules to calculate the overall compensation paid to IA-Reps for their work associated with the Programs and other offerings at MMLIS. MMLIS also has an incentive program where an IA-Rep will receive an additional percentage of the compensation paid to MMLIS if the total client assets attributable to that IA-Rep or the IA-Rep's team reach certain thresholds. For these purposes, the total client assets include assets across certain advisory programs offered by MMLIS (including the Programs). This creates an incentive for IA-Reps to recommend these programs (including the Programs) to clients over other types of accounts or services offered by MMLIS. This incentive applies to both the initial recommendation to open an Account in a Program and to make subsequent contributions to such Account. The Firm addresses this conflict through clear and prominent disclosure to clients. In addition, this incentive program does not take into account how the assets in an advisory program are invested. IA-Reps do not receive any more or less compensation 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.

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

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

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

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

The Firm (including the IA-Reps), 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, IA-Reps and employees may buy, sell or trade in any securities for their respective accounts ("Affiliated Accounts") or Other Accounts. The Firm (including IA-Reps) 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.

MMLIS does not affect any principal or agency cross securities transactions for client accounts. The Firm will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys securities from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlling, controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side

of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

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.

## **Review of Accounts**

### **Services Provided by the Firm**

The Firm, through the IA-Reps, will be available during business hours to answer any questions that the client may have regarding their Account and/or to provide client services related to client's Account. 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, and whether they wish to add, or modify any existing, investment restrictions imposed on the investments in their Account, or whether there have been any changes in their investment objectives that might affect the manner in which their assets should be managed.

The Firm, or the IA-Reps, 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 IA-Rep is available on an ongoing basis to discuss the client's participation in the selected Program or the client's investments in general.

### **Services provided by Envestnet**

On an ongoing basis, Envestnet maintains the software utilized to generate the Proposal and SIS. Additionally, Envestnet has an ongoing responsibility for implementing securities trades according to the Models for Accounts. Envestnet shall also observe any client imposed investment restrictions that MMLIS or the Strategist has accepted.

## **Cash Administration**

**Cash Allocation.** The Models are designed to maintain a minimum cash allocation to facilitate administration of the investment portfolio, including, but not limited to, trading and fee collection. There may be instances when the cash allocation temporarily exceeds the target due to standard operational processing, such as the changing of underlying investments, processing of client contributions or withdrawals, or during the initial investment of a client Account. If the amount of a client's Account invested in cash varies beyond a determined maximum cash allocation, then the excess cash balance will be allocated to other holdings within the Account.

The Program Fee and other expenses under each Program are deducted from Program Account assets clients have in the cash sweep option and other cash balances (initially, before other Program Account assets), as outlined in greater detail in the Program Agreement. By executing the Program Agreement, clients authorize the Custodian to pay the Program Fee and all other fees and charges that are due and payable in a given calendar quarter under the selected Program from Program Account assets client has in the cash sweep option and other cash balances. If a client's Program Account does not have enough cash in the cash sweep option and other cash balances to pay for the Program Fee, account debit balances or other charges, the Strategist will instruct Envestnet to sell any Program Account assets it deems appropriate to make such cash available. In such cases, clients may face a taxable event, to which capital gains (or other) taxes may apply.

**Changes to Risk Scoring Classifications.** MMLIS, in its discretion, may modify the assumptions underlying its risk methodologies which could result in changes to the risk scores associated with particular Models. In such an instance, an Account's Model may fall outside of the Investment Objective identified on the client's SIS.

Further details of Envestnet's ongoing responsibilities under the Programs can be found in the Envestnet Brochure.

#### **Client Statements and Performance Reports**

On a quarterly basis, clients will receive a copy of their Account performance report created by Envestnet.

The IA-Reps are available to discuss the quarterly performance report, Account allocations, Account performance or any other matter relating to the selected Program.

NFS will send client statements of all activity in clients' brokerage accounts on no less than a quarterly basis. Clients can request written confirmations of trades cleared and settled through the brokerage accounts. Clients should carefully review their brokerage account statements and confirmations issued by NFS and contact the Firm or their IA-Rep immediately upon discovery of any errors, discrepancies or irregularities.

#### **Client Referrals and Other Compensation**

##### **Conflicts of Interest Related to the Programs**

If the MMLIS WMIT or MMLIS Strategist is selected for client's Account, the Strategist Fee will be paid to MMLIS (including the MMLIS Strategist, if applicable) and MMLIS will retain all or a portion of the Strategist Fee. Please refer to Item 4 of this brochure for additional information regarding the Strategist Fee and IA-Rep Fee for accounts in the Programs. As a result, and due to the MMLIS WMIT's and MMLIS Strategists' affiliation with the Firm, IA-Reps have a conflict of interest and incentive to recommend Models managed by the MMLIS WMIT or MMLIS Strategists over Models managed by Third Party Strategists, or other MMLIS advisory programs or models where MMLIS or its IA-Reps do not receive a portion of the Strategist Fee. The Firm attempts to mitigate this conflict of interest through its compensation structure, as MMLIS IA-Reps do not receive any more or less compensation for recommending a MMLIS WMIT or MMLIS Strategist Model for client's Account over Third Party Strategists or unaffiliated money managers in other MMLIS advisory programs.

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

Certain associates of the Firm ("Investment Specialists") receive compensation from the Firm to provide sales support to IA-Reps. 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 these Programs over products for which they do not receive compensation to IA-Reps for their review as potential products to discuss with their clients. Clients should also be aware that the compensation received by Investment Specialists is not shared with IA-Reps or their sales manager. Furthermore, not all IA-Reps will use Investment Specialists for sales support or for support on products available through the Firm.

MMLIS has a Strategic Partner Program with certain investment companies ("Strategic Partners") that offer mutual funds and/or ETFs that are (a) available Investment Options in the Programs and/or (b) underlying investments in a Model or SMA Model. Certain Strategic Partners are also Sub-Managers. These Strategic Partners are provided 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 its 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 2019, the following Sub-Managers made cash payments to MMLIS to participate as a Strategic Partner: American Funds, BlackRock, Brinker Capital, Invesco, BNY Mellon and Fidelity, in order of largest contribution to smallest contribution. American Funds, BlackRock and Brinker Capital each paid more than \$1.7 million, and Invesco, BNY Mellon, and Fidelity each paid between \$500,000 and \$1.2 million. These Strategic Partners are expected to make similar payments in 2020.

We understand that these cash payments are not paid out of the assets invested by clients in mutual funds or with Sub-Managers in Programs. 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 your selected 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 amounts 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) another 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 and/or ETFs that are (a) available Investment Options in the Programs, and/or (b) underlying investments in a Model or SMA Model. Certain Sub-Managers are also part of the Conference Partner Program. 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 2019, 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, Russell Investments, Symmetry, W.E. Donoghue, City National Rochdale, CIBC National Trust, Clark, First Trust, Franklin Templeton, LMCG, PIMCO, SEI, and Vanguard. The amount of payments from these Conference Partners ranged from \$50,000 to \$150,000. 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 2020, these Conference Partners may make lower payments in 2020. One additional Sub-Manager — Northern Trust — is expected to participate in the Conference Partner Program in 2020.

MMLIS has other marketing support arrangements similar to but separate from the Strategic Partner Program described above. In 2019, MMLIS received between \$30,000 and \$600,000 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 2020.

MMLIS also received an annual conference credit of \$150,000 from NFS and expects to receive a similar payment in 2020. In addition, in 2019, MMLIS received networking fee income less than \$60,000 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 creates a financial incentive for MMLIS and its Representatives to favor Strategic Partners and Conference Partners when making recommendations to clients. Specifically, MMLIS has a financial incentive to recommend the mutual funds provided by Strategic Partners and Conference Partners over mutual funds offered by entities that do not make marketing support payments to MMLIS, and to recommend the Strategic Partners and Conference Partners over other financial institutions or money managers that do not make marketing support payments to MMLIS or contribute to or participate in MMLIS conferences or training meetings. 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 differs among certain of the Strategic Partners. Therefore, MMLIS has a financial incentive to favor those Strategic Partners and Conference Partners whose payment structure would result in the most compensation for MMLIS. We address this conflict by assuring that MMLIS's Representatives do not share in the marketing support payments received by MMLIS and do not receive

differential compensation based on whether clients choose the Models offered by Strategic Partners and Conference Partners.

Clients should also be aware that marketing or educational activities paid for with these payments lead to greater exposure of Strategic Partner's and Conference Partner's products and services with the Firm's Representatives and IA-Reps. Therefore, these payments create an incentive and lead to a greater likelihood, for the Firm or its IA-Reps to make available and recommend a mutual fund of a Strategic Partner over the mutual fund of another entity. These payments are in addition to the fees received by the Firm under the Programs and any distribution or servicing fees described above.

From time to time, the Firm and its Representatives receive other compensation from mutual fund companies that may issue mutual funds that are underlying investments in a Model. Such mutual fund companies may sponsor their own conferences for training and educational purposes, which certain of the Firm's Representatives are invited to attend. In addition to the Firm's Representatives 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 Representatives. These conferences and the related reimbursements create an incentive for the Firm and the IA-Reps to make available and recommend (or select on a client's behalf) the mutual funds provided by the sponsoring mutual fund companies.

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 introduces prospective clients to the Firm or an IA-Rep to further discuss whether the Firm's investment advisory services, including a 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 IA-Rep and may not provide investment advice to prospective clients or the Firm's clients on behalf of the Firm or the IA-Reps. 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 IA-Rep.

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 IA-Reps. The Firm will share a portion of the fees earned by the Firm with Financial Institutions for referring individuals who eventually obtain advisory services 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 IA-Reps regardless of whether such individuals obtain advisory services from the Firm. To the extent that a referred client participates in a 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 amount of the Firm's overall fees or its willingness to negotiate fee reductions in particular instances.

Envestnet pays the Firm a fee to attend Firm sponsored sales and/or training conferences. Envestnet generally networks with and provides training to the IA-Reps and Firm personnel during these conferences. The fee received by Firm is used

to offset expenses associated with hosting the conferences and is not paid to the IA-Reps or other associated persons. While the IA-Reps do not receive a portion of the fee, the IA-Reps may be more likely to recommend the Programs to prospective clients because of the education and the exposure they receive on the Programs and/or Envestnet.

Your IA-Rep is compensated by the Firm and its affiliates for the services described in this brochure, for other advisory services provided to customers and for the sale, renewal and servicing of various investment products. Your IA-Rep'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 and sales support services) based upon similar criteria, including overall sales and productivity, as applicable. Also, IA-Reps 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.

Therefore, your IA-Rep has an incentive to offer you the Programs in order to meet these requirements and to recommend that you increase the amount you have invested in the Programs. Additionally, your IA-Rep's manager is compensated by the Firm and its affiliates generally based on overall sales goals, including those that include the Programs, achieved by the IA-Reps 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 IA-Rep, as noted above.

MMLIS pays Envestnet and NFS a fee for the services that they provide in the Programs. 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.

## **Other Disclosures**

### *Administrative Reimbursement*

From time to time, MMLIS may provide its IA-Reps with an administrative reimbursement to reimburse IA-Reps for their administrative activities related to establishing Accounts in a Program for existing clients of MMLIS. The reimbursement is usually based on a percentage of the assets transferred by an existing client of MMLIS into such Program at the time the Account is opened. This administrative reimbursement has no impact on the amount of the Client Fee or other fees and charges paid by client under the Program and is paid by MMLIS out of the revenues it receives under the Program. However, not all advisory programs available through MMLIS offer such an administrative reimbursement. Accordingly, IA-Reps have an incentive to recommend that client transfer assets currently invested in other advisory programs available through MMLIS to a Program that offers an administrative reimbursement (over other advisory programs available through MMLIS).

### *Trade Errors*

The Firm attempts to effect transactions correctly and resolve any trade errors promptly and fairly. Should a trade error occur as a result of our handling of transactions for an 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 may be 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 and used for the benefit of the Firm. If the error correction results in a loss, the amount of the loss will not be charged to the client. In addition, clients will not bear any costs associated with the correction of an error.

### *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 as the default option for client accounts. In

addition, IA-Reps do not receive any of the fees that NFS pays to MMLIS, and IA-Reps do not receive any more or less compensation based on what cash sweep option is selected by a client.

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 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.

#### *NFS Excess Trading Fee*

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.

#### *Corporate Actions*

The Firm and its IA-Reps' responsibility under the Programs do not include taking any action or rendering any advice with respect to proxies, consents, waivers or other documents regarding any securities held in client's Account. Except with respect to voluntary corporate action notices, the client has the responsibility for responding to proxies, consents, waivers and other documents with respect to any securities held in a client's Account. Such notices 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 the 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.

#### *Making an Informed Decision*

The Firm wants its clients to make an informed decision when they purchase products or receive services from the Firm's RR or IA-Rep. 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 IA-Reps on its policies and procedures regarding conflicts of interest.

Furthermore, when an RR or an IA-Rep makes a product or program recommendation to a client, the Firm reviews whether the recommendation is suitable for 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.

#### *Financial Information*

The Firm does not require clients who participate in either of the Programs 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 (855) 520-7715.

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

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

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

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

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