



## **Form ADV 2A, Appendix 1 IMS Direct Wrap Fee Program Brochure**

***Effective March 30, 2021***

SEC File No. 801 - 29892  
Avantax Advisory Services, Inc.

This Form ADV Part 2A, Appendix 1 Wrap Brochure provides information about the qualifications and business practices of Avantax Advisory Services, Inc. ("AAS") which uses the trade name Avantax Advisory Services. If you have any questions about the contents of this brochure, please contact us at (972) 870-6000. This information has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Avantax Advisory Services is also available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Please note that registration as an investment adviser is required by securities laws and does not imply a certain level of skill or training. You should review this brochure and consider its contents before investing in a program offered by or through AAS.

[www.avantaxwealthmanagement.com](http://www.avantaxwealthmanagement.com)

Digital Platform: <https://wealth.emaplan.com/hdvest>

Avantax Wealth Management<sup>SM</sup> is the holding company for the group of companies providing financial services under the Avantax name. Securities offered through Avantax Investment Services<sup>SM</sup>, Member FINRA, SIPC. Investment advisory services offered through Avantax Advisory Services<sup>SM</sup>. Insurance services offered through Avantax Insurance Services<sup>SM</sup> and Avantax Insurance Agency<sup>SM</sup>. 3200 Olympus Blvd., Suite 100, Dallas, TX 75019 972-870-6000

## Item 2: Summary of Material Changes

Although the following are not considered “material changes”, they are important updates to our Form ADV Disclosure Brochure. Changes since our January 2021 version include:

- The Conservative and Balanced investment models from Geode are no longer available as an investment selection. Clients must choose one of the other five models currently available as their investment selection.
- The restricted equity program, which awards equity grants in Avantax parent company Blucora’s publicly traded stock (Nasdaq: BCOR), has been updated for 2021 with new award amounts and requirements.
- As of December 31, 2020, AAS managed \$19,449,706,368 of Client assets on a discretionary basis (68,299 accounts) and \$10,799,684,263 of Client assets on a non-discretionary basis (30,952 accounts) for a total of \$30,249,390,631 in assets under management and 99,251 accounts in its various advisory programs.

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## Item 3: Table of Contents

### Table of Contents

Item 2: Summary of Material Changes .....	2
Item 3: Table of Contents .....	3
Item 4: Services, Fees and Compensation .....	4
Item 5: Account Requirements and Types of Clients .....	8
Item 6: Fund Selection and Evaluation .....	8
Item 7: Client Information Provided to Portfolio Managers	13
Item 8: Client Contact with Portfolio Manager .....	13
Item 9: Additional Information .....	13

## Item 4: Services, Fees and Compensation

### About Avantax Advisory Services

Avantax Advisory Services, Inc. ("AAS"), formerly HD Vest Advisory Services, Inc., was established in 1987 and is a wholly-owned subsidiary of Blucora, Inc. Blucora, Inc. is a publicly traded company on the Nasdaq stock market (ticker: BCOR). AAS is a registered investment adviser with the U.S. Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). AAS is an affiliate of Avantax Investment Services, Inc. ("AIS"), formerly known as HD Vest Investment Securities, Inc., a broker-dealer registered with the SEC and a FINRA member firm. AIS generally provides brokerage, custody and execution services through a clearing arrangement with National Financial Services LLC ("Custodian"), a non-affiliated firm, member NYSE, SIPC and a Fidelity Investments® Company. Avantax Advisory Services<sup>sm</sup> and its affiliates, Avantax Investment Services, Inc., Avantax Insurance Agency<sup>sm</sup> and Avantax Insurance Services<sup>sm</sup> may be referred to collectively as Avantax Wealth Management<sup>sm</sup> ("AWM"). Avantax Planning Partners, Inc., formerly known as Honkamp Krueger Financial Services, Inc., is also an affiliated investment adviser registered with the SEC and a subsidiary of Blucora.

As of December 31, 2020, AAS managed \$19,449,706,368 of Client assets on a discretionary basis (68,299 accounts) and \$10,799,684,263 of Client assets on a non-discretionary basis (30,952 accounts) for a total of \$30,249,390,631 in assets under management and 99,251 accounts in its various advisory programs.

Pursuant to SEC Rule 204-3 promulgated under the Advisers Act, AAS presents this Form ADV 2A, Appendix 1 Wrap Fee Brochure ("Wrap Fee Brochure") which provides the required disclosures.

### IMS Direct, A General Description

AAS offers its IMS Direct online discretionary investment management program designed for individual investors with accounts of \$5,000 or more. IMS Direct offers clients a selection of asset allocation model portfolios and is referred to in this Wrap Fee Brochure as the "Program". AAS will, in its sole discretion, delegate or contract with third parties for the performance of all or a portion of the services provided to clients participating under the Program, including without limitation the authority to determine the securities to be purchased, held and sold for client accounts and to implement securities trading and investment strategy decisions to one or more Sub-Advisers retained by AAS. AAS has a relationship with one such unaffiliated Sub-Adviser for this Program, Geode Capital Management, LLC ("Geode" or "Sub-Adviser"). Geode is a registered investment adviser and is not affiliated with AAS.

In its role as sub-adviser to AAS for the Program, Geode is responsible for determining the asset allocation portfolio based on information provided by each client alone or with the Advisor, as applicable, for constructing the portfolios, and for ongoing discretionary portfolio management, including trading, rebalancing and other ongoing adjustments to client portfolios.

When you enroll in the Program, you will execute an advisory agreement with AAS and Geode. As part of the Program, Geode will serve as your investment manager, and will invest your accounts (each, an "Account") in a portfolio of investments based on your selected investment and risk profile. Geode will invest Account assets in a mix of mutual funds managed by Fidelity Management & Research Company ("FMRCo") and its affiliates ("Fidelity Funds"), exchange-traded funds ("ETFs") managed by FMRCo and its affiliates ("Fidelity ETFs"), and exchange-traded funds managed by unaffiliated investment advisers ("Non-Fidelity ETFs, and together with Fidelity Funds and Fidelity ETFs, "Funds").

The Program is offered to AAS through our clearing and custodial relationship with National Financial Services LLC ("NFS" or "Custodian") in connection with the Fidelity Automated Managed Platform ("AMP"). Through AMP, AAS is able to formulate, configure and deliver a digital advice offering to our clients ("Clients").

During enrollment, you will provide information about a variety of factors and you will be asked a series of questions known as the Investor Profile Questionnaire ("IPQ") through the Digital Platform (as defined below) regarding your financial situation, investment objectives, risk tolerance and planned investment time horizon ("Client Profile"). AAS will then recommend an appropriate model and risk profile based upon your Client Profile. Geode is not responsible for gathering client information and determining or assisting Clients in selecting the appropriate Model.

IMS Direct is designed to provide investors with a portfolio of investment funds that have a lower than average net expense ratio compared to funds in the same fund asset class ("Low-Cost Funds"), a significant portion of which are passive investment vehicles that seek to replicate the performance of relevant market indices. General investment strategies will include allocations to combinations of investment funds that may invest in underlying domestic stocks, foreign stocks, bonds and short-term investments. The allocation of investment funds will vary, and Geode, as the Sub-Adviser, may exclude any particular asset class or category of investment funds in its sole discretion.

**Wrap Fee Programs.** The Program is a discretionary investment advisory program, and in the Agreement, AAS is granted the power and authority to enter into trades on behalf of the Account and will delegate such investment discretion to Geode. Geode assumes full discretionary trading and investment authority over the assets in Client's Account and will manage each such Account based on the Model selected by Client at account opening or as Client Profile is updated thereafter.

Because this Account is in a wrap fee program, Client may pay more or less than if the same securities were purchased and paid for separately. The wrap fee includes execution and custodial fees, investment advice and portfolio management services and reporting. If the securities were

purchased outside of a wrap fee program, Client would not receive ongoing investment advice and portfolio management services and generally would pay separately for execution or custodial fees. In addition, the same share class for securities in the Program is not always available outside of a wrap fee or other advisory program. The Credit Amount (defined below) is also not available outside the Program. In general, clients that do not trade frequently or that do not wish to have ongoing investment advice or portfolio management services available to them will pay less in a non-wrap fee program.

**Opening and Funding the Account.** Upon the completion and execution of the IMS Direct Advisory Services Client Agreement and all required documentation, we will open your account for you within a reasonable amount of time. Until we incept your Program Account, your assets will be held in an account that cannot be traded. During such time, the account assets will not be actively managed nor will AAS act as a fiduciary with respect to such assets.

Client can choose to fund the Account by depositing cash or securities into the Account. Generally, the cash will be held in the core Fidelity money market fund, Fidelity Cash Reserves (Ticker: FDRXX), and portions of these assets will be further invested in accordance with the Model selected for the Account as soon as reasonably practicable once the funding of the Account has exceeded the Account minimum of \$5,000. When Geode purchases Funds on Client's behalf, Client may receive taxable distributions out of Fund earnings that have accrued prior to Fund purchases (a situation referred to as "buying a dividend"). Clients should consult a tax advisor regarding these matters. Subject to annual Individual Retirement Account ("IRA") contribution limits, as applicable, additional deposits can be made at any time. Depending on the size of the deposit made and the size of the positions held in the Account, Geode may leave deposits in the core Fidelity money market fund until it deems it appropriate to rebalance the Account.

**Electronic Relationship.** Investment advice provided through the IMS Direct Program is based solely on information gathered through eMoney's emX Select platform (or any replacement or successor platform). This is referred to throughout this Wrap Fee Brochure as the "Digital Platform" and is accessible at <https://wealth.emaplan.com/hdvest>. To open an account, your Advisor will provide a link allowing you to access to the Digital Platform.

Most interactions with IMS Direct will be conducted electronically via email, through the Digital Platform, or via communications with your Advisor. You can access important documents, view your account holdings and transactions, and review your portfolio's performance on the IMS Direct platform/website. You will be asked to provide information to us on the Program website and updates to your Account information will be submitted via this site as well. We will not send you any account documentation or communications in paper form unless we are required to do so under applicable law or we choose to do so. Your continued participation in the Program is contingent upon agreeing to receive required account documentation and communications electronically. This should be taken into account when choosing whether or not to enroll in the IMS Direct Program.

**Withdrawals and Account Closures.** Client can withdraw funds from the Account by contacting their Advisor (or through the Digital Platform). Attempting to withdraw funds through the Digital Platform that will take the Account value below the \$5,000 Program minimum will prohibit electronic submission of the withdrawal request, and Client will need to speak with Advisor by telephone to process the request.

Client or AAS has the option of terminating the Program and Geode's sub-advisory services to the Account upon notification to Advisor. Advisor will be responsible for closing (or otherwise handling) Client's Account with respect to the Program.

AAS has the option of terminating the services provided to an Account at any time, including, without limitation, if Client associated with an Account resides outside the United States or fails to maintain the minimum account balance of \$5000 or if certain restrictions are placed on an Account or for any other reason at AAS's discretion. Depending on the reason for the termination, Client has the opportunity to resolve the issue. If unable to do so, the Program will be terminated and the assets in the Account may be liquidated or transferred to a retail brokerage account ("Retail Account") at Client's choice.

AAS will review Client Accounts on a periodic basis to determine continued eligibility to participate in the Program. AAS may terminate Client's participation in the Program for any reason, including if AAS believes the Program is no longer appropriate for the Account. In addition, AAS reserves the right to terminate the Program if AAS is unable to contact the Client for an extended period of time.

**Reasonable Restrictions.** Clients are entitled to impose reasonable restrictions on the management of their Accounts. Account restrictions can be requested, or changed, by contacting your Advisor or updating your Profile on the Digital Platform. Any proposed restriction, or any change in a pre-existing restriction, is subject to the receipt and acceptance by Geode. A restriction request may result in delays in the management of an Account, and if an Account cannot be managed with the requested investment restriction, Geode will notify AAS who shall then notify Client that requested the restriction. Such a restriction may include prohibitions with respect to the purchase of a particular fund or funds, provided such restriction is not inconsistent with Geode's stated investment strategy or philosophy, or is not fundamentally inconsistent with the nature or operation of the Program. If a restriction is accepted, assets will be invested in a manner that is appropriate given the restriction. Accounts with imposed management restrictions will generally experience different performance from Accounts without restrictions, possibly producing less favorable performance results.

Restrictions will be reevaluated on an as needed basis, including but not limited to, changes in the underlying funds or Models, which can result in the denial of a restriction that was previously accepted. If changes to the Profile selected for the Account cause a change to the corresponding selected Model and Client would like that restriction to remain in place after any such change, a new request must be submitted to Geode.

Geode's investment management is based on the Model selected by Client and the completeness and accuracy of the Client Profile that Client has provided to AAS. The Client Profile is used by AAS in selecting a Model for Client. Clients should promptly update their information through the Digital Platform any time the Client Profile has materially changed in order to ensure that the selected Model remains appropriate.

**Program Fees.** Client pays an annual Program Fee to participate in the Program. The Program Fee is paid monthly in arrears and is 1% per year based on the average daily assets in the Account as calculated on the last business day of the month ("Market Value"). The Program Fee covers the advisory services provided by AAS and its Advisors; Geode's ongoing sub-advisory services as provided to your Account; certain trading costs and commissions; brokerage, clearing and custody services provided by NFS; and the communications program associated with the AMP platform and your Account. These fees are broken out as follows: The Sub-Adviser Fee is 0.05% (or 5 basis points) of the Market Value of the assets in each Account payable after application of the Credit Amount. The AMP Platform Fee is 20 basis points or .20%; and the balance of the Program Fee is paid to AAS with a portion (50%-94% of the remaining balance) paid to your Advisor. The minimum annual Program Fee is \$25.

The Program Fee does not include underlying Fund expenses charged at the individual fund level for any Funds in the Account. As an owner in a pooled investment vehicle, Client will pay a proportionate share of the Fund's fees and expenses. These Fund expenses, which vary by fund and class, are expenses that all mutual fund and ETF owners pay and are separate and distinct from the Program Fee. Some of these Fund expenses are paid to Geode or Fidelity and will be included in the credit amount (as defined below) that reduces the Program Fee paid by the Client.

**Fee Negotiations and Waivers.** AAS reserves the right, in its sole discretion, to reduce or waive the Program Fee for certain Accounts for any period of time, and this may occur for the accounts of clients other than Client, without notice to Client and without reducing or waiving fees for Client.

**Billing.** The Gross Program Fee shall be reduced by the Credit Amount (see below) for each Account. The purpose of the Credit Amount is to reduce the Program Fee by the amount of compensation, if any, received by Geode or by Fidelity or by their affiliates from the underlying mutual funds and ETFs, as a result of the Account's investments in such funds, as detailed below. The Program Fee for the initial month is calculated as of the last business day of the month the Account is funded with a minimum of \$5,000 in cash. The Program Fee is prorated for the number of days the Account was funded/open during the month and is based on the average daily balance for that time period. The Advisory Fee is deducted from the Account on or about the 15th day of the following month. The Program Fee for the month of termination is pro-rated (if applicable) and is calculated in the same manner. It is deducted as soon as practicable after the termination of advisory services. Certain assets in your Account may be liquidated to pay the fees; this liquidation may generate a taxable gain or loss.

After the initial month the Account is opened and funded, the Program Fee is calculated based on the average daily balance for the Account and is calculated on the last business day of the month. All fees are debited automatically from your Account on or about the 15th of the following month. The Account Value is calculated by Geode and not by AAS. Advisory fees are calculated as:  $((1\% \times \text{Market Value}) \div \text{Number of days in the year}) \times \text{Number of days in the billing period}$ .

**Credit Amount.** The Credit Amount reduces the portion of the fee paid by Client by the amount of compensation, if any, received by Geode or Fidelity as a result of the Funds held in an Account, as detailed below. To the extent applicable, a Credit Amount is calculated for each type of Fund in an Account as follows:

- For Fidelity Funds and Fidelity ETFs, the Credit Amount will equal the underlying investment management and any other underlying fees or compensation paid to Geode or Fidelity from the Fidelity Fund, Fidelity ETF or their affiliates as a result of investments by the Account in such Fidelity Funds or Fidelity ETFs.
- For Non-Fidelity ETFs, the Credit Amount will equal the distribution fees, shareholder servicing fees and any other underlying fees or compensation paid to Fidelity from the Non-Fidelity ETF or its affiliates as a result of investments by the Account in such Non-Fidelity ETFs.

The Credit Amount does not show on Client's Monthly Statement as a direct credit against the Program Fee although the Program Fee charged is net of the Credit Amount. The Credit Amount has been included in AAS's assessment of its overall Program costs. (Your Program Fee will vary by month based on the Credit Amount, and the Program Fee will not exceed 1%.)

**Termination of Agreement.** The Agreement may be terminated by either party at any time with five business days' notice. AAS may elect to terminate the Agreement upon written notice to Client and in accordance with the terms and conditions in the Agreement. Client may only terminate the Agreement by calling Advisor or such other phone number as AAS may specify on the IMS Direct Digital Platform, and the termination of the Program is effective the business day following Geode's receipt of this notification. The termination shall be effective upon delivery of written notice to Client if the Agreement is terminated by AAS or such later date as may be specified in the notice. Termination of the Agreement will not affect the validity of any action previously taken by AAS or preclude the completion of any transaction initiated by AAS prior to the time of termination. Although management of the Account will cease on the day after receipt of the notification by Geode, the Account will remain in a non-managed status for five business days so the Program Fee due and payable for the closing month can be calculated and deducted before the Account is transferred.

The Agreement will also terminate immediately if Client withdraws all the assets from the Account or upon AAS's receipt of notification that Client has closed its Account with Custodian. In light of the fact that the Program is an online-only advisory program, this Agreement will also be terminated by AAS if Client withdraws its consent to receive documents electronically. In addition, AAS reserves the right to terminate the advisory relationship if the market value of assets in an Account falls below the minimum level of \$5000 due to reasons other than market fluctuation.

Upon the receipt of termination notice by AAS, AAS and Geode will cease managing the Account. Client can choose to maintain the Account at Custodian as a retail brokerage account subject to Custodian's restrictions, costs and account minimums. Certain holdings in Client Account will not be eligible for additional purchases or eligible to hold in a retail brokerage account.

Because the billing is done in arrears, it is anticipated that most Clients will owe Program Fees upon termination of the Program. Any Program Fees due to AAS for the partial month will be due and payable upon receipt of an invoice if there are no assets in the Account from which to deduct the fees. In the rare instance that fees were paid in advance, Client will receive a refund of any prepaid unearned fees pro-rated for the number of days remaining in the billing period.

Should the Account be removed from the Program for a reason other than Client choice, notification will be sent via email from AAS to the email address on record stating the date that management of the Account ceased and notifying Client that the assets will be transferred to a Retail Account at NFS. In most cases, the assets will be liquidated before transferring to the Retail Account since many (if not all) of the securities invested while Account was actively managed cannot be held in a Retail Account. There will be other account fees and charges applied to a Retail Account that are more expensive than those Client was charged while active in the Program. These are explained in a "welcome packet" provided by NFS upon opening of the Retail Account. The Retail Account will be opened as soon as practicable, but the conversion process may take 60 days or longer. (Your Advisor can make the change to a Retail Account much sooner at your request.) Until the Retail Account is opened and funded, your assets will be held in an account that cannot be traded. During such time, the account assets will not be actively managed nor will AAS act as a fiduciary with respect to such assets. While the Account is in the process of being transferred to a Retail Account, AAS, its affiliates and Sub-Adviser will not be responsible for any potential market loss or gain while trades are unable to be executed.

AAS shall provide no less than one business day notice to Geode of termination of its management of any Account. Upon receiving such notice, Geode will stop managing the Account and Geode has the option of liquidating the securities unless otherwise instructed by AAS in the notice of termination. There will generally be mutual funds held in a terminating Account that are not available to a non-managed retail investor or share classes used that would not be eligible for the Client to hold in a Retail Account. Clients with a taxable Account may have an economic and/or taxable gain or loss when securities are liquidated following termination of Geode's management of the Account. As an alternative, if requested, Geode will transfer the securities and other assets in-kind (if allowed) to Client's new custodian.

Client will be assessed any unpaid Program Fees due with respect to any terminating Account up through the date of termination, which will be prorated based on the number of days such Account was managed by Geode during the month. The termination date is defined as the date when Geode is no longer actively managing the Account assets. Clients are responsible for satisfying all debits on their Accounts, including any outstanding debit balance after all assets have been removed from an Account and any costs (such as legal fees) that incurred in collecting the debit. Once the Program is terminated with respect to an Account, additional deposits to the Account will be rejected and any Account features related to management of the Account will be terminated.

**Comparing Costs.** While you may invest in Fund Interests directly and without the use of AAS's investment advisory services, in doing so you would not receive the asset allocation model recommendations available in this Program. These are designed to assist you in determining which Fund Interests are appropriate for you and the amounts to invest in each, based on your investment objectives and personal circumstances. In a Retail Account, Client is no longer eligible for the Credit Amount.

**Sales Loads, Transaction, Redemption and Other Fees.** Clients generally will not pay any sales loads or transaction fees on the Funds purchased for their Account. In order to protect the interests of long-term investors, certain funds may impose redemption, short-term trading or other administrative fees if shares are not held for a minimum time period. However, such fees will not be charged by Fidelity Funds with respect to Accounts in the Program.

Except as otherwise set forth herein, the Advisory Fee, AMP Platform Fee and Sub-Adviser Fee do not cover charges resulting from trades effected with or through broker-dealers other than NFS, markups or markdowns by broker-dealers, transfer taxes, exchange fees, regulatory fees, odd-lot differentials, handling charges, electronic fund and wire transfer fees, or any other charges imposed by law or otherwise applicable to the Account. One such charge applies to sales of securities made for Accounts - an industry-wide assessment mandated by the SEC totaling a few cents per \$1,000 of securities sold. The amount of this regulatory fee varies over time, and because the amount is not always immediately known, the amount will be estimated and assessed in advance. To the extent that such estimated amount differs from the actual amount of the regulatory fee, Fidelity will retain the excess. These charges will be reflected on the Account's monthly statements and/or trade confirmations delivered to Clients by NFS or their affiliates to the extent applicable. AAS does not share in this regulatory fee.

**Account Fees and Charges not Covered by Program Fee.** Other Account fees not covered by your Program Fee include IRA fees of \$15/year and account closing fees as determined by the Custodian as well as wire fees of \$25 per occurrence.

#### **Funds in Advisory Programs**

*Use of Fidelity and BlackRock Funds and Potential Conflicts of Interest.* Geode will invest Account assets in a mix of mutual funds managed by Fidelity (“Fidelity Funds”), exchange-traded funds (“ETFs”) managed by Fidelity (“Fidelity ETFs”) and exchange-traded funds managed by unaffiliated investment advisers (“Non-Fidelity ETFs”), and together with Fidelity Funds and Fidelity ETFs (“Funds”), each of which will be Low-Cost Funds. In some cases, Geode may be a Sub-Adviser to the Fidelity Funds and Fidelity ETFs. In selecting Non-Fidelity ETFs for inclusion in the Accounts, Geode will initially select among ETFs advised by BlackRock Investments LLC (or one of its affiliates, collectively “BlackRock”), including iShares® ETFs. If Low-Cost Funds are not available from BlackRock or Fidelity for any asset class, Geode may select ETFs managed by other third parties; however, it is Geode’s expectation that the Account assets will be invested primarily in Funds offered by Fidelity and BlackRock.

In general, it is expected that the Models will be comprised of approximately 6 to 12 underlying mutual funds and/or ETFs, although the amount of underlying mutual funds and ETFs used may change over time based on market conditions and Geode’s long-term investment view. Initially, Geode will invest exclusively in Funds managed by Fidelity or BlackRock, as long as they manage Low-Cost Funds in the applicable asset classes, based on overall cost to Clients of accessing those Funds through the Program (after application of the Credit Amount as described) and Geode’s overall familiarity and comfort level with these Funds and their investment processes and risk profiles. Although Geode expects that Account assets will be invested primarily in Funds managed by Fidelity or BlackRock, over time, Geode may select ETFs managed by other third parties based on one or more of the following factors: net cost to investors in the Accounts, tax efficiency, performance, quality and history of portfolio management, portfolio asset size, fund availability and liquidity. To the extent that neither Fidelity nor BlackRock manages a Low-Cost Fund in any applicable asset class at any given time, Geode will assess other Funds on the basis of these same factors.

*Compensation to AAS and its Advisors.* Your Advisor will receive a portion of the fees you pay for the Program. This may be up to 100% of the AAS portion of the Advisory Program Fee but it is typically in the 50-94% range. This gives the Advisor an incentive to recommend the use of IMS Direct to their clients. In addition, it is expected that many clients with accounts held directly at mutual fund companies will be informed about the features and benefits of IMS Direct. The Program Fee does not include shareholder service, or 12b-1 fees as charged by the mutual fund sponsor.

## **Item 5: Account Requirements and Types of Clients**

The Program is designed for individual investors with Accounts of \$5,000 or more. IMS Direct is not available to non-U.S. trusts, foreign investors, and persons who are not U.S. residents nor is it available for institutional accounts, 529 plans, or Coverdell Education Savings accounts. Margin and check writing capabilities are prohibited on Accounts in the IMS Direct program.

## **Item 6: Fund Selection and Evaluation**

Geode is responsible, pursuant to a sub-advisory agreement, for establishing the Models, determining the appropriate asset allocation for each Model and managing the assets in each Account on a discretionary basis to correspond to the Model selected for the Account, subject to any reasonable restrictions that are imposed by Client and accepted by Geode. Portfolio managers on Geode’s portfolio management team will make investment decisions for each Account to align the Account with the asset allocation strategy for the selected Model, including trading, rebalancing and other ongoing adjustments to the Accounts. For additional information about Geode’s investment methodology, the investments selected for your Account, and the risks associated with those investments, please see Geode’s ADV, Part 2A brochure.

Neither Geode nor AAS shall bear any responsibility for investment management decisions or other actions taken on the basis of any incomplete, misleading or incorrect information relating to any Client, Profile or any Account. Geode is expressly authorized to rely on any direction from AAS to manage Client Account in accordance with the Model selected by Client with or without guidance from Advisor.

**Selection of the Investment Strategy.** Geode will invest Accounts according to a set of asset allocation portfolios (“Models”) based on the investment and risk profile selected by you alone or in consultation with your Advisor. The Program is limited to discretionary investments based on the model portfolios described in this Wrap Fee Brochure. You will have the ability to discuss the investment advice you receive in connection with the Program with your Advisor assigned to your Account. Your Advisor is affiliated with AAS (not Geode) and your Advisor does not have the ability to trade in your Account, other than to sell In-Kind Securities that do not meet the selected Model Securities. Geode’s proprietary algorithmic methodology is applied to suggest an appropriate investment and risk profile that corresponds to a level of risk consistent with the information you provide as part of the Program’s online account opening process. This methodology prepares your suggestion using a computerized framework that takes into account a variety of factors, including potentially your financial situation, investment objectives, risk tolerance, and planned investment time horizon. Your investment and risk profile will be generated by Geode’s algorithm. In general, your account will not be evaluated individually by AAS or Geode personnel; nor will AAS or Geode override the outcome of the algorithm with respect to any particular account. The algorithm’s suggestion is based solely on the specific questions included in the methodology and does not attempt to adjust its suggestion based on aspects of your personal situation that are not accounted for by the questions used in our IPQ. The suggested investment and risk profile will reflect one of a series of investment strategies that range from aggressive growth to conservative and will be based on your investment goal for your Account. In suggesting your investment and risk profile, AAS will rely solely on the information you provide in your Client Profile.

IMS Direct provides investors with a portfolio of Low-Cost Funds, a significant portion of which are passive investment vehicles that seek to replicate the performance of relevant market indexes, based on their selected investment and risk profile, subject to any reasonable restrictions that you impose on your Account that are accepted by Geode.



In general, your Account's assets will be allocated to mutual funds and ETFs that invest in four primary asset classes: Domestic stocks (U.S. equity securities); Foreign stocks (non-U.S. equity securities); Bonds (fixed income securities of all types and maturities, including lower-quality debt securities and municipal bonds); and Short-term assets (short-duration investments).

**Conflicts of Interest.** Clients should understand that Geode has a financial incentive to invest Account assets in Funds that it sub-advises and that this financial incentive creates a conflict between the interests of Geode and AAS and their Clients. In addition, due to Fidelity's involvement in the Program, as described above, conflicts of interest also arise because Fidelity receives an actual or perceived economic or other benefit from Client Accounts in the Program. These conflicts result when, for example: a) Geode invests in a Fund for which Fidelity receives management fees; b) Adviser Client Accounts are serviced by Fidelity and Fidelity receives compensation for providing various services relating to the underlying Funds held in Accounts, which include trade execution and trade clearing fees, shareholder servicing fees, recordkeeping fees, and custody fees; and c) Fidelity receives compensation from the use of BlackRock ETFs by Geode. These conflicts of interest are mitigated by the use of a Credit Amount that reduces the amount of the fees paid by Client, as applicable, for the Program by the amount of compensation received by Geode and Fidelity as a result of investments by the Accounts in Fidelity Funds, Fidelity ETFs and ETFs managed by BlackRock. In addition, Geode's investment professionals do not generally receive differential compensation based on the amount of Fidelity or non-Fidelity products used in the Program.

Pursuant to a contractual long-term marketing arrangement between Fidelity and BlackRock, Fidelity receives compensation from BlackRock in connection with the purchase of BlackRock ETFs in certain Fidelity investment programs, including IMS Direct. However, any such amounts received by Fidelity as a result of the investment of Account assets in BlackRock ETFs pursuant to this arrangement will be credited towards the fees payable to NFS, as the case may be, and Geode for the Program, as described below. This arrangement allows the Program to offer BlackRock ETFs to Clients at a lower overall cost than other third-party advised ETFs.

**AAS Acting as Portfolio Manager.** Neither AAS nor its Advisors act as portfolio manager for IMS Direct accounts. As described elsewhere in this Wrap Fee Brochure, Geode has been hired as the Program's Sub-Adviser and thus, the portfolio manager.

**Tailoring Services for Individual Clients.** IMS Direct does not provide you with a comprehensive financial or investment plan under the Program but the services provided are tailored to your Client Profile.

**Non-Advisory Options.** Client may invest directly in one or more of the Funds available through IMS Direct in another account without incurring the advisory fees charged by AAS, the sub-advisory fees of Geode or the AMP Platform Fee (as defined below). Not all the Funds will be available to Client in a non-advisory account. In this case, however, Client would not receive the professional management services offered by AAS and the sub-advisory services of Geode. Client might be subject to sales loads or transaction and redemption charges that are often waived as part of the Program, and Client might not be eligible for certain share classes that are made available through the Program. Participation in IMS Direct may (or may not) cost more than if Client were to purchase the services separately, depending on several factors, including trading activity and the level of fees.

**Performance-Based Fees.** IMS Direct does not charge performance-based fees.

**Methods of Analysis and Investment Strategies.** Geode's portfolio managers will monitor and review the asset allocation of the Models and the Funds used in such Models from time to time. Geode has the option to change the Funds used in the Models or reallocate the assets in the Models for a number of reasons, which include but are not limited to: a) the weighting of a particular asset class Geode believes has too much or too little representation in a Model based on its asset allocation over time; b) changes in the fundamental attractiveness of a particular Fund; and c) changes in market conditions. Over time, due to market movements, an Account's asset allocation may not match the selected Model. However, Geode will periodically reallocate the investments in an Account in an effort to maintain alignment with the Model selected by AAS for the Account over the long term, as deemed necessary in Geode's sole discretion.

For the Program, Geode produces a set of asset allocation Models, including selecting a combination of Funds for each Model and manages the assets in each Account on a discretionary basis to correspond to the Model selected by AAS and on occasion, with the Advisor for such Account, all in accordance with the parameters described in Item 4 above. As with any investments, investing in securities involves risk of loss that clients should be prepared to bear. Future returns are not guaranteed, and a loss of principal may occur. There is no guarantee that a particular portfolio will meet its investment objective.

Geode will obtain information from various sources to conduct its analysis and determine the investment strategies. Geode will use both primary sources (e.g., talking directly with fund companies and fund managers) and secondary sources (e.g., analysts' reports that will provide data on the investment strategies, risk profiles, and historical returns). Secondary sources also include a variety of publicly available market and economic information and third-party research, as well as proprietary research generated by Geode. Geode will analyze this information to assist in making allocation decisions among asset classes, as well as in making purchase and sale decisions. AAS does not complete a separate review of the performance information provided by Geode for the IMS Direct program.

**Use of Algorithms and Investment Process.** Geode uses algorithms, together with human interaction, within its investment management process to manage Accounts in the Program. The process consists of multiple steps which may incorporate algorithmic calculations, but each step is also initiated and/or overseen by Geode portfolio managers or operations professionals. As part of the investment process for the Program, the

following steps are performed daily by Geode: data acquisition and quality assurance; portfolio analytics and review; rebalancing and portfolio construction; review and approval of recommended trades; and trade execution. The daily process begins with aggregating data from various systems, including a third-party accounting system, for use in monitoring the portfolios. This data includes account characteristics, portfolio positions and tax lots, deposit and withdrawal requests, transactions and restrictions. Individuals then check this data for completeness, integrity and consistency, reconciling the data to the prior day's information and accounting system records. A third-party service provider is also utilized for reconciliation and account-level and composite performance calculations.

Algorithms are primarily used for two purposes within Geode's investment process with respect to the Accounts: assessing the need to make trades for an Account and determining which trades to make. Inputs into the algorithms include position and asset class weights in the portfolios and benchmarks derived from holdings data quantities and prices; variances of the individual securities and benchmark indices and how the securities move relative to each other; returns of securities; and transaction data, such as cash flows. Generally, algorithms will not be overridden due to market conditions as stressed markets are factored into Geode's portfolio construction process. Nevertheless, trades are not made for any Account without human review and approval.

Geode utilizes a risk-based algorithm to determine whether to make trades to rebalance an Account, which calculates predicted active risk (i.e., tracking error), position drift and asset class drift relative to a benchmark. Maximum active risk and drift tolerance values are determined in advance by the portfolio management team and are regularly reviewed for appropriateness. The portfolio management team will review Account performance and consider historical simulations in determining these values and whether to make any changes.

Geode utilizes a mean-variance optimization algorithm in determining which trades to make for an Account. The optimization algorithm attempts to minimize the risk of a portfolio relative to a benchmark, subject to a set of constraints, including maximum asset class active weights, maximum position active weights, minimum trade sizes, round lots and long only. The algorithm generates a set of trades for an Account that is designed to reduce active risk, position drift and/or asset class drift, calculated based on the difference in portfolio weights before and after running the optimization algorithm. Recommended trades generated by the algorithm will be reviewed, and must be approved, by a human portfolio manager prior to execution. Approved trades are then loaded to a third-party order management system for execution. Further information about an Account's investment strategy can be found on the Digital Platform.

An underlying mutual fund can restrict future trade activity if it deems its excessive trading policy, as outlined in the respective fund prospectus, has been violated (for example a purchase and sale within a 30-day period). As a result, a mutual fund can reject a trade order if it is deemed to represent excessive trading. In order to comply with a mutual fund's trading policies, the Program may be required to suspend investment management of the Account. In such cases, Geode will cease to manage the Account as soon as reasonably practicable. However, the imposition of any such order can take up to one (1) business day to implement, and any trading activity that has commenced or is in process within Geode's trading system shall be completed prior to ceasing management of the Account.

### **Risks of Loss and Other Risks of Investing**

As previously discussed, Geode will invest each Account in a portfolio of investments based on the Model selected by Client for the Account's Profile. In general, all the Accounts managed by Geode in the Program are subject to the list of investment risks discussed below. However, Models applied by Geode with higher concentrations of equity have greater exposure to the risks associated with equity investments, such as stock market volatility and foreign exposure. On the other hand, Models applied by Geode that have higher exposure to fixed income will have greater exposure to the risks associated with bond investments, such as credit risk and bond investment risk and changes in interest rates. All strategies are ultimately affected by impacts to the individual underlying investments made by Funds held in the Accounts, such as changes in an issuer's profitability and credit quality, or changes in tax, regulatory, market or economic developments.

**Risk of Loss.** All of the Accounts managed by Geode under the Program involve risk of loss since even the most conservative Model will fluctuate in value over time and Client can lose money. Clients should be prepared to bear such losses in connection with investments in the Program. Investments are not a deposit of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any other government agency. Clients can lose money by investing in mutual funds and ETFs. The Models each pose risks, and many factors affect each investment's or Account's performance. Nearly all investments are subject to volatility in non-U.S. markets, through either direct exposure or indirect effects in U.S. markets from events abroad. Additionally, investments that pursue debt exposure are subject to risks of prepayment or default, and Funds that pursue strategies that concentrate in particular industries or are otherwise subject to particular segments of the market (e.g., municipal funds' exposure to the municipal bond market or international or emerging markets funds' exposure to a particular country or region) are often significantly impacted by events affecting those industries or markets. Additionally, investments are subject to operational risks, which can include risks of loss arising from failures in internal processes, people, or systems, such as routine processing errors or major systems failures, or from external events, such as exchange outages.

**Asset Allocation and Diversification.** The performance of Accounts in the Program is dependent on the allocation of assets among various asset classes and the selection of underlying Funds. There is a risk that Geode's decisions regarding asset allocation and the selection of underlying Funds will cause an Account's performance to lag relevant benchmarks or will result in losses. While allocations to multiple asset classes can reduce risk, risk cannot be completely eliminated with diversification. Asset allocation and diversification do not guarantee a profit or protect against loss.

**Algorithms.** As described above, Geode utilizes algorithms as part of its investment management process in managing Accounts in the Program. The algorithms assume that portfolio holdings quantity and price data is accurate and complete. There is a risk that the algorithms and data input into the algorithms could have errors, omissions, imperfections and malfunctions (collectively, "Algorithm Issues"). Any decisions made in reliance

upon incorrect data expose clients to potential risks (with or without the use of algorithms). Algorithm Issues are often extremely difficult to detect. Some Algorithm Issues may go undetected for long periods of time and some may never be detected. It is also possible that the algorithms do not accurately and efficiently forecast security and portfolio risk. These risks are mitigated by testing and human oversight of the algorithms and their output. Geode believes that the testing and monitoring performed on its algorithms and their output will enable Geode to identify and address those Algorithm Issues that a prudent person managing a similar investment program would identify and address. But Algorithm Issues are an inherent risk of investing in the Program and there is no assurance that the algorithms will always work as intended or produce the optimal results.

**Cybersecurity Risk.** With the increased use of technologies to conduct business, Geode and its affiliates are susceptible to information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and arise from external or internal sources. Cyberattacks include, but are not limited to: gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment or systems; or causing operational disruption. Cyberattacks are also carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting the Program, Geode or its affiliates, AAS or its affiliates, or any other service providers (including, but not limited to accountants, custodians, transfer agents, and financial intermediaries used by a fund or an account) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to calculate net asset value (“NAV”), impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a Fund or Account invests, counterparties with which a Fund or Account engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers), and other parties.

**Investing in Mutual Funds and ETFs.** Clients bear all the risks of the investment strategies employed by the mutual funds and ETFs held in their Accounts, including the risk that a mutual fund or ETF will not meet their investment objectives. For the specific risks associated with a mutual fund or ETF, please see its prospectus.

**ETFs.** An ETF is a security that trades on an exchange and may seek to track an index, commodity, or a basket of assets like an index fund. Some ETFs are actively managed and do not seek to track a certain index or basket of assets. However, ETFs used in the Program generally will be passive investment vehicles that seek to replicate the performance of relevant market indices. ETFs can trade at a premium or discount to their NAV and are affected by the market fluctuations of their underlying investments. They also have unique risks depending on their structure and underlying investments.

**Money Market Fund.** Cash balances in an Account are held in a money market fund. An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. It is possible for a money market fund to lose money.

**Risks Relating to Underlying Funds.** In addition, the underlying Funds held within the accounts are subject to the following specific risks, although not every risk is applicable to every Fund:

**Quantitative Investing.** Securities selected in Funds using quantitative analysis can perform differently from the market as a whole as a result of the factors used in the analysis, the weight placed on each factor, changes to the factors’ behavior over time, market volatility, or the quantitative model’s assumption about market behavior.

**Stock Investments.** Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. In addition, stock investments are subject to risk related to market capitalization as well as company-specific risk.

**Foreign Exposure.** Foreign securities are subject to interest rate, currency exchange rate, economic, regulatory, and political risks, all of which generally are greater in emerging markets. These risks are particularly significant for Funds that focus on a single country or region or emerging markets. Foreign markets are often more volatile than U.S. markets and can perform differently from the U.S. market. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties and can be extremely volatile. Foreign exchange rates can also be extremely volatile.

**Bond Investments.** In general, the bond market is volatile, and fixed-income securities carry interest rate risk. As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term bonds. The ability of an issuer of a bond to repay principal prior to a security’s maturity can cause greater price volatility if interest rates change, and if a bond is prepaid, a bond fund may have to invest the proceeds in securities with lower yields. Fixed-income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. In addition, investments in certain bond structures can be less liquid than other investments, which would make them more difficult to trade effectively.

**Credit Risk.** Changes in the financial condition of an issuer or counterparty and changes in specific economic or political conditions that affect a particular type of security or issuer can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's credit quality or value. Lower-quality debt securities and certain types of other securities involve greater risk of default or price changes due to changes in the credit quality of the issuer.

**Derivatives.** Certain Funds selected by Geode for investment in Client Accounts may contain derivatives, such as swaps and exchange-traded futures. Generally speaking, a derivative is a financial contract whose value is based on the value of a reference asset. Investments in derivatives subject these Funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Some derivatives involve leverage and provide investment exposure in an amount exceeding the initial investment. As a result, the use of derivatives causes these Funds to be more volatile, because leverage tends to exaggerate the effect of any increase or decrease in the value of a fund's portfolio of securities.

**Municipal Bonds.** The municipal market can be affected by adverse tax, legislative, or political changes and the financial condition of the issuers of municipal securities. Municipal funds normally seek to earn income and pay dividends that are expected to be exempt from federal income tax. If a fund investor is a resident in the state of issuance of the bonds held by the fund, interest dividends are sometimes exempt from state and local income taxes. Income exempt from regular federal income tax (including distributions from tax-exempt, municipal, and money market funds) may be subject to state, local, or federal alternative minimum tax. Certain Funds normally seek to invest only in municipal securities generating income exempt from both federal income taxes and the federal alternative minimum tax; however, outcomes cannot be guaranteed, and the Funds sometimes generate income subject to these taxes. For federal tax purposes, a fund's distributions of gains attributable to a fund's sale of municipal or other bonds are generally taxable as either ordinary income or long-term capital gains. Redemptions, including exchanges, can result in a capital gain or loss for federal and/or state income tax purposes. Tax code changes could impact the municipal bond market. Tax laws are subject to change, and the preferential tax treatment of municipal bond interest income may be removed or phased out for investors at certain income levels.

**Legislative and Regulatory Risk.** Investments in your Account may be adversely affected by new (or revised) laws or regulations. Changes to laws or regulations can impact the securities markets as a whole, specific industries and individual issuers of securities. The impact of these changes is not always known for some time.

**Risks of Relying on Information and Data Provided By Others.** Sub-Adviser's analysis methods rely on the assumption that the companies whose funds and securities are recommended for purchase and sale, the rating agencies that review such funds and securities, and other available sources of information about such funds and securities, are providing accurate, reliable and unbiased data and information. Sub-Adviser cannot guarantee that analyses and recommendations will not be compromised by or free from any inaccurate, incomplete, or misleading data and information provided by such other third parties.

**Long-Term Purchases Risk.** Sub-Adviser typically recommends that clients purchase investments with the intention of holding them for one year or longer. This recommendation is made because Sub-Adviser believes the investments to be undervalued at the time of purchase and/or because Sub-Adviser chooses to recommend exposure to a particular asset class over time, regardless of the current projection for such class. A risk of a long-term investment strategy is that by holding an investment for a longer period of time, the client is not be able to take advantage of potential short-term gains. Moreover, if the analysis is incorrect, an investment can decline sharply in value before it is sold.

**Volatility and Correlation Risks.** Clients should be aware that Sub-Adviser's asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes exhibit similar price changes in similar directions, which can adversely affect Client and become more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns or probability projections do not reflect actual future performance.

**Risks Associated with Limitations of Web-Based Investing.** Web-based advice has significant limitations that clients should consider before subscribing to or signing up for AAS's services and the IMS Direct Program. Specifically, in a web-based advisory arrangement, an individual does not always receive the benefits of face-to-face, telephone, or otherwise individualized interaction with an Advisor, which may limit the individual's ability to ask questions or relay important information. In the Program, Client will have access to and should take advantage of speaking with your Advisor for guidance and questions.

Clients should understand that investing in any security, including Fund Interests, involves a risk of loss of both income and principal. There can be no assurance that Sub-Adviser's or AAS's investment advice and recommendations will be successful or that Client's investment objective will be achieved.

**Errors.** Geode and AAS maintain policies and procedures that address the identification and correction of errors, consistent with applicable standards of care, to ensure that clients are treated fairly when an error has been detected. In the event that an incident or event occurs that disrupts normal, investment-related activities with respect to one or more Accounts, the determination of whether an incident constitutes an error is made by Geode, AAS or NFS, as applicable, in their sole discretion. Geode, NFS or AAS will review the relevant facts and circumstances of each incident. If the incident is deemed to be an error, all involved parties will work to resolve the error in a timely manner.

In the event that an error has been made, the Account will be returned to the position it would have held had no error occurred. This corrective action may result in financial or other restitution to the Account or inadvertent gains being reversed out of the Account. The corrective action may result in a corresponding loss to Geode, AAS or NFS, depending on the cause of the error. Other measures to correct an error can be facilitated through a fee credit or a deposit to the applicable Account which can result in a taxable gain for taxable accounts. Unless prohibited by applicable regulation, the gains and losses from the error (or a series of errors) will be calculated to arrive at a net amount. Client will be compensated for any net loss by AAS if it is deemed to be AAS's fault. If there is a net gain and the error is deemed to be the fault of AAS, the net gain will be retained by AAS. AAS is not obligated to follow any single method of resolving errors.

**Other Operational Risk.** Additionally, Accounts are subject to operational risks which include risks of loss arising from failures in internal processes, people, or systems, such as routine processing incidents or major systems failures, or from external events, such as exchange outages. These incidents, as well as incidents resulting from the mistakes of third parties, are not eligible for compensation by Geode or AAS.

In certain instances, a "do-not-trade" order will be placed on an Account for reasons including, but not limited to, processing a trade correction request or to comply with a court order. For the period when a do-not-trade order is in place, the Program will suspend management of the Account and will not monitor the Account for potential buys and sells of securities. Additionally, any deposits to the Account during this do-not-trade period will not be invested. Neither Geode nor AAS is responsible for any market loss experienced as a result of a do-not-trade order.

**Policies and Procedures Relating to Voting Client Securities.** Neither AAS nor Geode vote proxies on behalf of clients in the Program, nor will they offer any consulting or assistance to clients with respect to proxies, legal proceedings, bankruptcies or class actions involving securities held or previously held in the Account. The NFS account application signed by Clients allows NFS to provide Client's information to corporations whose securities are held in the account for the purpose of additional corporate communications, including proxies and class action settlements. Client retains sole authority to vote proxies, participate in potential class action settlements or respond to other information received in these corporate communications.

## Item 7: Client Information Provided to Portfolio Managers

The information you provide in response to the questions asked on the Digital Platform will be the sole basis for the model suggestions provided to you in connection with the Program. AAS will not consider any other investments you own in formulating the investment advice provided to you under this Program, even if AAS has access to information about other investments you own or other Client information.

You have an ongoing obligation to update your Client Profile if there are any changes to the information provided, including information relevant to your investment objectives or risk tolerance. Updates can be made by contacting your Advisor or by updating your Profile on the Digital Platform.

We reserve the right to refuse to open an account for you if we do not, based solely on our judgment, receive the necessary information from you. Pursuant to the terms of the Advisory Agreement you have represented that you are a U.S. resident. If you move out of the U.S.A., you must notify us as soon as possible. If this happens, your Advisory Agreement will be terminated as soon as practicable upon notification. Your account assets will be transferred at your direction or moved to a Retail Account at NFS as outlined above in the Terminated Accounts section.

AAS may obtain and share information concerning your account with any of our affiliates and any nonaffiliated parties necessary to effect, administer, enforce or complete transactions, or to service providers in accordance with the applicable federal and state laws. Your Advisor will have access to certain information about your account, including your account balance.

## Item 8: Client Contact with Portfolio Manager

Clients may contact their Advisor via email or by telephone. Direct contact by Client with the Sub-Advisor is handled through the Digital Platform. AAS is responsible for promptly notifying Geode in writing, through the online platform, electronic mail or other electronic means of any changes to the selection of a Model for any Account that may affect the manner in which Geode should allocate or invest the assets in your Account.

## Item 9: Additional Information

**Disciplinary Information.** In the past 10 years, AAS has not been involved in any material disciplinary events as an investment adviser. To obtain information about AAS's disciplinary history, or to verify AAS has not been involved in any material disciplinary event, you may visit: <http://www.adviserinfo.sec.gov/> For information on any broker/dealer related disciplinary events of AIS or NFS you may visit: [brokercheck.finra.org](http://brokercheck.finra.org).

**Other Financial Industry Activities and Affiliations.** AAS's affiliated broker-dealer, Avantax Investment Securities, Inc. ("AIS") shares certain compliance and back-office personnel with AAS. AAS relies on AIS's shared personnel for, among other things, performing anti-money laundering and related compliance checks as part of client intake. AIS also provides other services as broker/dealer of record for Accounts in the Program. Additional information about AIS's disciplinary history and other information may be seen by visiting: [finra.org/brokercheck](http://finra.org/brokercheck).

**Account Composition and Performance.** The Account's composition and performance will change over time for a variety of reasons including a change in asset allocation strategies. Those differences can arise each time the investment strategy is adjusted or rebalanced, including, but not limited to, the following instances: (a) when the Account is established and the initial investment positions are established; (b) when Client contributes additional capital to Account; (c) when Client revises Profile information and causes AAS to revise the investment strategy for the

Account; (d) each time the Advisory Fee is charged and paid from the Account; and (e) any time Sub-Adviser adjusts its algorithm by which the composition of the Account is maintained. On any such adjustment, the Sub-Adviser may adjust the investment strategy for the Account at its discretion.

**Account Reviews.** Clients will receive account statements and trade confirmations at least quarterly as provided by NFS on behalf of AAS. Client Statements contain a description of all activity in the Account during the preceding period, including all transactions made on behalf of the Account, all contributions and withdrawals made by Client, all fees and expenses charged to the Account, and the value of the Account at the beginning and end of the period. Account documents will be provided electronically through the Digital Platform. AAS does not review individual Client Accounts on a regular basis but does complete at least an annual review of the Sub-Adviser activities and performance. The Advisor will review the Account and discuss the Account with the Client at least annually.

**Additional Compensation.** AAS or its affiliates earn markups or amounts in addition to the charges imposed by Custodian transaction charges imposed by Custodian in certain instances. This Schedule of Fees is provided at Account opening and not all charges listed are applicable to IMS Direct Accounts. AAS uses this compensation to defray other costs associated with its business or retains it for its own account.

**Advisor Changes.** If Advisor assigned to Account terminates with AAS for whatever reason, Client's Account will be assigned to another Advisor and Client will be notified via email.

**Best Execution.** AAS is obligated to seek best execution for its customers. Best execution is generally characterized as the process by which an adviser seeks the most favorable terms for its clients. It is often associated with seeking the lowest transaction cost (e.g., lowest commission) for brokerage services rendered combined with best market price in order to minimize total purchase cost or maximize total sales proceeds. Other brokerage and trading services are also considered in analyzing execution practices, including but not limited to, trading expertise, reputation and integrity, market access, confidentiality, promptness of execution, clearance and settlement, order positioning, financial stability and fairness in resolving disputes.

With respect to the Program, Geode expects to place substantially all of the trades for the Accounts with NFS if AAS and Geode reasonably believe that the quality of execution of the transaction is comparable to what could be obtained through other qualified brokers or dealers. The quality of NFS's execution capabilities, the nature of the Funds that will be purchased on behalf of clients and because Clients will not be charged commissions on transactions executed through NFS are important factors in this assessment.

Brokerage activities not directed by Geode, including but not limited to, margin trading or trading of securities by anyone other than Geode (including by Clients, their Advisors or AAS), will not be available to Client Accounts in the Program. The exception is that AAS must initiate the required sale of securities not included in the Model upon transfer into the Account.

**Client Referrals and Other Compensation.** AAS does not provide compensation for referrals to the Program nor does AAS receive referrals from NFS, Fidelity or Geode for our role in the Program. AAS does not earn sales compensation, 12b-1 fees or service fees on investments in IMS Direct accounts beyond the Program Fee as described earlier.

**Code of Ethics.** Clients of AAS are entitled to expect high ethical standards of conduct in all of their dealings with us. AAS strives to foster a culture that supports our ability to meet our Clients' expectations. To assist us in minimizing potential conflicts and prevent inappropriate activity, we have developed a Code of Ethics ("COE"). The COE defines "Access Persons" and describes standards of conduct, personal securities transactions, securities covered by the COE, insider trading, conflicts of interests and confidentiality. If you are Client or prospective Client and would like to receive a copy of the current AAS Code of Ethics at no charge, please send an e-mail to [AdvisoryCompliance@avantax.com](mailto:AdvisoryCompliance@avantax.com) or to AAS, 3200 Olympus Blvd., Suite 100, Dallas, TX 75019.

**Financial Information.** We do not require or solicit prepayment of more than \$1200 in fees per client more than 6 months in advance, so we are not required to provide a balance sheet in this Wrap Fee Brochure. In addition, we have no financial conditions that are reasonably likely to impair our ability to meet our contractual commitments to clients. Neither AAS nor its affiliates have been the subject of a bankruptcy petition during the past 10 years.

**In-Kind Securities.** To the extent that Client desires to contribute securities ("In-Kind Securities") to their Account, such In-Kind Securities will be liquidated by AAS unless they are identical (including with respect to share class) to those that would be purchased for the Account in accordance with the Model selected for such Account ("Model Securities"). Except for Model Securities, AAS will liquidate In-Kind Securities as soon as practicable and in such manner as deemed appropriate by AAS at Client's risk and expense. The proceeds from the liquidation of In-Kind Securities will then be held in the core Fidelity money market fund, and further investment of these proceeds will be made by Geode in accordance with the Model selected for the Account as soon as reasonably practicable.

Geode will retain Model Securities and allocate them to the Account in accordance with the Model selected for the Account by Client. In the event that excess Model Securities are transferred into an Account, Geode will liquidate such excess Model Securities as soon as practicable and, in such manner, as deemed appropriate by Geode. Transferring excess Model Securities into an Account acts as a direction by Client and AAS to Sub-Adviser to sell such excess Model Securities. The proceeds from the liquidation of excess Model Securities will then be held in the core Fidelity

money market fund, and further investment of these proceeds will be made by Geode in accordance with the Model selected for the Account as soon as reasonably practicable.

It is possible that Clients can realize a taxable event when shares of excess Model Securities or other In-Kind Securities are sold. Geode does not consider the potential tax consequences of these sales. Neither Geode nor AAS will be liable to any Client for the prices obtained as a result of any sale of excess Model Securities or other In-Kind Securities transferred into an Account.

**Individual Equities and Bonds.** While a client can deposit individual stocks or bonds into the account upon initial funding AAS will instruct the Custodian to promptly sell such individual equities or bonds in the account. No ticket charges or commissions will be assessed on these transactions if sold at NFS in an IMS Direct Account.

**Model Maintenance.** Additionally, from time to time, Geode portfolio managers may monitor and review the asset allocation of the Models and the Funds used in such Models. Geode is responsible for the suitability and appropriateness of Funds used in the Models. Geode has the authority to change the Funds used in the Models or to reallocate the assets in the Models at any time for a number of reasons, which include but are not limited to: (i) the weighting of a particular asset class Geode believes has too much or too little representation in a Model based on its asset allocation over time; (ii) changes in the fundamental attractiveness of a particular Fund; and (iii) changes in market conditions. Geode modifies the Funds held in an Account to accommodate new fund allocations and Fund closures. Changing the asset allocation of the Models and the Funds used in such Models can result in a taxable gain for taxable accounts.

**National Financial Services LLC as Custodian.** Client understands that at this time only one broker-dealer is available to act as Custodian for the Program and that by choosing IMS Direct, they are also choosing to use the Program's Custodian. Client understands that all securities transactions for the Account will be executed through the Custodian, who is responsible for executing, clearing and settling transactions and maintains custody of the assets in the Account. Client understands that use of other custodians could result in lower prices or more favorable execution. Client will receive the price at which such orders for its securities are executed in the marketplace. It is important to note that in the case of mutual funds, execution is made at the net asset value of the fund. AAS is not paid any commissions or transaction charges for transactions that occur in the Account. Only the Sub-Adviser is authorized to give instructions to Custodian with respect to investment decisions regarding the Account except as described earlier with regard to In-Kind, non-model securities. Client understands that other programs are available from other investment advisers that offer a choice of custodians.

Client further understands and agrees that the Program is a discretionary investment advisory program and not a self-directed brokerage service. Unlike self-directed brokerage accounts, clients in the Program do not enter individual buy and sell orders for specific securities to be executed at particular times. Rather, Sub-Adviser places orders to buy or sell securities with the Custodian, consistent with the discretionary authority granted to it by AAS on behalf of Clients, which includes, among other things, the authority to select which securities to buy and sell and when to place orders for the execution of securities. Clients who want to control the specific securities that are bought and sold in the Account should not invest through the Program.

**Other Compensation from our Custodian.** A large percentage of AWM's brokerage and advisory clients maintain accounts with Custodian, which serves as the custodian for AWM's clients' assets, including substantially all of AAS's managed accounts, including those in IMS Direct. In addition to executing and clearing transactions for AWM's advisory and brokerage clients, AIS's clearing relationship with NFS provides AWM's affiliated broker-dealer, AIS, with substantial economic benefits by using itself as the broker-dealer and Custodian as the clearing firm for its accounts rather than an unaffiliated broker-dealer. For example, AIS adds a substantial markup to the transaction costs and certain other brokerage account charges and fees that are assessed to AWM client accounts.

Additionally, AIS receives continuous revenue sharing payments from Custodian that are derived from certain types of transactions, positions, and assets in client accounts held at Custodian. Revenue sharing provides AIS and its affiliates with a significant source of revenue. Therefore, it creates an incentive to recommend the purchase of certain mutual funds that will yield greater compensation to AIS – and this is a material conflict of interest.

AIS's ten-year clearing/custodial agreement with Custodian also provides that Custodian shall pay to AIS incentive credits (or monetary compensation) for utilizing Custodian's services. These credits and other financial benefits are discussed below. Importantly, AIS is subject to payback terms on several of the credits it receives if its agreement with Custodian is terminated prior to the end of the ten-year term of the agreement, or not renewed at the end of the ten-year term.

This additional compensation received by AIS creates a significant conflict of interest with AWM's clients because AIS has a substantial economic incentive to use Custodian as its clearing firm for trade execution and custody over other firms that do not or would not share revenue with AIS or provide other economic incentives discussed herein. It is important to also note that, in the event AIS terminates its agreement with Custodian before the agreement expires, a termination penalty will be assessed by Custodian. This creates a conflict of interest for AIS to maintain the custodian agreement with Custodian for the duration of the agreement.

**Technology Credits.** During the term of AIS's clearing agreement with Custodian, Custodian has agreed to provide AIS with monthly technology credits incurred by AIS and its affiliates for utilizing Custodian's and its affiliates proprietary technology products and services. These credits are not

shared with your Advisor. These credits are subject to the payback terms discussed hereinabove if AIS's agreement with Custodian is terminated prior to the end of the ten-year term of the agreement, or not renewed at the end of the ten-year term.

**Transfer Cost Credits.** Custodian reimburses to AAS or its affiliates a portion of the transfer of accounts' fees and other costs and expenses which customers or AIS could incur in connection with the transfer of eligible accounts to Custodian. Eligible accounts are IRA accounts held directly with a mutual fund sponsor. The Transfer Cost Credit is \$20/account. On an aggregate basis, the amount of the credits could amount to significant amounts of money considering the number of accounts that can transfer to Custodian. This creates a conflict of interest as the transfer credit may be more than the costs and expenses born by AIS. Clients will also incur additional costs by transferring their accounts held directly with a mutual fund sponsor to Custodian. These costs will likely exceed the Client's direct mutual fund costs and will benefit AAS or its affiliates. Although, the Transfer Cost Credit is not shared with clients or Advisors, it is a material conflict of interest when an account held directly with a mutual fund sponsor transfers to Custodian. This also concerns circumstances where a direct retirement plan is transferred to an individual retirement account held through the Custodian. These credits are subject to the payback terms discussed hereinabove if AIS's agreement with Custodian is terminated prior to the end of the ten-year term of the agreement, or not renewed at the end of the ten-year term.

**Deconversion Cost Credits.** AAS or its affiliates received monetary benefits to offset the costs of transferring accounts to the clearing platform. These benefits were significant in value and were designed to offset costs we incurred during the conversion as well as to offset customer account charges incurred during the conversion. Although such conversion reimbursement is common in the industry, there is no guarantee that AAS or its affiliates could have received identical reimbursement had it selected a different clearing firm. Therefore, the selection and retention of Custodian as our clearing firm creates a conflict of interest. The conversion date was mid-September 2018.

These economic incentives were a factor in the selection of Custodian over other possibilities since not all custodians furnish similar benefits. These cost credits are additional compensation to AIS or its affiliates and will likely exceed the actual costs to transfer accounts to the clearing platform. Additionally, after deducting for conversion costs paid by Custodian directly to AIS, the remaining credit amount will be paid to AAS's parent company, Blucora, Inc. who will retain any unused funds over the duration of the ten-year custodial agreement. These credits are not shared with your Advisor. These credits are subject to the payback terms discussed hereinabove if AIS's agreement with Custodian is terminated prior to the end of the ten-year term of the agreement, or not renewed at the end of the ten-year term.

**Credit Interest for Non-Sweep Cash Balances.** AIS is eligible for credit interest on cash balances. AAS or its affiliates receive a percentage of the credit interest after payment is credited to Accounts. AAS or its affiliates earn interest from this temporary investment of cash balances before they are deposited in the Sweep Program with the Program Banks. These credits are not shared with Clients or our Advisors.

**Mark-up on the Schedule of Fees.** AIS, at its discretion, adds a markup to the various fees detailed in the AIS Schedule of Fees that are assessed by its Custodian and paid by clients. AIS decides how much and which fees will be marked up. Not all brokerage firms markup these or other fees. The markup on these fees generate additional revenue for AIS. The actual fees and charges that clients will incur are dependent upon the type of account and the nature and quantity of the transactions that occur, the services that are provided, or the positions that are held in the account. Please reference Appendices 1 and 2 for the Schedule of Fees.

**Interest on Cash Debit Balances.** When a client's cash account does not have sufficient cash to cover fees charged against it, a cash debit balance is created. AAS and AIS charge clients interest on the amount of all cash debit balances which accrue in the account. Clients can avoid being charged interest on cash debits by ensuring there is sufficient cash in the account to pay the quarterly Program Fees. Interest on any non-retirement cash account debit balances will accrue beginning on the day that the debit is posted to the account and will be charged to the account at 3.00% above the National Financial Base Lending Rate, NFBLR. This amount of interest which is set by AIS is greater than the rate set by the Custodian. AAS and AIS have the ability to mark-up the interest charged on all cash debits in our Programs for assets held at Custodian and AIS will retain all additional interest income generated by cash debit balances in our Programs. The interest chargeable on cash debits in our Programs for assets held at Custodian is set by AAS and AIS at the maximum amount of interest. This increases your costs if you carry a cash debit balance and it increases the amount of revenue we receive. Therefore, this is a material conflict of interest.

**Participation or Interest in Client Transactions.** Sub-Advisor may enter into transactions for your Accounts in securities in which an AAS director, officer, or employee may also invest directly or own indirectly. This poses a conflict of interest to the extent that transactions in such securities on behalf of AAS Clients may advantage such related persons. No discretionary transactions in Blucora, Inc. are permitted in the IMS Direct Program although certain unaffiliated mutual funds and ETFs may include it in their holdings.

**Personal Trading.** Advisors may have personal accounts in the IMS Direct Program, but their accounts will be treated the same as any other Client Account. Advisors will not be able to direct any trading in their personal account or in Client Accounts.

**Privacy Policy.** AAS will not sell Client information to other companies for marketing purposes. AAS employs reasonable security standards and safeguards to protect our Client's personal information and prevent fraud. For more information, please read our Privacy Statement at [avantaxwealthmanagement.com/disclosure-catalog](http://avantaxwealthmanagement.com/disclosure-catalog).

**Rebalancing Account.** Geode will rebalance an Account in accordance with instructions from AAS to change the selection of a Model for a particular Account or Account Profile at any time (whether or not as a result of changes made by Client to the Profile selected for such Account). Geode will generally make such changes as soon as reasonably possible, even if such changes may trigger additional trading or, in the case of



taxable accounts, tax consequences. AAS will not change the selected Model without updated information provided by Client that triggers the need for an update to Client's profile.

In addition, Geode will review and rebalance individual Accounts on a periodic basis, as deemed necessary in Geode's sole discretion, based on a variety of factors. For example, market conditions or an upturn or downturn in a particular investment may cause a "drift" away from the appropriate long-term risk level associated with the Model selected for an Account. Geode may choose to rebalance an Account to bring it back in line with an appropriate risk level and asset allocation for such Model. Other factors may include, but are not limited to, seeking to: (i) Take advantage of or limit the effect of taxes; (ii) Re-balance or deploy assets in the event of meaningful withdrawals or deposits of assets; and (iii) Take advantage of perceived changes in dividend rates. Account rebalancing of this sort may take place at any time, in Geode's sole discretion, as long as the balance in the Account is appropriate to do so. As described in Item 8 above, Geode utilizes algorithms, together with human interaction, within its investment management process in making rebalancing decisions.

In general, Geode anticipates that Account rebalancing will occur periodically throughout the year, but the frequency of rebalancing for some Accounts varies significantly based on market conditions, deposits and withdrawals, dividend rates and a variety of other factors. In general, the investments selected through the asset allocation will seek to replicate the exposure of the stated Model and generally will not seek to increase potential returns by overweighting or underweighting any asset class. In determining whether the Account requires trading on a given day, Geode generally relies on the prior night's closing values of the securities held in the Account, except for ETFs for which Geode may choose to consider the impact of intra-day price changes. In general, Geode does not attempt to conduct intra-day account evaluations, and Geode does not generally attempt to time intra-day price fluctuations in its decisions to buy or sell securities. Geode does not anticipate that each Account will be traded each day.

#### **Restricted Equity Awards to Certain Advisors.**

Avantax Wealth Management's parent company Blucora awards \$5 million in equity grants of its publicly traded stock (Nasdaq: BCOR) to AWM firms with the top gross dealer concession (GDC) during the performance period of January 1, 2021 – December 31, 2021. This equity compensation is a conflict of interest as it provides your Advisor an incentive to recommend products and services which will increase his/her GDC revenue on a firm basis. However, Avantax monitors securities transactions made by our Advisors for the best interest of the client, and the equity awards are based on total GDC across all commission and advisory product lines. No one particular financial product or service is incentivized over another.

#### **Risk Tolerance and Model Definitions**

- *Moderate with Income* – Investors are willing to accept some risk to their initial principal and tolerate some volatility to seek dividends and understand that they could lose a portion of the money invested.
- *Moderate* – Investors are willing to accept some risk to their initial principal and tolerate some volatility to seek higher returns and understand that they could lose a portion of the money invested.
- *Growth with Income* – Investors seek growth potential with a need for some current income. Portfolio will likely be slightly less volatile than those with a Growth Risk Tolerance.
- *Growth* – Investors seek good growth potential without a need for current income. Portfolio will have some volatility but not as much as those invested in all stocks.
- *Aggressive Growth* – Investors are willing to accept maximum risk to their initial principal to aggressively seek maximum returns, and understand they could lose most, or all, of the money invested.

**Tax and Legal Advice.** AAS does not provide tax or legal advice.

**Tax Information.** NFS is required to report certain taxable gain/loss and holding-period information on "covered securities" to the IRS on Form 1099-B (which will be sent electronically as part of the client's year-end consolidated tax-reporting statement). In addition, the Program provides estimated tax basis, corresponding realized and unrealized gain and loss, and holding-period information as a courtesy. Regardless of whether the information is reported to the IRS or only as a courtesy, information reported by NFS may not reflect all adjustments required for tax-reporting purposes. For example, transactions occurring in other accounts may require clients to make adjustments not captured by a client's 1099-B or the Program.

**Trade Allocation Policies.** Geode can, when feasible and when consistent with the fair and equitable treatment of all client accounts and best execution, enter into block orders for execution in accordance with established procedures. Geode will aggregate trades when, in its judgment, aggregation is in the best interest of all clients involved, taking into consideration the advantageous selling or purchase price, any applicable transaction costs and other expenses, and trading requirements. When orders are aggregated, it is to facilitate seeking best execution, to negotiate more favorable commission rates and other expenses, or to allocate equitably among clients the effects of any market fluctuations that might have otherwise occurred had these orders been placed independently. The transactions are allocated by Geode in a manner believed by it to be appropriate and equitable in accordance with its allocation policy. Once complete, the average price obtained is assigned to each of the Accounts involved in the block order.

Geode's allocation policy seeks to assure that each Account is treated fairly and that no Account managed by Geode in the aggregate is consistently disadvantaged over time. In the rare case when supply/demand is insufficient to satisfy all outstanding trade orders for Accounts, generally the amount executed is distributed among participating accounts pro-rata according to order size, whether the transaction is a buy or a sell. Geode's trade allocation policy also identifies circumstances under which it is appropriate to deviate from the general allocation criteria.

Account transactions can be executed by Custodian at approximately the same time as other client accounts managed by AAS or the Sub-Adviser, and if the transactions are large in relation to the trading volume on that particular day, the price may be different than it would be for the execution of a smaller transaction.

**Trading and Execution Services.** AAS does not have any formal or informal soft-dollar arrangements related to the Program and does not receive soft-dollar benefits from any brokers or dealers in connection with the Program.