

**Automated Investor – U.S. Bancorp Investments, Inc.  
Wrap Fee Program Brochure  
(Part 2A Appendix 1 of Form ADV)**

**U.S. Bancorp Investments, Inc.  
60 Livingston Avenue  
St. Paul, Minnesota 55107**

**866-758-8655**

**<https://www.usbank.com/wealth-management.html>**

This Wrap Fee Program Brochure (this “Brochure”) provides information about the qualifications and business practices of U.S. Bancorp Investments, Inc. (referred to as “we”, “us” or, “USBI” throughout the document). If you have any questions about this brochure’s contents, please contact us at the above phone number. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about USBI also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. USBI’s CRD number is 17868.

USBI is a registered investment adviser. However, that registration does not imply a certain level of skill or training.

This Brochure is for informational purposes only. It does not convey an offer of any type and is not intended to be, and should not be construed as, an offer to sell, or the solicitation of an offer to buy, any interest in any entity, investment, or investment vehicle.

**May 19, 2021**

## **Item 2        Material Changes**

This is the firm Form ADV 2A brochure for this new Automated Investor program. As such, there are no material changes to this document.

## Item 3 Table of Contents

|        |  |    |
|--------|--|----|
| Item 1 | Cover Page .....   | 1  |
| Item 2 | 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 | Portfolio Manager Selection and Evaluation .....   | 8  |
|        | Advisory Business .....  | 8  |
|        | Performance-Based Fees and Side-By-Side Management .....   | 9  |
|        | Methods of Analysis, Investment Strategies, and Risk of Loss .....   | 9  |
|        | Voting Client Securities .....   | 17 |
| Item 7 | Client Information Provided to Portfolio Manager .....   | 17 |
| Item 8 | Client Contact with Portfolio Managers .....   | 18 |
| Item 9 | Additional Information .....   | 18 |
|        | Disciplinary Information .....   | 18 |
|        | Other Financial Industry Activities and Affiliations .....   | 19 |
|        | Code of Ethics .....   | 21 |
|        | Participation or Interest in Client Transactions, Margin and Lending, Personal Trading, and Trade Errors ..... | 22 |
|        | Review of Accounts .....   | 22 |
|        | Client Referrals and Other Compensation .....  | 24 |
|        | Financial Information .....  | 25 |

## Item 4 Services, Fees and Compensation

U.S. Bancorp Investments, Inc. (USBI) is owned by U.S. Bancorp and has been incorporated since 1974. We acquired an entity with an investment adviser that was state registered in 1996 and became SEC registered in 2007.

We are an investment adviser as well as a broker-dealer registered with the SEC. We are a member of the Financial Industry Regulatory Authority, known as FINRA, and also a member of the Securities Investor Protection Corporation, known as SIPC.

We serve as the investment adviser for USBI Automated Investor (the “Service”), which provides discretionary ongoing management of your personal Automated Investor advisory account (the “Account”) for an all-inclusive “wrap” fee. This Brochure provides important information and disclosure about the Service. You should carefully read it before opening an Account and beginning to invest through the Service, to ensure that the Service is suitable and appropriate for your investment needs. We also provide investment management services through the USBI Personal Portfolios Wrap Program. A brochure describing that Program is available upon request.

We provide a Client Relationship Summary (“Form CRS”, or Part 3 of Form ADV) to retail investors to assist with the process of deciding whether to engage us or our financial professionals, and whether to establish an investment advisory or brokerage relationship. It allows you to gain a better understanding of the nature of the relationship and services you can expect from us in each type of relationship and to compare us to other broker-dealers and investment advisers. Our Form CRS is available upon request and contains a summary of the types of client relationships and services we offer; our fees, costs, conflicts of interest, and standard of conduct; any reportable legal or disciplinary history for us; and how to obtain additional information about us and our financial professionals. This brochure should be read together with our Form CRS and other agreements and disclosures that we provide to you from time to time.

### **The Service**

The Service is an online, algorithmic automated investment advisory service that is intended to help you achieve your stated goal available through one or more websites or mobile applications (the “Site”). The Service provides personalized investment decisions and portfolio management based on information you supply when you open an Account and as you update it over time. The Service uses a proprietary, automated computer algorithm (“Algorithm”) developed by a third-party technology service provider. This Algorithm uses capital markets assumptions, risk categories, asset allocation targets for those categories, and eligible securities for each asset class (collectively, “Investment Inputs”) that we receive from the Asset Management Group (“AMG”) of our bank affiliate, U.S. Bank, National Association (“U.S. Bank”).

The Service is offered on a “wrap” fee basis, whereby a single advisory fee is charged that includes investment advisory services, custodial services, sponsorship, and brokerage execution, including commissions on trades we execute.

USBI is the investment adviser and the Service’s primary sponsor, with advisory discretion for selecting the Service’s algorithmic provider, determining the suitability of your Account, and various other duties and responsibilities including providing the Investment Inputs, client communications, proxy voting, recordkeeping, and brokerage and custody. As the Service’s investment adviser, we direct the investment of clients’ Accounts subject to reasonable investment restrictions we accept. We have full investment discretion to adjust asset allocations and replace or reduce investments. Our investment decisions are based on the Algorithm, which relies on Investment Inputs. Investment Inputs may be modified as needed to keep them consistent with the Service’s investment philosophy, which is described below, but we will not customize them for individual clients. The financial projections are derived through AMG’s proprietary probability simulation. We retain discretion to add a sub-adviser at any time. The Service does not permit you to choose a sub-adviser for your Account or to designate a USBI financial advisor to assume that discretionary role.

Through the Service, USBI will manage your Account held at USBI, by directing trades to our broker-dealer division for execution. USBI also serves as custodian of your assets, which are held in a USBI brokerage account. We select and oversee the Service’s service providers, select investments, allocate assets among

different asset classes, and vote proxies for the securities in your Account. If you have selected multiple goals to be managed through the Service, USBI will manage each goal within a separate Account based on your investment profile for that goal, including your risk tolerance, time horizon and investment objective. The Service does not provide holistic investment advice as it seeks to achieve a particular goal for the assets in your Account. Depending on your financial circumstances and your investment objectives, another USBI account type may be more appropriate for you and you should discuss your needs with a USBI financial advisor before enrolling in the Service. The Service designs goals and model portfolios to accommodate both short-term and long-term time horizons. Account investments are limited to broad market index and other exchange-traded funds (“ETFs”) that provide access to equities, emerging markets, fixed income, real estate, and other asset classes. You may impose restrictions on the sale of certain securities held in your Account, but you may not specify securities that should be purchased. On a periodic basis, we will review your Account for any mutual fund shares and convert existing shares to advisory share class shares, when available, without notice to you. We will use a different mutual fund share class if no equivalent advisory share class is available to us.

Among other things, in the investment advisory agreement (“IAA”) and related agreements you acknowledge your ability and willingness to conduct your advisory and brokerage relationship with us on an electronic basis, receiving all Account statements, information, agreements, and documents, including this Brochure, our Form CRS, and any amendments, updates or changes to them, through the Site and/or electronic communications, and signing all agreements related to the Service, including the IAA, electronically. This is a requirement for using the Service both now and in the future, regardless of any other agreement with us or our affiliates to the contrary.

We act as your Account’s broker-dealer and custodian, buying and selling securities and rebalancing your investment portfolio, as dictated by the Algorithm. When you open an Account you will enroll in the U.S. Bancorp Investments, Inc. Sweep Program (“Sweep Program”), which automatically sweeps uninvested cash balances in your Account into one or more money market mutual funds (“Money Market Funds”) managed by firms unaffiliated with USBI. The terms and conditions of the Sweep Program, which is a required part of the Service, are provided in the account opening documents.

At all times, you can request liquidation of securities and withdraw cash from your Account, except as otherwise permitted for payment of fees and expenses (as described below). You cannot make trades directly in your Account. You may transfer additional eligible assets into your Account, cancel existing Accounts from or enroll additional Accounts into the Service, or terminate your IAA. We may terminate your Advisory Account under a variety of circumstances described in the IAA.

We also send all Service clients periodic e-mails containing financial and retirement best practices, market commentary, alerts, evaluations, and other relevant content. Some of these communications can be customized, modified, or de-activated, while others cannot, and if you refuse to accept required communications, or are otherwise unable to or become unable to receive them, we will terminate your IAA and your Account. You must therefore maintain an accurate and up-to-date e-mail address with USBI.

Before opening an Account and beginning to invest through the Service, you must carefully read the IAA and understand the consequences of entering a discretionary, automated advisory relationship with us. The IAA contains various terms, conditions, rights, limitations, and obligations, including fee payment obligations, to which you are subject when you have an active Account and are investing through the Service. We may change the IAA from time to time according to its terms. Other important disclosures concerning the Service are provided on the Site and we encourage you to review them.

## **Fees and Expenses**

### *General Information about Advisory Fees*

You will pay a quarterly advisory fee (“Advisory Fee”) at an annualized rate equal to 0.24% (the “Advisory Fee Rate”) of your Account assets, including cash and securities locked by you but excluding ineligible securities. We may discount the Advisory Fee Rate for certain clients, as described below. The Advisory Fee is called a “wrap” fee in that it represents payment for the following advisory and related services that we and our service providers deliver to you as part of the Service:

- Account suitability determination;
- Selection and oversight of the Service's broker-dealer;
- Selection and oversight of third-party technology service providers;
- AMG's Investment Inputs and related services;
- Securities trading through USBI, acting as a broker-dealer;
- Custody of your Account;
- Account statements and performance reports;
- Voting proxies and responding to legal notices (other than responding to class actions, which remains your responsibility);
- Market statistics, financial, and other performance data;
- Retirement best practices, market commentary, alerts, evaluations, and other Service content;
- Tax reporting; and
- Other Service technology.

We offer the Service on a "wrap" or single asset-based fee basis because we believe it best allows us to achieve our mission of simplifying clients' automated investing for financial goals.

#### *Fee Sharing Arrangements*

We pay a third-party technology service provider an annual fee of up to .0325% of your Account assets (including cash, dividends, and accrued interest). We share a portion of the Advisory Fee with other parties that provide services to your Account. In particular, we rely on guidance from AMG for the Investment Inputs to the Algorithm. We pay AMG a flat annual fee for those services, or such other amount as we may agree on from time to time.

#### *Changes*

We may revise the timing and applicable period for the payment of the Advisory Fee when you open your Account or when you cancel or enroll a brokerage account. From time to time, we may offer promotions where clients can receive some *de minimis* reward or reduced Advisory Fee for a period of time or indefinitely, including a zero Advisory Fee Rate. However, we are not obligated to offer a reward or waiver to all clients or to continue offering a promotion for any other period. We reserve the right, in our sole discretion, and to the extent required by applicable law, to waive or offset Advisory Fees for clients, including clients who are employees of USBI and USBI affiliates, and clients whose Account assets are subject to Section 4975 of the Internal Revenue Code of 1986 (the "IRC").

#### *Advisory Fee Considerations*

You should carefully evaluate these important considerations regarding the Advisory Fee before opening your Account and beginning to invest through the Service:

- The Advisory Fee may be more or less than the cost of the services included in the Service if they were provided separately or from another source. This can depend on several things such as the amount of the Advisory Fee, the amount of activity in your Account, and the value of advisory, brokerage, custodial, and other services that are provided under the arrangement. Other factors to consider include development and ongoing management of an asset allocation or investment strategy, gathering and monitoring of information to make investment decisions, implementing those decisions, transaction costs, fees and taxes, commissions or markups/markdowns on transactions, custodial costs, performance information, and tax statements.
- The Advisory Fee may be higher or lower than the ongoing or up-front fees or charges you pay on your existing investment advisory or brokerage accounts. In particular, it may be higher than those fees you paid or currently pay for other USBI brokerage products and services, although it may be

lower than the fees you paid or currently pay for other USBI investment advisory services. While we only offer the Service on a “wrap” fee basis, based on individual circumstances, it may be in your best interest to use an unmanaged USBI brokerage account, in which you pay commissions per trade.

- We calculate the Advisory Fee based on the entire balance of your Account, including any cash allocation. As a result, the Advisory Fee may, at times, exceed the return on the cash portion of your Account, namely the income earned by Money Market Funds, resulting in a net loss, or “cash drag” to you. While the cash portion of your Account will generally not be significant, the cash drag could be meaningful in a very low or even negative interest rate environment. In addition, inflation can erode the purchasing power of uninvested cash.
- The Advisory Fee does not include: exchange fees; regulatory transaction fees for ETFs and other securities; transfer taxes; liquidation fees for non-cash assets you contribute to your Account; electronic fund and wire transfer fees; fees for the redemption of mutual fund shares; and other fees required by applicable law, regulations, or rules. Third parties may receive a portion of these fees. You are discouraged from transferring mutual fund shares into your Account on which you have paid a sales load within the past 24 months. As a shareholder of mutual funds and ETFs, you will pay your share of these funds’ fees and expenses. These fees and expenses are described in each fund’s prospectus or disclosure statement. You pay these fees as a shareholder in addition to paying the Advisory Fee. Our affiliates earn some of these fees and expenses. Fees and expenses reduce a fund’s performance and the performance of your Account. Fund fees and expenses may change from time to time.
- We act as a broker-dealer in addition to an investment adviser in connection with the Service. If you fund an Account with securities that were recommended by a financial advisor and you purchased within the last 6 months at USBI on which you paid a commission or markup, we will credit your Account with the amount of brokerage commission or markup previously paid. If you fund a brokerage account with cash proceeds from securities you sold through us, you will already have paid us commissions you will not receive a credit for these commissions.
- At times we will exclude certain securities from billing.
- In our broker-dealer capacity, we receive shareholder servicing fees from certain mutual fund companies based on USBI client assets held in their mutual funds. These fees cover costs for delivering client statements, confirmations, tax forms, prospectuses, proxies and other shareholder related back office processes such as recordkeeping, escheatment, and call-center support. The shareholder servicing fees vary by mutual fund company and by fund and are based on the assets held in USBI client accounts, and therefore brokerage clients are indirectly paying the shareholder servicing fee to USBI.

#### *Calculation and Billing*

The Advisory Fee for your Account will be billed and collected on a quarterly basis, in advance, and prorated for the first and last quarter that the Account is open.

When an Account is opened, the initial Advisory Fee is billed using the value of your Account at the end of the day it was opened at the inception of the Account and prorated for the remainder of the calendar quarter. Ongoing quarterly fees for new and existing Accounts are determined by the market value of your Account assets on the last business day of the previous quarter. Deposits to or withdrawals from the Account of cash or securities with a value equal to or greater than \$10,000 will be billed at the Advisory Fee Rate on a pro-rata basis. We will net deposits and withdrawals made on the same day to determine any additional Advisory Fee or refund. The additional fee or refund will be equal to the Advisory Fee Rate times the amount of the increase or decrease, prorated based upon the days remaining in the calendar quarter. If the Account is terminated prior to the last day of the quarter, a prorated portion of the Advisory Fee you paid will be refunded based upon the days remaining in the quarter.

We automatically deduct any Advisory Fee due and payable from your Account on each payment date. If your Account has insufficient assets, we have the authority to sell securities in your Account in order to



make cash available for Advisory Fee payment without notification to you. The obligation to pay Advisory Fees may limit your ability to request liquidation of securities to withdraw cash from your Account. This is the only method of billing we use, and you may not select another method.

We or our designee value Advisory Account assets for Advisory Fee calculation purposes, following procedures described in the IAA.

#### *Effect of Termination on Advisory Fees*

You may terminate your IAA at any time. We will pro-rate any Advisory Fee you have already paid us for the final quarter the Service is provided to you.

Upon termination, you are responsible for monitoring all of the securities in your Account. We will not give you advice about those securities.

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

### **Account Requirements**

#### *Eligible Clients*

The Service is offered to individuals for their related investment and retirement accounts. Service clients must be permanent legal residents of the United States, at least 18 years old, and not on any governmental sanctions list of prohibited individuals. You must be a customer of U.S. Bank or one of its affiliates, with online access, to open an Advisory Account. All Advisory Accounts are opened electronically through the Site.

#### *Minimum Account Size*

You must open an Account with at least \$1,000 of eligible assets (including cash) ("Service Minimum"). If you transfer ineligible assets to your Account, we will sell them or transfer them to an account where they are eligible based on your direction. If at any time the amount of assets in your Account is less than Service Minimum, we may terminate your IAA and close your Account.

### **Types of Clients**

We offer the service to individuals only.

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

USBI is the Service's sole investment adviser. A third-party technology service provider develops and provides the Algorithm that generates the Service's investment decisions; and also maintains the proprietary platform on which the Service operates.

In the future, we may use a different third party (or parties), or an affiliate, to perform any or all of the Service functions. Third parties may also terminate their agreement with us under certain circumstances. This could materially affect our ability to continue offering the Service in its current form.

### **Account Performance**

We calculate your Account performance using a time-weighted calculation standard to adjust for significant asset flows into your Account. Other generally accepted methods of calculation may yield different results.

---

## **Advisory Business**

### **Types of Advisory Services Offered**

We offer three types of advisory services: (1) managed account services, (2) automated investment services, and (3) financial planning services. We do not specialize in any one type of advisory service. This Brochure focuses on the Service, an automated investment service. Separate documents that explain our managed account and financial planning services are available upon request.



## **Description of the Service**

The Service is an online, algorithmic automated investment advisory service that is intended to help you achieve your stated goal. The Service provides personalized investment decisions and portfolio management based on information you supply when you open an Account and as you update it over time. The Service is offered on a “wrap” fee basis, whereby a single advisory fee is charged that includes investment advisory services, custodial services, sponsorship, and brokerage execution, including commissions on trades we execute.

USBI is an investment adviser and the Service’s primary sponsor, with advisory discretion for selecting the Service’s algorithmic provider, determining the suitability of your Account, and various other duties and responsibilities including providing the Investment Inputs that serve as Algorithm inputs, client communications, proxy voting, recordkeeping, and brokerage and custody. As the Service’s investment adviser, we direct the investment of clients’ Accounts subject to reasonable investment restrictions we accept. We have full investment discretion to adjust asset allocations and replace or reduce investments. Our investment decisions are based on the Algorithm, which relies on Investment Inputs. Investment Inputs may be modified as needed to keep them consistent with the Service’s investment philosophy, which is described below, but we will not customize them for individual clients. The financial projections are derived through AMG’s proprietary probability simulation. We retain discretion to add a sub-adviser at any time. The Service does not permit you to choose a sub-adviser for your Account or to designate a USBI financial advisor to assume that discretionary role.

Investment advisory services create a fiduciary relationship with you. This means that we must place your interests *above our own*, and carefully manage any perceived or actual conflict of interest that may arise in relation to our advisory services. Please note that although we act as your fiduciary investment adviser in offering the Service to you, this does not affect any other advisory relationship you may have with us. The nature of your existing advisory accounts, your rights and obligations relating to these accounts, and the terms and conditions of any investment advisory agreement in effect do not change in any way. In addition, if you have any other non-fiduciary relationships with us, such as a commission-based USBI brokerage account (*i.e.*, one that is not managed by the Service), opening an Account and beginning to invest through the Service does not convert those other relationships into fiduciary relationships.

---

## **Performance-Based Fees and Side-By-Side Management**

The Service does not charge performance-based fees and we do not manage performance fee-paying accounts side-by-side with non-performance fee-paying accounts.

---

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

### **Methods of Analysis**

#### *Client Information Gathering*

The Service’s goal projections and investment decisions are based on the information you communicate to us during the Account opening process, concerning, principally, your investment objectives, the time horizon to reach your goals, and your risk tolerance level. Based on this information you provide and the Investment Inputs, the Algorithm makes investment decisions for your Account, which primarily include buying, selling, holding, or otherwise gaining exposure to ETFs.

#### *Information Sources*

The main information sources for market statistics, financial, and other performance data on which the Service relies are third-party data vendors. We pay these vendors access fees for their data services.

#### *Reliance on Client Information*

You are responsible for providing true, accurate, and complete information to us and to promptly notify us whenever there are changes to this information that could affect projections or decisions, our ability to

communicate with you, or other personalized aspects of the Service. Such changes include but are not limited to, a life-change event that affects your investment horizon, or a change to your e-mail address. If you do not supply truthful information, the quality and applicability of the goal projections and investment decisions may be compromised, which may prevent the Service from helping you achieve your goals. In addition, the Service does not consider any other accounts and assets you own in its analysis.

### **Investment Philosophy**

The Service's investment philosophy, which informs our Investment Inputs and resulting investment decisions, is based on the following principles and strategies designed to help you achieve your goals:

- ***Asset Allocation:*** The goal of any advisory account portfolio is to achieve an investment objective by using the investment opportunities available across global asset classes (equities, fixed income, real estate) while taking the minimum amount of uncertainty or expected risk necessary to potentially achieve that objective over the course of the investment time horizon. The Service's asset allocation sets the foundation for this work, by identifying "efficient" portfolios designed to generate the optimal potential for returns for a client's specific risk tolerance and time to financial goal.
- ***Diversification:*** To effectively manage risk, specific asset classes that are considered for inclusion in a portfolio mix are (i) domestic equities to generate potential meaningful growth; (ii) international equities as a cost-efficient way to possibly enhance and smooth returns; (iii) fixed income assets as an effective hedge against equity market downturns and, with selected fixed income securities, to help manage inflation risks; and (iv) real estate assets to help moderate inflation risks without sacrificing the potential for returns.
- ***Glide Path:*** For certain goals, Portfolios are modified to adjust for risk over the course of a client's time horizon for their goal, a course of adjustments referred to as the "Glide Path". The primary focus is to help reduce the potential impact of market downturns as the financial goal nears, while still acknowledging the client's specific risk tolerance.
- ***Portfolio Construction:*** Focus is placed on selecting ETFs to implement the investment strategy by using a thorough due diligence process that seeks to identify those funds that are best positioned to help achieve goals with an appropriate risk level. The selection process uses factors such as investment methodology, performance history, liquidity, fee structures, as well as the role an investment can play to deliver a client's target asset allocation strategy.
- ***Tax Efficiency:*** All total portfolio solutions are designed with the goal of improving after-tax returns. The tax impact of buy, hold, and sell decisions are a key consideration, including tax loss harvesting (i.e., benefiting from investment losses to help offset the tax liability created by investment gains or other forms of income).

### **Service Limitations**

While we have designed the Service to be appropriate for many clients, it may not be appropriate for you if you want to restrict the purchase of certain securities for your Account; if you desire more frequent account reviews for trading opportunities; if you have a very short investment horizon, a high tolerance for market risk, or a desire to invest significantly in alternative asset classes; if you have especially complex investment objectives and needs as your current investments consist of illiquid securities, annuities, and/or extremely low basis securities; or in the case of the retirement goal, if you are already in retirement and drawing down your savings. Also, because the Service is an online advisory service, it is not appropriate if you have limited or no access to technology. If the Service is inappropriate for you, or if you prefer a non-automated, non-algorithmic advisory service featuring a one-on-one relationship with a registered USBI financial advisor and greater ability to control and direct the investment of your assets, you should consider the USBI Personal Portfolios Wrap Program and/or our Financial Planning services. More information about each of them is provided in their respective brochures or disclosure documents. On the other hand, if you do not seek a "wrap" fee-based discretionary investment advisory service, you should instead consider an unmanaged USBI brokerage account in which you pay commissions per trade.

If you decide the Service is appropriate for you, you should understand that it is meant to be a component of your overall investment strategy and not your sole investment strategy. The Service's advice is based on a limited number of questions you answer through the Site. A different advisory program that asks other questions, or considers other information or financial circumstances (e.g., your other assets, debt load, personal tax status, or other financial obligations) likely would provide you with different advice. You should carefully consider the Service's limitations, costs and benefits before opening an Account and beginning to invest.

## **Risk of Loss**

### *General Investment Risk*

While the Service seeks investment returns consistent with your risk tolerance, we cannot guarantee the Service's investment decisions will be successful and result in profitable investing. Investing in securities involves risk of loss that you should understand and be prepared to bear. Investment performance can never be predicted or guaranteed, and the value of your Account will fluctuate due to market conditions and other factors. Past performance is no guarantee of future results.

The following risks may not be all-inclusive, but you should carefully consider them before opening an Account and beginning to invest. You should consider these possible risks and the effect it can have on your Account.

### *Risks of the Algorithm*

The Service depends on investment decisions generated entirely by a third-party technology service provider's Algorithm. The Algorithm is automated and will only be customized within its limitations, which include the Investment Inputs that we provide and the information you supply. If the Algorithm were to malfunction or fail, or were to rely on assumptions, including economic and transaction cost assumptions, that are incorrect, that do not apply to your specific financial situation, or that do not change even as market expectations shift, you could sustain investment losses, some or all of which could be significant. Additionally, the Algorithm employs a number of quantitative models that involve assumptions based upon a limited number of variables that are extracted from complex financial markets or instruments that they are intended to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect, which could cause you to sustain significant investment losses.

### *Risks of Monte Carlo Simulation*

The Service uses Monte Carlo simulation to generate goal projection forecasts. Monte Carlo simulation is a statistical modeling technique that charts the probability of discrete financial outcomes at certain times in the future. The outcomes presented using Monte Carlo simulation represent only a few of the many possible outcomes, will vary over time, and are not guarantees of investment returns. Moreover, since past investment performance and general market conditions may not necessarily be repeated in the future, your goal projections may not be fulfilled. Differences in account size, age, risk tolerance, transaction timing, and prevailing market conditions at the time of investment may also lead to different results, and you may lose money.

### *Model Risk*

The Service's models and techniques are based on the information and data available as well as on assumptions, assessments, and estimates, all of which may be subject to error. As a result, those models and techniques may not be effective, account for all relevant factors, or account for any such factors correctly.

### *Risk of Reliance on Data*

The Service is highly reliant on data from third party and other external sources, and discretion will be exercised to determine what data to gather, which impacts the Service's projections and decisions. In addition, due to the automated nature of data gathering and the fact that much of this data comes from third party sources, the Service will not be able to view or process all desired and/or relevant data at all times. The Service may not use certain data or data types in generating or making goal projections and/or investment decisions, and data that is used may not be the most accurate data and may contain errors.

### *Declared Risk Tolerance; Capital Markets Assumptions*

The Service's financial projections and investment decisions are based, in part, on your declared risk tolerance. You must carefully consider the tradeoff between risk and return in deciding upon your desired risk tolerance. A lower risk tolerance could, as a result of your Account containing larger weights in lower-risk asset classes, such as fixed income, reduce the possibility that you will reach your goals. A higher risk tolerance could, as a result of your Account containing larger weights in riskier asset classes, such as equities, expose you to higher volatility than you are comfortable accepting, which could also, depending on your investment horizon, reduce the possibility that you will reach your goals. In addition, the assumed risk, return, volatility, and correlation of the investment decisions corresponding to your declared risk tolerance are based, in part, on the capital markets assumptions we specify. Those assumptions, which are based on historical asset class returns (as reflected by certain indices), proprietary models, subjective assessments of the current market environment, and forecasts of likelihood of future events, may turn out to be incorrect, which may cause you to accept more or less risk than you desired and undermine the Service's ability to help you reach your goals.

### *Risk of Not Meeting Goals*

The Service is intended to help you meet your goals based on the information you supply to us. However, we cannot assure you that your use of the Service will help you reach those goals, or even improve the risk/return profile of your overall investment portfolio, and your use of the Service may in fact result in significant losses.

### *Risk of Liquidation-Driven Losses*

As stated above, the Service is *only* appropriate if you have an investment horizon of *two years* or more before you plan to access any assets in your Account. As a result, the Service generally invests all of your Account assets in securities suitable for the length of your investment horizon unless you designate certain Account equity securities as restricted (in which case those securities are "locked" and cannot be sold). The Service is not appropriate if you have cash needs within two years. However, if you change your plans and need access to your Account assets at any point prior to the end of your stated investment horizon, the prices at which these assets are liquidated may cause you to experience a significant loss, in addition to tax liabilities and penalties, undermining the Service's ability to help you reach your goals.

### *Tax Risks*

Any tax optimized decisions the Service makes and implements are not intended to serve as tax advice, and no representation is made that you will obtain or avoid any particular tax consequences as a result of those decisions. Dividends, capital gains, transfers, and sales of securities may create taxable events unless your Account is tax-exempt (e.g., individual retirement account). We urge you to consult with your personal tax and legal advisors about the tax consequences of investing through the Service based on your particular circumstances. The Service assumes no responsibility to you for the tax consequences of any transaction.

In addition, any tax-loss harvesting (i.e., offsetting capital gains with capital losses in order to reduce or eliminate income tax obligations) the Service uses should not be interpreted as tax advice, and we cannot guarantee that certain tax consequences will be obtained or that the associated investment decisions will result in any particular tax consequences. The tax consequences of tax-loss harvesting, and other tax optimized strategies are complex and may be challenged by the Internal Revenue Service. Moreover, investment decisions associated with such strategies may not perform as expected; expected returns and risk characteristics are no guarantee of actual performance. The Service was not developed to be used by, and it cannot be used by, any client to avoid tax penalties or interest.

### *Account Funding Risk*

If you sell any investment or other asset to fund your Account you may pay taxes, early withdrawal penalties, or other costs or penalties as a result of such sale or liquidation, including the loss of living, death, or other benefits of that investment or asset. In addition, if you fund your Account with securities, when the Service sells those securities you may pay the same taxes or penalties. Any securities you transfer in kind to your Account are subject to sale and proceeds will be invested in the Service's selected model portfolio.

### *Withdrawal Risk*

Cash withdrawals from, or other changes to, your Account may cause us to execute trades in that Account at then-prevailing market prices or prevent us from executing trades intended to rebalance your investment portfolio, resulting in your current asset allocation deviating from the target asset allocation and losses, undermining your long-term investment objectives. Further, the Service will use dividend and other income generated by the securities held in your Account to rebalance that Account, will not necessarily be reinvested in those same securities, and will not be made available for withdrawal.

### *Risk of Advisory Account Restrictions*

By contacting us using the contact information specified on the Site, you may impose certain restrictions on the sale of certain securities currently held in your Account. Accounts with such restrictions may perform differently from accounts without restrictions and that performance may vary. For example, such restrictions may adversely impact Account performance by preventing the Service from implementing an optimal asset allocation in light of your investment objectives, goals, and risk tolerance.

### *Diversification and Asset Allocation Risk*

The Service's asset allocation is constructed using modern portfolio theory. This means that the Service seeks to construct portfolios to optimize expected return based on a given level of market risk. The asset classes selected are intended to reflect the types of fundamental equity and fixed income exposures that are commonly included within diversified investment portfolios. Other asset classes not considered in the portfolios may have characteristics similar or superior to those that are included. The asset classes selected can perform differently from each other at any given time, so your Account's performance will be affected by the allocation among the various asset classes. The Service's asset allocation decisions may result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform the Service's expectations. Depending on market conditions, there may be times where diversified portfolios underperform less diversified portfolios, as diversification and asset allocation strategies do not guarantee low volatility, profit, or protection against investment loss.

Moreover, the value of an entire asset class can decline for a variety of reasons outside of our control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. A high allocation in a particular asset class may negatively affect your overall Account performance to the extent that the asset class underperforms relative to other market assets. Conversely, a low allocation to a particular asset class that outperforms other asset classes in a particular period will cause your Account to underperform relative to the overall market.

### *Correlation Risk*

Certain investments will have returns that individually or in the aggregate are correlated (possibly highly) with various market indices, including various equity, debt, or other markets around the world. On the other hand, there may be periods of time when your Account returns are not correlated with various market indices or the returns of other investment strategies.

### *Economic Risk*

Your Account's investments are likely to be exposed to risks relating to weakness in various global economies and the economic cycle. Numerous factors, such as market volatility, interest rates, commodity prices, equity prices, currency prices, credit spreads, and deflationary and inflationary pressures, may be affected by the economic cycle and long-term economic trends. Predictions about financial market conditions and economic factors are highly uncertain, and the presence, duration, and impact of any market or economic conditions could have a materially adverse effect on Account investments.

### *Financial Market Disruptions*

In recent years, disruptions in the global financial markets, the scope and severity of which are without precedent in recent financial history, have had materially adverse, and in certain cases catastrophic, consequences for the values, liquidity, and stability of certain types of investments, including the types of investments that the Service makes on your behalf. Similar or dissimilar disruptions may occur in the future,



and their duration, severity, and ultimate effect are difficult to forecast. These disruptions could lead to additional regulations or laws, which could have a material adverse effect on your Account and the Service.

#### *Regulatory Change Risk*

It is possible that changes in applicable laws and regulations will affect your Account and the Service. These changes include but are not limited to: changes in investment adviser or securities trading regulation, a change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities, and changes in the tax code that could affect interest income, income characterization, and/or tax reporting obligations. In addition, a number of substantial regulatory changes are pending or in the process of changing in certain markets. The consequences of additional regulation on the liquidity and the efficient and orderly functioning of the markets in which the Service invests cannot be predicted and may materially diminish the profitability of the investments the Service makes on your behalf.

#### *Volatility Risk*

The performance of investment strategies the Service deploys may be volatile (both in absolute terms and relative to realized returns), potentially resulting in increased risks, including the risk of losses. Investments may have volatility, a greater chance of losses or negative returns, lower average returns, correlation with certain macroeconomic risks, asset class concentrations, and/or other significant risks, whether in absolute terms, relative to expected returns, or relative to certain other strategies that the Service uses on behalf of other clients.

#### *Liquidity and Valuation Risk*

High volatility and/or the lack of deep and active liquid markets for a security may prevent us from placing trades for clients at all, or at an advantageous time or price. Some securities (including ETFs) that hold, or trade derivatives and/or other financial instruments may be adversely affected by liquidity issues as they manage their portfolios. While we value the securities held in your Account based on reasonably available exchange-traded security data, we may from time to time receive or use inaccurate data, which could adversely affect security valuations, transaction sizes for purchases or sales, and/or the resulting Advisory Fees you pay.

#### *Credit Risk*

The Service may be exposed to credit risk. Exchange trading venues or trade settlement and clearing intermediaries could experience adverse events that may temporarily or permanently limit trading or adversely affect the value of Account securities. In addition, any issuer of securities may experience a credit event that could impair or erase the value of its securities.

#### *Securities Investment Risks*

All securities and other Account investments carry some level of risk, including the risk that you could lose your entire investment. Prices of securities can be volatile and a variety of risks, including market, currency, economic, political, technological, regulatory, social, and business risks, can adversely affect the value of and return on any Account investments.

The investment risks of certain types of securities, in which ETFs invest, includes the following; additional risk factors are disclosed in the IAA.

- **Market Risk:** Securities are subject to market risk. The market value of securities may go up or down in response to the prospects of individual companies, particular sectors or governments, and/or general macroeconomic conditions throughout the world due to increasingly interconnected global economies and financial markets.
- **ETFs:** In addition to all the risks involved in investing in securities generally, these securities are subject to the risk that they may not effectively achieve the performance of the index, industry, or other market they are intended to track (if they do seek such tracking), in addition to the risk that expenses reduce returns, that management is not successful at its stated program, that there are conflicts of interest, that the investment is illiquid or has low trading volume, and that non-

investment operations become subject to error and mismanagement, resulting in losses. These securities may also have exposure to derivative instruments, which may not perform as expected, along with other investment risks described in their prospectuses, statements of information, and other disclosure documents.

- **Equities:** Equities are subject to changes in value and their values may be more volatile than other asset classes. The value of equity securities varies in response to many factors including those specific to the issuer and the industry in which the issuer operates. Equity markets tend to move in cycles, which may cause stock prices to fall over short or extended periods of time. In addition, stocks of mid-cap companies tend to be more volatile than those of large-cap companies, while small-cap and international stocks tend to have greater volatility than large- and mid-cap U.S. stocks. Historically, U.S. and non-U.S. stock markets have experienced periods of substantial price volatility and may do so again in the future.
- **Fixed Income:** Generally, the value of fixed income securities changes inversely with changes in interest rates. As interest rates rise, the market value of these securities tends to decrease and conversely, as interest rates fall, their market value tends to increase. This risk is typically greater for securities based on longer-term interest rates than for those based on shorter-term interest rates. Further, fixed income securities may experience a decline in income when interest rates decrease, as an issuer may be able to prepay principal prior to the security's maturity, requiring reinvestment in securities with lower yields. They are also subject to credit (or default) risk, whereby the issuer fails to make timely principal or interest payments, or liquidity risk, whereby a security is difficult to purchase or sell or becomes difficult to sell after being purchased. These risks have been especially pronounced in recent times due to disruptions in the global debt markets and are elevated for high-yield fixed income securities (sometimes called junk bonds).
- **Developed Countries Securities:** Developed countries securities are subject to regulatory, political, currency, security, demographic, and economic risk specific to those countries. Developed countries may be impacted by changes to the economic health of key trading partners, regulatory burdens, debt burdens, and commodity prices or availability. Developed countries are generally a significant portion of the global economy and have experienced slower economic growth than other countries or regions.
- **Non-U.S. Securities:** Non-U.S. securities have special risks not typically associated with U.S. securities, which may be more pronounced in connection with developing or emerging markets securities. These risks include adverse fluctuations in foreign currency values, adverse political, social, and economic developments affecting one or more foreign countries, less publicly available information and more volatile or less liquid securities markets, restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection, less transparent accounting practices, and inadequate or irregular foreign regulation.
- **REITs:** REITs and other real estate-related securities may be adversely affected by factors affecting the real estate industry, which include changes in interest rates and social and economic trends. They are also subject to the risk of fluctuations in income from underlying real estate assets, poor performance by managers, prepayments and defaults by borrowers, adverse changes in tax laws, and, for U.S. REITs, their failure to qualify for the special tax and regulatory treatment granted under the federal tax and securities laws.
- **Commodities:** Commodity-linked securities (*i.e.*, commodity-based ETFs and Exchange Traded Notes) may be adversely affected by changes in the underlying commodity value, supply and demand, and governmental regulatory policies, in addition to overall market movements, taxation, terrorism, nationalization or expropriation, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity.
- **Other Risks:** Certain securities may have exposure, whether intentional or unintentional, to various market movements, and other sources of risk, whether known or unknown. Such sources of risk



include changes in current or future levels and/or volatility of interest rates, inflation rates, currency prices, commodity prices, sovereign credit spreads, corporate credit spreads, and equity, fixed income, and other markets, as well as correlations between any of these risks.

### *Hedging Risk*

The Service may not attempt to, or may be unable to, hedge the risks to which it is subject, and any such hedging may not reduce the risks to you. In addition, certain investment strategies may have unhedged exposure, whether intentional or unintentional, to various market movements, style factors, and other sources of risk, whether known or unknown, while other strategies may have such unhedged exposures from time to time.

### *Risk of Trade Delays*

Reasonable efforts will be used to execute trade orders on the day they are received. However, for various reasons including delays in submitting trade requests, market volatility, peak demand or systems upgrades or maintenance, there could be delays in the amount of time it takes to direct trades to the executing broker-dealer, for the broker-dealer to place the trades and for the trades to be executed. Trade requests cannot be guaranteed to be processed the same day. Any such trade delays could reduce, perhaps materially, the profit client gains from the transaction or could cause a material loss. In any such case, USBI shall not be liable for a reduction in gains or a material loss.

### *Risk of Trading Suspensions*

During periods of extraordinary market volatility or illiquidity, we may suspend trading for your Account without the Service notifying you. A suspension could cause you to sustain significant losses, cause your asset allocation to deviate from the Service's target, or prevent you from generating Account liquidity. While we will make the decision to institute a trading suspension based on its consideration of what is in your best interest in light of then-prevailing market conditions, suspensions could nonetheless have unintended consequences that we are unable to anticipate.

### *Market Order Risks*

Trades in the Account will generally be executed using "market orders," which execute immediately at the best available current price. These orders have higher risks than those orders that specify a target price at which a trade should execute and remain open for a longer time period (i.e., "limit orders"), particularly during periods of high volatility and for securities with low liquidity. As a result, the use of "market orders" could cause you to potentially pay a higher price for securities purchased with these orders or receive a lower sale price, while also increasing transaction costs. However, other order types and conditions may be used, as appropriate, to achieve best execution.

### *Risk of Third Party Reliance*

We rely on third parties to provide many aspects of the Service, including the Algorithm and operating platform. We rely on third parties for provision of market statistics, fund details, and other performance-related information. Although we generally consider our third-party vendors and other service providers to be reliable, errors beyond our control could compromise the information and/or services they provide, and in turn, the quality and integrity of the Service's projections and decisions. In addition, certain service providers have the right to terminate their agreements with us for any reason or no reason at all. Others may experience operational disruptions due to unforeseen circumstances. In any or all of these instances, your Account may experience losses.

### *Operational Risk*

Your Account may experience losses as a result of shortcomings or failures in our internal processes, people, or systems, or from external events. Such operational risk can arise from many factors ranging from routine data processing errors to potentially costly incidents related to, for example, major information technology systems failures. Any operational shortcomings or failures that are outside the scope of our disaster recovery and business continuity plan may result in Service disruptions or contribute to Account losses. A copy of our recovery and continuity plan is available through the Site.

## *Technology and Cybersecurity Risk*

The Service depends on various computer and telecommunication technologies, many of which are provided by or are dependent on third parties. The ability of the Service and the Site to successfully operate could be severely compromised by system or component failure, delays in data transmission, telecommunication failure, power loss, a software-related system crash, unauthorized system access or use (such as “hacking”), computer viruses, worms, and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. These events may slow down or prevent trading in your Account. It is not possible to provide comprehensive and foolproof protection against all such events, and third parties may be unable to continue providing their services. As an automated, algorithmic investment advisory service, any event that interrupts the Service’s computer and/or telecommunication systems or operations could compromise the Service for an extended time period and cause your Account to lose money, including by preventing the Service from trading, modifying, liquidating, and/or monitoring your investments.

In addition, there are operational, information security, and related risks associated with the use of electronic, Internet-based technologies to provide the Service. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to digital systems, and misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including denial-of-service attacks on websites. Cybersecurity failures or breaches affecting the Service or its third-party vendors have the ability to cause disruptions to the Service, potentially causing you to experience financial losses, the inability to access the Service, and/or other damages.

---

## **Voting Client Securities**

### **Proxy Voting**

By opening an Account and entering into the IAA, you authorize us to vote proxies for the securities held in your Account. You cannot direct particular votes once you have authorized us to vote proxies. We will vote proxies in accordance with our established policies and procedures, which were created to reasonably ensure that votes cast are in your economic interest. Subject to exceptions as noted below, we vote based on the recommendations of Glass-Lewis & Co. (“Glass-Lewis”), an independent third-party research provider that issues voting recommendations based on their own internal guidelines. Relying on Glass-Lewis recommendations assists us in limiting the possible conflicts of interest between ourselves and our clients. If you own the same securities in your Account and another account, including with an affiliate of ours, our vote could differ from the vote for the same security in your other account.

In certain circumstances, Glass-Lewis does not provide a recommendation for voting, as some proposals require special consideration or the firm to make a decision on a case-by-case basis. In these cases, USBI will abstain from voting.

You may obtain a copy of our Proxy Voting policies and procedures upon request. You can also contact us if you have questions about voting proxies in general or wish to obtain information concerning how securities in your Account were voted.

### **Other Legal Notices**

We can take action on your behalf in any legal proceedings or other corporate actions, including bankruptcies, involving securities held in your Account. We do not act on your behalf in any class actions and therefore you will retain the right to participate in such actions.

## **Item 7 Client Information Provided to Portfolio Manager**

### **Client Information**

When you initially open your Account, you will supply us with information concerning your age, investment time horizon, risk profile, and other information that we require to open your Account. The Service considers your goals and manages your Account based on information you provide about your age, time horizon, and risk profile. You can review and update your information anytime through the Site, and we give you a formal

opportunity to do so on an annual basis, as described below. Some information you supply to the Service, including updates to that information, flow into the Algorithm, which ordinarily runs daily when U.S. markets are open, and affects the resulting goal projections and investment decisions.

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

The Service does not rely on traditional portfolio managers and financial advisors and you cannot consult with persons at USBI responsible for the Service or the Algorithm, respectively. However, you can indicate changes to your situation or information that may result in changes to the investment decisions made for your Account. You can also update your information through the Site, including after you review your Account performance. You may contact us about your Account, including to modify the restrictions imposed on the sale of certain securities held in your Account, by using the contact information specified on the Site. However, there is no designated USBI financial advisor for your Account and support for the Service will generally be provided by phone. You must take action if you want to make changes to your Account information.

## **Item 9 Additional Information**

---

### **Disciplinary Information**

Like all registered investment advisers, USBI is obligated to disclose any disciplinary event that might be material to any client or prospective client when evaluating our services.

The disciplinary event listed below is related to the activities of USBI acting in our capacity as an investment adviser.

#### **Mutual Fund Share Class Selection Practices**

The SEC alleged that USBI did not:

- Seek best execution for client mutual fund transactions by recommending share classes that charged 12b-1 and shareholder servicing fees when a share class with lower fees was available.
- Adequately disclose the conflicts of interest related to (a) receipt of 12b-1 fees and shareholder servicing fees and (b) selection of mutual fund share classes that pay such fees.
- Adopt and implement written policies and procedures designed to prevent violations of the Advisers Act and the rules thereunder related to disclosure of conflicts of interest under mutual fund share class selection and making mutual fund share class recommendations that were in the client's best interest.

This disciplinary action from the SEC is related to our mutual fund share class selection practices and receipt of shareholder servicing and 12b-1 fees from October 2012 through November 2017. During this time, we recommended and purchased mutual fund shares for clients that charged 12b-1 and shareholder servicing fees instead of lower-cost share classes of the same funds that were available. In addition, disclosure of the conflict of interest related to these fees and our selection of these share classes was inadequate.

We began rebating 12b-1 fees on all non-qualified accounts beginning in February 2016 (we were already rebating 12b-1 fees in qualified accounts), and in December 2017 we initiated the process of converting existing mutual fund positions to the lowest-cost share class available on our platform. In March 2018 we enhanced our disclosure language related to our receipt of 12b-1 fees and shareholder servicing fees. All impacted advisory clients were notified of the settlement terms within 30 days of the SEC order.

We agreed to the following sanctions under an SEC Order dated June 1, 2020:

- Cease and desist from committing or causing any violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.
- Censure.
- Pay disgorgement and prejudgment interest of \$15,992,441 to affected advisory clients.
- Pay a civil penalty of \$2.4 million to the SEC.

The disciplinary events listed below are related to the activities of USBI acting in our capacity as a registered broker-dealer.

### **Unit Investment Trusts**

FINRA alleged the following violations of NASD Rules 3010(a) and 3010(b) and FINRA Rule 2010:

- Failed to identify and apply sales charge discounts to certain customers' eligible purchases of Unit Investment Trusts ("UITs").
- Failed to establish, maintain, and enforce a supervisory system and written supervisory procedures reasonably designed to ensure customers received sales charge discounts on all eligible purchases of UITs.
- Failed to effectively inform and train registered representatives and supervisors to ensure that representatives followed these procedures and identified and applied all applicable discounts.

We submitted a letter of Acceptance, Waiver & Consent for the purpose of proposing a settlement of the alleged rule violations previously described. Without admitting or denying the findings, we agreed to a censure and fine of \$150,000, and to pay \$144,456 in restitution to customers. FINRA accepted the terms of the Acceptance, Waiver & Consent on February 19, 2016. We paid restitution to all affected customers and, on February 25, 2016, the fine.

### **Mutual Fund**

FINRA alleged the following violations of NASD Rule 3010 and FINRA Rules 3110 and 2010:

- Failed to identify and apply available sales charge waivers to eligible retirement accounts.
- Failed to adequately notify and train USBI financial advisors regarding the availability of mutual fund sales charge waivers.
- Failed to maintain adequate written policies or procedures to assist USBI financial advisors in determining the applicability of sales charge waivers.
- Failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales.
- Failed to adopt adequate controls to detect instances in which mutual fund sales charge waivers were not applied.

We self-identified and subsequently self-reported to FINRA the failure to identify and apply sales charge waivers to eligible customers. We promptly established a plan of remediation for eligible customers and took action to correct the violative conduct. Additionally, we employed subsequent corrective measures, prior to detection or intervention by a regulator, to revise our procedures to avoid a recurrence of the misconduct.

We submitted a letter of Acceptance, Waiver & Consent for the purpose of proposing a settlement of the alleged rule violations previously described. Without admitting or denying the allegations, we agreed to a censure and to pay \$100,401 in restitution to customers. FINRA accepted the letter of Acceptance, Waiver & Consent on April 20, 2016. We paid restitution to all affected customers.

---

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

We are an affiliate of U.S. Bank, National Association, a national bank providing traditional banking and trust services. Our brokerage personnel are registered with FINRA under our broker-dealer. In addition to providing financial advice to clients, we offer insurance and investment products through our broker-dealer. We may also refer clients who request services to our affiliates. In certain instances, our advisory personnel receive credit towards their revenue when they refer clients to affiliates, which creates a conflict of interest. Some clients will pay fees to our affiliates for their services.

AMG provides model portfolio strategies, glide path mapping, capital market assumptions, and strategy changes which serve as Algorithm Inputs. We compensate AMG for its services, but this expense is not passed through to clients.

### **Brokerage Practices**

As broker-dealer for the Service, we have the authority under the IAA to buy and sell securities. The Algorithm generates orders and we will place purchase and sale orders for your account. We seek to obtain the best price and execution and allocate securities fairly among client Accounts.

You cannot designate a different broker-dealer or agent to carry your Account or to buy and sell securities for your Account. We can negotiate with and select our trading counterparties and execute all your securities transactions in the manner we consider appropriate. As a result, you may receive a less favorable price for your transactions than you could obtain using another broker-dealer or if you were able to control the execution of those transactions. Notwithstanding the foregoing, we do not charge you brokerage commissions, markups, or dealer spreads on any trades for your Account.

### ***Order Execution***

A third-party technology service provider will generate orders based on the Algorithm and we will place purchase and sale orders for your Account in accordance with our internal trade processes and procedures. Generally, we place trades on the same business day as we receive them and use industry standard methods such as randomization or rotation so that all clients are treated fairly over time. Once we receive orders, they may be delayed in certain circumstances. Orders the third-party technology service provider sends to us on non-business days, thirty minutes or less before markets close (typically 4:00 PM ET), and after markets close may not execute until the next business day. In addition, we may, at any time and without notice, delay or manage the third-party technology service provider's trading orders in response to market instability or as we consider appropriate under the circumstances, including when securities markets are volatile and/or experience high trading volume, insufficient or unstable market depth, and/or widening bid-ask spreads. We may also delay or manage the third-party technology service provider trading orders in response to observed or expected market instability arising from other sources, such as world events and key announcements from governmental bodies, including but not limited to the Federal Reserve. There is no guarantee that trades executed on the same day or on different days receive the same execution price. Your access to Account funds is generally not affected by our order execution processes and procedures, including when we delay intra-day trading during times of market instability.

### ***Cost Basis***

We may choose a method for calculating the cost basis of the securities in your Account that differs from the First-In-First-Out default method specified in your brokerage account agreement for tax efficiency or for other reasons related to your investment objectives. We urge you to consult with legal and tax advisors if you have any questions or concerns about the consequences of using a particular cost basis method.

### ***Custody***

We will act as the custodian of your assets. In our custodial capacity, we will provide monthly account statements through the Site that show all Account activity, including all purchases and sales, all contributions and withdrawals you have made, fees and expenses charged to you, and your Account value at the beginning and end of the month. You should thoroughly review these statements.

### ***Order Aggregation***

At times we will aggregate client transactions in order to achieve a trade minimum or for other reasons. In most instances, however, we execute transactions on a client-by-client basis.

### ***Best Execution***

We seek to obtain the best price and execution and allocate securities fairly among client Accounts. A best execution committee reviews a sampling of trades for Service monthly as part of our best execution review.

### *Order Routing; Remuneration*

At times we will route orders for execution to third-party broker-dealers, who may act as market maker or manage execution of those orders in other market venues. We may also route orders directly to all major exchanges and alternative trading systems, including ECNs (electronic trading networks). We consider a number of factors in evaluating execution quality among markets and firms, including execution price and opportunities for price improvement (*i.e.*, when an order is executed at a price more favorable than the displayed national best bid or offer), market depth and order size, a security's trading characteristics, execution speed and accuracy, the availability of efficient and reliable order handling systems, liquidity and automatic execution guarantees, service levels, and the cost of executing orders at a particular market or firm.

We do not receive payments such as liquidity or order flow rebates from a market or firm to which we route brokerage account orders.

### *Third Party Compensation*

For certain transactions, we may solicit bids from other broker-dealers that may act as principal. That broker-dealer typically accepts the risk that the security's market price and liquidity will fluctuate and adds a markup or markdown (or "spread"), to compensate for this risk. The spread will not be separately shown on your trade confirmation or Account statement. We do not receive this spread. When we use another broker-dealer acting as an agent, that broker-dealer may charge a fee or commission. This fee or commission is not shown separately on your trade confirmation or Account statement. We do not receive this fee or commission. We will not offset your Advisory Fee by third-party broker-dealer markups, markdowns, commissions, or other fees. Instead, they will reduce your Account's overall return.

### *Soft Dollars*

We do not directly participate in any soft dollar arrangements. We will at times benefit indirectly from research our affiliates receive in soft dollar arrangements. For instance, AMG conducts research for the Investment Inputs to the Algorithm. AMG's conclusions can be helped by research it received as part of soft-dollar arrangements.

### *Principal and Agency Cross Transactions*

USBI does not execute transactions in a principal capacity for Accounts. The only exceptions to this are when the client wishes to dispose of a worthless security for tax purposes and/or fractional shares held in the Account. In these cases, USBI will buy the securities for its own account for a nominal amount or at market value if a price is available.

Agency cross transactions are prohibited in Accounts.

---

## **Code of Ethics**

All of our employees are subject to the USBI Investment Adviser Code of Ethics (the "Code"), which is consistent in all material respects with the requirements of Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act"). We understand that our business is built on trust – trust between you and us, our business partners, our vendors and service providers, and one another. The Code covers a wide range of business practices and procedures for carrying out each employee's responsibilities on our behalf and observing the highest standards of ethical conduct, including for personal trading, insider trading, conflicts of interest, and confidentiality of client information. Our employees must conduct themselves according to these standards and must seek to avoid even the appearance of improper behavior. Our employees receive the Code when they are hired and are responsible for reviewing the Code annually and for acting in compliance with it.

In addition to the Code, all of our employees also agree to abide by the U.S. Bank Code of Ethics and Business Conduct (the "U.S. Bank Code"). It represents the guiding values of our organization and helps to instill ethically sound behavior and accountability among all of our employees. Every employee certifies compliance with these standards annually.



We will provide copies of the Code and the U.S. Bank Code upon request.

---

## **Participation or Interest in Client Transactions, Margin and Lending, Personal Trading, and Trade Errors**

### **Participation or Interest in Client Transactions**

#### *Employee Investments*

Employees of USBI may invest in the same ETFs or other securities held in clients' Accounts. These employees may also be Service clients. As a result, USBI employees may benefit from clients' ownership of these securities.

### **Margin and Lending**

The Service does not use leverage in the form of margin borrowing, options trading, short selling, or securities lending activities. Any of your other USBI accounts that are not part of the Service will not be affected by this limitation or the related actions taken by the Service.

### **Personal Trading**

Our Code prohibits use of material non-public information and regulates personal securities trading by employees.

From time to time, employees may purchase securities for their personal accounts that the Service purchases for clients. These employees will not compete with clients in connection with such transactions. Employees' personal trading accounts are monitored so that you are treated fairly.

### **Trade Errors**

It is USBI policy that if there is a trade error (as defined below) that causes your Account to incur a net loss, we will correct the error as needed in order to put your Account in the position had the error not occurred. The goal of this error correction is to make you "whole," regardless of the cost to us. In addition to being responsible for any net loss that resulted from the error, if a trade error results in a net gain to your Account, we will retain that gain in a specially designated error account. A "trade error" is one of the following:

- the purchase or sale of securities other than those directed by USBI or in a quantity other than the quantity specified by USBI;
- the purchase or sale of securities for the wrong Account; or
- a purchase of securities that should have been a sale of securities, or vice versa.

---

## **Review of Accounts**

### **Account Monitoring and Review**

#### *Monitoring*

The Service regularly monitors Accounts, which, in turn, may trigger action by the Service. The Algorithm ordinarily runs on a daily basis when U.S. markets are open, and may trigger action as a result of factors including, but not limited to, overall market movement, a significant change to or replacement of one or more of the securities held in Accounts, changes to a client's goals, additional cash or security contributions, withdrawals, material changes to some of the information clients supply, changes to the Algorithm (including the Investment Inputs), or other factors. Any of these may result in changes to USBI's goal projections and investment decisions, triggering rebalancing or other transactions in an Account.

We periodically review trading data and other automated reports and oversee the trading activity performed by our broker-dealer division on behalf of clients. Our reviews include, without limitation, a verification that actual trading activity is consistent with the Investment Inputs and the resulting investment decisions, an



analysis of risks associated with those investment decisions, and a determination that trading is undertaken in compliance with applicable regulations. In addition, we use independent third parties to conduct financial reviews of some of the Investment Inputs; typically, the Service will review the underlying capital markets assumptions annually. These reviews may cause us to make changes to the Investment Inputs and/or other aspects of the Service.

We monitor the performance of the third-party technology service provider and the Algorithm on an ongoing basis to ensure they meet USBI's overall standards of quality, performance, and reliability. If they fail to do so, or we otherwise determine that its continued provision is not in our clients' best interest, we may replace the third-party technology service provider or directly assume their responsibilities.

#### *Annual Review*

On an annual basis, we will contact you by e-mail to initiate a review of your Account and confirm that your financial situation, investment objectives, or personal information has not changed. Our e-mail will include a link where you can login to your current information and contact information for the Service's support team. If you do not respond to our review initiation within a specified time period, we assume, based on the principle of negative consent, that none of your information that is included in the Algorithm has changed and therefore, the Service will not make any changes to its goal projections or investment decisions. However, if we consider this review to be inadequate, to fail to comply with our requirements under the Advisers Act or other applicable laws, or we otherwise determine now or at any time that the Service is unsuitable for you, we may terminate your IAA.

#### *Client Review*

Outside of the Service's formal annual reviews and performance information, you may review and update your information through the Site anytime you consider appropriate. You can update any restrictions on the sale of certain securities by contacting us. As mentioned above, updated financial information that is included in the Algorithm affects the resulting goal projections and investment decisions. If you decide that the Service no longer fits your investing needs, you can terminate your Account and your advisory relationship with us and assume the responsibility for the management of the assets in your Account. If you do so, USBI will not manage your assets.

Because the Service is automated and electronic in nature, you must initiate any changes you wish to make to your Account. Your Account will not be assigned to a USBI financial advisor who will review it at your request and recommend changes that reflect the changing needs of your financial situation or investment objectives. This means, for example, that if you determine that your Account would be better suited for a USBI brokerage account in which you pay commissions per trade, you must initiate your IAA's termination. Not having a dedicated USBI financial advisor helps us maintain the Service's efficiencies and keep its advisory fees low relative to other non-automated, non-electronic discretionary advisory services. However, you may contact us using the contact information specified on the Site to have a team member assist you with an annual review. As noted above, the USBI Personal Portfolios Wrap Program features a dedicated USBI financial advisor for each client account.

### **Account Reporting**

#### *Performance Information*

You will receive a quarterly email informing you when performance information is available. A quarterly performance report is available electronically in your online documents.

Through the Site, the Service will provide you with information containing, among other things, the aggregate assets of your Account, a measure of performance based on the change in that account's value, and goal projections. In addition, USBI, in its capacity as custodian, will make available to you through your account profile on [www.usbank.com](http://www.usbank.com) trade confirmations for Account transactions and a monthly brokerage statement reflecting the holdings, balances, and activity in your Account during the previous month. You should compare the Service's performance information with the Account statements you receive from USBI as custodian.

The Service's performance information only relates to those assets in your Account, and other assets and accounts are excluded. This means you must consult and assimilate other information sources to obtain aggregate performance and best practices information as it pertains to your aggregate investment assets.

### *Tax Reporting*

Through the Site, the Service will provide you with the information that is necessary for Account tax reporting following the end of each calendar year.

---

## **Client Referrals and Other Compensation**

### **Client Referrals to the Service**

We expect from time to time to run promotional campaigns to attract new clients to the Service, which may, at times, include the use of advertising networks (e.g., Google AdWords/AdSense, Microsoft AdCenter). At certain times, we may offer a credit or a nominal gift to existing clients that refer new clients to the Service. While the amount of the credit or gift is nominal, such credits or gifts may cause a conflict of interest if existing clients make this referral solely to receive the credit or gift.

As noted above in this Brochure, we may offer more favorable Advisory Fee arrangements, including reduced or waived fees for certain clients. These arrangements may create a conflict of interest for a client to maintain a certain level of assets managed by the Service or continue his or her use of the Service altogether, if doing so would maintain eligibility to qualify for a preferential fee arrangement.

Certain USBI employees receive compensation for referring clients who open an Automated Investor account.

### **Compensation Received as a Broker-Dealer**

#### *12b-1 Fees*

As a custodian, we receive 12b-1 fees from certain mutual funds (including a Money Market Fund) in which the Service invests your Account. The 12b-1 fees are additional fees used for promotion, distribution, and/or marketing expenses of the mutual fund's shares. Mutual funds (and ETFs) charge their own management fees and 12b-1 fees. We will credit all Accounts with the amount of any 12b-1 fees we receive. We believe the rebating of 12b-1 fees mitigates the conflict of interest these payments would otherwise present.

The Service will not cause your Account to invest in First American Money Market funds advised by U.S. Bancorp Asset Management, Inc. ("USBAM"), as USBAM is a USBI affiliate.

#### *Networking Rebates*

We receive networking rebates from certain mutual fund companies based on the securities held in Accounts. Mutual fund companies pay us networking rebates to help offset certain of our processing expenses for recordkeeping, tax reporting, disclosure mailings, and other activities. These rebates vary by company but are generally based on the number of accounts in the particular fund. They range from \$1 to \$5 per year/per invested Account. Not all mutual fund companies pay these rebates. These networking rebates present a conflict of interest because they provide an incentive for USBI to recommend mutual funds that pay networking rebates. Our financial advisors do not share in revenue from networking rebates, which mitigates the conflict of interest that they represent.

#### *Shareholder Servicing Fees*

Shareholder service fees support costs for delivering client statements, confirmations, tax forms, prospectuses, proxies and other shareholder related back office processes such as recordkeeping, escheatment, and call-center support (collectively "shareholder services"). These shareholder servicing fees vary by mutual fund company and by fund and are based on the amount of assets held in USBI client accounts.

USBI has a clearing arrangement with Charles Schwab & Co., Inc. ("Schwab") whereby Schwab maintains an omnibus account with certain mutual fund families for USBI on behalf of USBI clients. Under the clearing arrangement, Schwab provides clearing services for nearly all funds. USBI pays Schwab a fee for the clearing service. For brokerage assets, Schwab passes through the shareholder service fees it receives to USBI. For advisory assets, in lieu of passing the shareholder servicing fees Schwab receives to USBI, Schwab reduces the amount of their fee charged for clearing services to USBI on a dollar for dollar basis. Both of these arrangements create a conflict of interest because they provide USBI an incentive to favor funds that provide higher compensation in fees to Schwab, resulting in either a payment to USBI or a greater fee deduction for USBI from Schwab. Our financial advisors do not receive any portion of shareholder service-related compensation USBI receives.

We also have a limited number of agreements direct with mutual fund companies (including First American Funds, an affiliate) to receive shareholder servicing payments. These shareholder servicing payments do not apply to any assets in money market funds used in the Sweep Program. Your Account may or may not hold these mutual funds. Load waived/no-load mutual funds range from 0-40 basis points. As a normal course of business, the Service causes your Account to purchase load waived or no-load funds.

---

## **Financial Information**

We do not require or solicit payment of more than \$1,200 in fees per client six months or more in advance, and therefore are not required to include a balance sheet for our most recent fiscal year in this Brochure. To the best of our knowledge, we are not aware of any adverse financial condition that is reasonably likely to impair our ability to continuously meet our contractual commitments to clients. We are not the subject of any bankruptcy petition, nor have we been subject to one at any time during the past ten years.

---