

## **MMLIS Wealth Management Services SMA Select Program Wrap Fee Brochure**

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

Additional information about MMLIS is also available on the SEC's website at <http://adviserinfo.sec.gov>. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 10409.

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

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

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

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

September 10, 2021 Update: Item 4 was updated to reflect that after September 10, 2021, no new accounts will be included in a household for the purpose of calculating breakpoint eligibility. Item 4 was also updated to include information about a new annual fee of \$10 to be charged beginning December 2021 on accounts that have not registered for electronic delivery.

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### **ITEM 4. SERVICES, FEES AND COMPENSATION**

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

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

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

## **Overview of the SMA Select Program**

The SMA Select Program provides clients with access to various separately managed accounts ("SMAs") managed by independent third-party money managers ("SMA Managers") consisting of equity and/or fixed income securities. MMLIS and Envestnet Asset Management, Inc. ("Envestnet") are co-advisers for the SMA Select Program; however, as of April 23, 2021, MMLIS will be the primary adviser. Although Envestnet will continue to provide the same services, it will do so in the capacity of a sub-adviser.

IA-Reps do not have discretion.

In order to effectuate trades under the Program, the client will establish a brokerage account through the Firm with National Financial Services LLC ("NFS" or "Custodian") for each SMA Manager selected (each, a "Separate Account"), and, if more than one SMA Manager is selected, a separate brokerage account used solely for funding the Separate Accounts ("Funding Account") with the Firm. NFS will act as clearing firm and custodian for clients' assets under the Program. Trading activity for securities in connection with the Program will generally be cleared through the Separate Account(s) and the client's Program assets will be held in the Separate Account(s). The Firm will communicate with clients about the accounts that they need to open in connection with the Program.

### *Customized SMA Managers*

The SMA Select program includes SMAs managed by "Customized SMA" Managers which provide customized portfolio management for each client based on the client's individual needs and investment objectives. If you open an account in the SMA Select program and select an SMA managed by a Customized SMA Manager, certain Customized SMA Managers require that you complete an investment profile questionnaire provided by the Customized SMA Manager. The investment profile questionnaire will generate an investment objective that will be used by the Customized SMA Managers to establish an appropriate investment allocation and manage your Account. Please refer to the Customized SMA Manager's applicable Form ADV brochure for more information regarding the investment model selected for your Account.

The Program may be appropriate for those clients seeking ongoing investment advice from an IA-Rep or the Firm (as applicable). This Program is not appropriate for clients who prefer to manage their investment portfolio on their own, without the assistance of a financial professional, or who are not looking for ongoing or comprehensive investment advice. Clients should understand that where MMLIS expressly agrees to act as an adviser, as it does under the Program, the IA-Rep's primary role is to provide advice. Where MMLIS acts solely as a broker, its primary role is to execute trades based on client instruction. MMLIS's obligations are different when it acts as adviser and when it acts as broker. Clients should refer to the Firm's Form CRS for additional information regarding the differences between advisory and brokerage relationships and discuss further with their IA-Rep, as appropriate.

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

In limited circumstances, the Firm will treat certain assets in client's Account as "Unsupervised Assets." Unsupervised Assets are excluded from the Account's asset allocation, performance reports, and the calculation of Client's advisory fees. In addition, the Unsupervised Assets will not be included in determining client's Account balance (for purposes of assessing whether client's Account meets the Program minimum requirements). Unsupervised Assets can be assets that are ineligible for the selected Program that the Firm is permitting a client to hold in Client's Account. Once a security has been designated as an Unsupervised Asset, all of client's holdings in that particular security or cash investment style position will be designated as an Unsupervised Asset. Assets that qualify for Fee Forgiveness (as defined below) may not be designated as Unsupervised Assets. Because

Unsupervised Assets are not included in the calculation of advisory fees, the Firm and IA-Reps have an incentive to recommend to clients that they (and for IA-Reps to use their discretion to) sell Unsupervised Assets and invest the assets in securities that are included in the calculation of advisory fees.

### **Account Opening Process**

If a client wishes to participate in the Program, the first thing the IA-Rep will do is assist the client in determining whether the Program is appropriate for the client. The IA-Rep will also provide the client account opening documents, disclosures and other documents necessary for the client to make an informed decision about participation in the Program. If the client determines that the Program is appropriate given the client's needs, the IA-Rep will collect information from the client about the client's present investment objectives, risk tolerance and time horizon and input such information into the Investment Questionnaire ("Questionnaire") which will determine a risk profile scoring (an "Investment Objective") for client's account ("Account"), and generate an investment proposal ("Proposal") and SIS. The Proposal and SIS contain (i) a recommended asset allocation model ("Suggested Allocation") that corresponds to the Investment Objective for the Account, (ii) recommended SMA(s), and (iii) a recommendation for how client's assets should be allocated among the recommended SMA(s) within the Suggested Allocation. The IA-Rep will then review the information in the SIS and Proposal with the client. The client is ultimately responsible for determining whether to participate in the Program, accept or reject the Suggested Allocation and recommended SMAs, and accept and sign, or reject, the Proposal and SIS.

The more aggressive SMAs generally have greater small/mid cap equity and foreign exposure and the more conservative SMAs generally have more bond, large cap equity and alternatives exposure. The SMAs emphasizing balance contain significant portions of both equity and fixed income exposure and generally provide a combination of both capital appreciation and income.

By signing the SIS, the client is also agreeing to the MMLIS Wealth Management Services Terms and Conditions ("Program Agreement"), a separate agreement that governs the relationship among the client, MMLIS and Envestnet and sets forth the parties' responsibilities and obligations with respect to the client's Account. As of April 23, 2021, Envestnet will no longer be a party to any Program Agreements.

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

In addition to this Brochure, you will receive from your IA-Rep Envestnet's Form ADV Disclosure Brochure ("Envestnet Brochure"). In addition, you should review the Form ADV Disclosure Brochure for any selected SMA Managers (each, a "Manager Brochure") available on the SEC's website or from your IA-Rep. You should carefully review this Brochure, the Envestnet Brochure, and each SMA Manager Brochure, since they outline important information about the Firm's, Envestnet's and the SMA Manager's roles and responsibilities under the Program. You should also review the informational guide that you will receive from your IA-Rep entitled "Additional information about MML Investors Services Wealth Management Offerings" ("Informational Guide"). The Informational Guide contains important information and disclosures about the Firm.

### **Advisory Services Under SMA Select**

MMLIS selects the SMAs for inclusion in SMA Select from the SMAs made available by Envestnet. In general, MMLIS selects the SMAs from the universe of SMAs that meet Envestnet's screening criteria. MMLIS may also select SMAs that meet certain criteria deemed appropriate by the MMLIS due diligence department, including offerings by Customized SMA Strategists which are customized for each client based on individual needs and investment objectives. The SMA Select Program also has an accommodation option, pursuant to which a client may be allowed to select an SMA that has not satisfied this screening criteria. Not all of the accommodation SMAs will be available to all Clients. Under this Program and pursuant to the Program Agreement, clients provide Envestnet and MMLIS discretionary authority to select and remove SMAs on their behalf as described therein. Please refer to Item 6 for additional information regarding Envestnet and MMLIS' due diligence process and selection of eligible SMAs for inclusion in this Program.

SMA Managers are responsible for managing client assets in the Program. Each SMA Manager will manage the assets allocated to it in accordance with the SMA set out in the Proposal and SIS. SMA Managers will also observe

any reasonable investment restrictions requested by the client, provided such restrictions are deemed reasonable by Envestnet and the SMA Manager. See Item 7 below for additional information about investment restrictions.

Clients generally do not receive reports directly from, or communicate with, SMA Managers, but clients may make inquiries of them directly through the Firm who will forward such inquiries to the SMA Manager through Envestnet. Please refer to the Envestnet Brochure and each applicable SMA Manager Brochure for additional information on Envestnet and each SMA Manager.

Depending on the client's Investment Objective and the SMA(s) selected, eligible securities that can be purchased in client's Account may include, but are not limited to, equity securities, fixed income securities, cash or cash equivalent, short-term investment vehicles, money market funds, mutual funds, exchange-traded funds, and other financial instruments, as described in each applicable SMA Manager Brochure. Subject to client's SIS and any investment restrictions imposed by the client, each SMA Manager will have complete and unlimited discretionary trading authorization with respect to client's assets in the applicable Separate Account. Generally, all trades will be executed through the Firm and cleared with the Custodian by Envestnet or SMA Managers.

MMLIS has an ongoing responsibility to advise clients regarding the appropriateness of each SMA and SMA Manager selected by the client in light of client's objectives, assets, risk tolerance and investment experience as disclosed by the client to MMLIS. Except for the selection of the sweep investment options described below in its capacity as broker-dealer, the Firm (including the IA-Reps) will not make any individual security recommendations on behalf of clients.

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

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

#### **Portfolio Construction and Monitoring**

Client's Account will be assigned one of five investment objective classifications ("Investment Objective") based on client's risk tolerance, time horizon and investment objectives. As of April 23, 2021, each Investment Objective category will have a different maximum equity allocation limit and no minimum equity allocation requirement. Each Account's assigned Investment Objective will determine the maximum equity allocation for the Account. The equity exposure of a client's Account can decrease significantly and still be consistent with the Investment Objective assigned to that Account. Envestnet will monitor and designate a risk score for each SMA based on instruction from MMLIS, which will determine which SMAs are assigned to each Investment Objective.

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

Please refer to Item 6 for additional information on how SMAs and SMA Managers are selected for inclusion in the Program.

In addition, Envestnet serves as an SMA Manager available under the Program. In its role as an SMA Manager, Envestnet may, in its discretion, remove a mutual fund, ETF or other investments underlying an SMA from an SMA that it manages, if such asset fails to meet its screening and monitoring criteria and replace it with another investment, as applicable. As explained further in the Envestnet Brochure, Envestnet does not employ the same diligence procedures in making the determination to act as an SMA Manager under the Program. Further, Envestnet has a financial incentive to include itself as an SMA Manager under the Program, as it will receive additional compensation in the form of advisory fees if it is selected as an SMA Manager. Such fees are included in the client's Client Fee (as defined below). If client selects a Quantitative Tax Managed SMA, Envestnet will provide the tax management services and will receive a portion of the SMA Manager fee. Please refer to Item 6

and the Envestnet Brochure for additional information. Please also refer to Item 9 for additional disclosure regarding the conflicts of interest associated with Envestnet serving as an SMA Manager available within the Program.

Each Separate Account will have a portion of the assets maintained in cash in order to, among other things, pay the client's fees. As described herein, MMLIS provides a "cash sweep" program where uninvested cash balances (such as from securities transactions, dividends, interest payments, or deposits) in a client's Account are deposited into a selected investment option each business day. The Firm, in its capacity as broker-dealer, selects the sweep investment options available to be selected for client's portfolio. Please see "Additional Information" below for additional information about the MMLIS Sweep Program.

### ***Other Services***

#### *Envestnet Services:*

Envestnet is responsible for conducting due diligence and ongoing monitoring of the eligible SMAs for use in the Program, as discussed further in Item 6. In many instances, Envestnet will provide MMLIS with research or performance information relating to a particular SMA. MMLIS does not prepare, review, or verify the performance information provided by Envestnet. For historic information on performance other than for Envestnet's proprietary SMAs, Envestnet receives performance data from third-party SMA Managers and/or other sources, such as reporting service providers, but does not independently verify such performance information.

In addition, Envestnet is responsible for creating and maintaining the system that generates, among other things, the Questionnaire, Proposal and SIS used by the Firm and IA-Reps to advise clients.

For certain of the SMA Managers, Envestnet is responsible for performing administrative and/or trading duties at the direction of the SMA Manager via a licensing agreement between Envestnet and each such SMA Manager. An SMA Manager is considered an "Executing SMA Manager" if it implements its investment decisions directly. Please refer to the Envestnet Brochure for additional information.

#### *NFS Services:*

MMLIS, in its capacity as a registered broker-dealer, also acts as introducing broker for all transactions in Accounts. In order to effectuate trades under the Program, clients must establish a brokerage account through the Firm with NFS, which will act as clearing firm and custodian for clients' assets under the Program. Accordingly, it is expected that trading activity in connection with the Program will be effected through the Firm and cleared by NFS. However, if Envestnet (or an Executing SMA Manager, where applicable) reasonably believes in good faith, and consistent with applicable fiduciary standards, that another broker or dealer will provide better execution considering all factors including but not limited to net price, a broker other than NFS can be used for execution. In such instances, clients will be subject to fees and charges associated with the transaction costs that are in addition to the Client Fee. These additional costs are reflected in the net purchase or sale price shown on the trade confirmation clients receive for the particular trade but are not disclosed separately in the trade confirmation.

NFS will act in its capacity as a clearing firm and perform centralized cashiering, bookkeeping and execution, clearing and settlement functions for all Accounts in the Program. NFS will handle the delivery and receipt of securities purchased or sold in clients' brokerage accounts, receive and distribute dividends and other distributions, and process exchange offers, rights offerings, warrants, tender offers and redemptions. NFS will send client statements of all activity in client's brokerage account on no less than a quarterly basis, and, if requested, written confirmations of trades executed through clients' brokerage accounts. Clients should review such statements carefully.

#### *SMA Managers Services:*

Each third-party SMA Manager actively manages the SMA and instructs Envestnet as to the transactions to be placed in client's Account in accordance with each selected SMA. In the case of Executing SMA Managers, however, the Executing SMA Manager executes all orders underlying a selected SMA.

In the Program Agreement, you authorize each SMA Manager selected for your Account to exercise discretion by either (1) selecting the securities to be held by an SMA and delivering such SMA to Envestnet, which Envestnet will implement, or (2) in the case of an Executing SMA Manager, implementing the investment decisions underlying an SMA directly in your Account.

Please see each SMA Manager's Brochure (including the Envestnet Brochure) for additional information.

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

## **Additional Information**

### *MMLIS Sweep Program*

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

Generally, sweep investment vehicles generate lower yields than cash alternatives available outside of the sweep program. MMLIS has selected a money market fund as the default cash sweep option. Any cash balances invested in a money market fund through the cash sweep vehicle are subject to such money market fund's management, distribution, transfer agent, and other expenses. These fees and expenses are in addition to, and will not reduce, the Client Fee, except as required by law. MMLIS instructs NFS to rebate any 12b-1 fees MMLIS receives in connection with the money market fund directly to each client's Account. MMLIS does not receive any other compensation (other than the Client Fee) in connection with the money market fund sweep vehicle.

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

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

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

### *Mutual Funds*

SMA Managers will occasionally include mutual funds in an SMA. Clients should understand that mutual funds generally offer multiple share classes depending on certain eligibility and purchase requirements. For instance, in addition to the more commonly offered retail share classes (typically, Class A, B and C shares), mutual funds may also offer institutional share classes and other share classes that are specifically designed for accounts that participate in fee-based investment advisory programs. Institutional share classes or classes of shares designed for purchase in an investment advisory program usually have a lower expense ratio than other share classes. Clients



should not assume that they will be invested in the share class with the lowest possible expense ratio or that a particular mutual fund company will allow all share classes to be available to MMLIS for the Program. In addition, only the mutual fund share classes that are available on NFS' platform are available in the Program. MMLIS will request that NFS add certain lower cost mutual fund share classes to its platform, as they are made available by particular mutual funds, if not already available on the platform. While MMLIS generally seeks to obtain the lowest cost share class available, clients may not, at all times, hold the lowest cost share class available. The mutual funds and mutual fund share classes that are included in the SMAs are selected by the SMA Managers, not MMLIS or the IA-Reps.

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

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

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

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

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

The revenue sharing arrangements between NFS and MMLIS create a conflict of interest for MMLIS. Specifically, MMLIS has an incentive to make available, select and recommend the mutual funds and mutual fund share classes for which NFS pays revenue share to MMLIS over the mutual funds and mutual fund share classes for which NFS does not pay revenue share to MMLIS, even if the mutual fund share classes that are part of NFS's NTF program are more expensive for clients. MMLIS has a similar incentive to make available, select and recommend the mutual funds and mutual fund share classes for which NFS pays a higher revenue share payment over other mutual funds and mutual fund share classes even if the investments for which NFS pays a higher revenue share payment are more expensive for clients. This may result in clients purchasing a higher cost share class than other share classes of the same fund for which the client may be eligible. MMLIS will not credit a client's Account for any revenue share payments MMLIS receives in connection with client's Account.

These conflicts are mitigated in several ways. IA-Reps do not receive any of the revenue share payments that NFS pays to MMLIS, and IA-Reps do not receive any more or less compensation based on what mutual funds or mutual fund share classes are held in a client's Account. Furthermore, the mutual funds and mutual fund share classes that are included in the SMAs are selected by the SMA Managers, not MMLIS or the IA-Reps.

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

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

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

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

These conflicts are mitigated in several ways. IA-Reps do not receive any benefit if MMLIS pays lower fees to NFS and IA-Reps do not receive any more or less compensation based on what investments, including mutual funds or mutual fund share classes, are held in client Accounts. In addition, the mutual funds and mutual fund share classes that are included in the SMAs are selected by the SMA Managers, not MMLIS or the IA-Reps. With respect to cash and cash equivalents, each SMA is designed by the SMA Manager to maintain a target cash allocation.

### *Non-Purpose Loan Programs*

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

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

### *Cash Management Features*

MMLIS makes available two cash management features for client Accounts: Protected Cash and Pending Distribution. If you or your IA-Rep designate cash in your Account to one of these features, such amount will be removed from your Account's asset allocation. Any amounts designated to Protected Cash will be charged a



negotiable annual fee ranging from 0.10% to 0.50%. Any amounts designated to Pending Distribution will be charged the standard Client Fee. The Protected Cash feature may be used to remove an amount from your Account's allocation and hold such amount as cash for a certain period of time. The Pending Distribution feature is generally used to set aside cash for expected withdrawals. Any amount in client's Account designated for Protected Cash or Pending Distribution will be included in the cash sweep option available within the Program.

## **Fees and Charges**

### **Overview**

Clients will pay a fee to MMLIS, the "Client Fee," for the services provided under the Program. The services include the brokerage and advisory services provided by the Firm and the IA-Rep, the technology related services provided by Envestnet, the advisory related services provided by Envestnet, the advisory services provided by any SMA Managers, the brokerage services involved in purchasing and selling the securities in a client's Account, and the custodial and clearing services provided by NFS.

The Client Fee will be paid in advance, on a quarterly basis. The Firm and the IA-Rep each receive a portion of the Client Fee.

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

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

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

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

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

### **Client Fee**

The Client Fee consists of two components. The first component is the overall Investment Management Fee, derived from using SMA Manager(s) in the Account. Each SMA Manager charges an investment management fee for the cost of managing an SMA within the account. The fee applicable to each SMA Manager is assessed to the overall percentage of assets managed by the SMA Manager within the account. In addition, a portion of this investment management fee also includes additional compensation retained by Envestnet for providing support to the SMA Manager and/or for the trading of SMAs. The range of the Investment Management Fee is 0.09% to 0.75%.

Please see each applicable SMA Manager Brochure (and the Envestnet Brochure, if Envestnet is selected as an SMA Manager) for additional information about the fees charged by such SMA Manager, including whether any breakpoints apply. Please also see the Envestnet Brochure for more information about the additional fees collected by Envestnet.

The second component of the Client Fee is the Program Fee which is based on an annualized percentage of assets that client invests in the Account, including any portion of the assets maintained in cash or other short-term investments. The Program Fee consists of two sub-components. The first sub-component is the IA-Rep's portion of the Program Fee ("IA-Rep Fee"), and the second sub-component is the Firm's portion of the Program Fee ("Firm

Fee"). The IA-Rep Fee is negotiable at the discretion of each IA-Rep within a range of various breakpoints as shown in the chart below. The Firm Fee is 0.30% of the assets in client's Account declining to 0.18% based on account size as shown in the chart below.

An IA-Rep may have a financial incentive to recommend SMA Managers with lower fees if the IA-Rep believes a lower SMA Manager fee will allow the IA-Rep to negotiate a higher IA-Rep Fee.

Additional information about the Program Fee and breakpoint schedule applicable to Client's Account is included in the Client's SIS.

Please note that as the assets in Client's Account increase, the Firm's portion of the Program Fee decreases and the IA-Rep's portion of the Program Fee may increase. Please also note that the following chart does not take into account the fee associated with assets that have been designated to the Protected Cash feature.

Certain "legacy accounts" may have a different fee schedule. These accounts were previously invested in a different advisory program that was terminated. The account retained the existing fee schedule when it moved to the SMA Select Program.

<u>Amount of Assets in Account</u>	<u>Range of IA-Rep Fee*</u>	<u>Firm Fee</u>	<u>Range of Program Fee*</u>	<u>Maximum Program Fee at Sample Account Sizes (Flat Rate Basis Points)*</u>	<u>Client Fee</u>
First \$250,000	0.00%** – 1.30%	0.30%	0.30% - 1.60%	- At \$250,000 = 1.60%	Program Fee plus Investment Management Fee
Next \$250,000	0.00%** – 1.30%	0.28%	0.28% - 1.58%	- At \$500,000 = 1.59%	
Next \$500,000	0.00%** – 1.30%	0.26%	0.26% - 1.56%	- At \$1 Million = 1.575%	
Next \$1 Million	0.00%** – 1.15%	0.24%	0.24% - 1.39%	- At \$2 Million = 1.483%	
Next \$1 Million	0.00%** – 1.15%	0.22%	0.22% - 1.37%	- At \$3 Million = 1.445%	
Next \$2 Million	0.00%** – 0.80%	0.20%	0.20% - 1.00%	- At \$5 Million = 1.267%	
> \$5 Million	0.00%** – 0.80%	0.18%	0.28% - 0.98%	- At \$10 Million = 1.124%	

\* Certain accounts opened prior to June 9, 2017 may have a higher IA-Rep Fee. As a result, the Client Fee may also be higher than the ranges shown above. In addition, prior to January 1, 2020, the minimum Program Fee was higher because the minimum IA-Rep Fee was 0.30%.

\*\* Prior to January 1, 2020, 0.30% was the minimum IA-Rep Fee.

The Firm Fee and IA-Rep Fee create an incentive for MMLIS and IA-Reps to recommend the Program over third-party advisory programs and other types of accounts or services offered by MMLIS and, because the amount of each of the Firm Fee and IA-Rep Fee increases as the amount of assets in the account increases, to recommend larger investments in the Program. This incentive applies to both the initial recommendation to open an account in the Program and recommendations to make subsequent contributions to such account.

## Householding

Certain accounts opened prior to September 11, 2021 are househanded, or grouped, for purposes of calculating breakpoint eligibility. Householding accounts can allow for breakpoints in the IA-Rep Fee and/or Firm Fee to be reached sooner than if accounts were not grouped together, leading to potentially lower fees. After September 10, 2021, householding is not available for new accounts.

### **Additional Client Fees**

Each client Account is subject to an annual fee of \$10, which is charged at the year's end, unless the Account is registered to receive account statements electronically before the beginning of December. This fee will not apply to Accounts opened between October 1, 2021 and December 31, 2021 until December 2022.

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

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

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

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

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

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

As previously described, IA-Reps are compensated with a portion of the Client Fee. The final net compensation received by the IA-Rep is subject to additional adjustments of fees between the IA-Rep and MMLIS. MMLIS utilizes compensation schedules to calculate the overall compensation paid to IA-Reps for their work associated with the Program and other offerings at MMLIS. The compensation schedule is set annually and is generally based on the amount earned by the IA-Rep during the prior calendar year. This creates an incentive for IA-Reps to recommend more investments this year to earn a higher portion of compensation the following year.

MMLIS also has an incentive program where an IA-Rep will receive an additional percentage of the compensation paid to MMLIS based on total client assets attributable to that IA-Rep or the IA-Rep's team. For these purposes, the total client assets include assets across certain advisory programs offered by MMLIS (including this Program). This creates an incentive for IA-Reps to recommend these advisory programs (including the Program) to clients over other third-party advisory programs and other types of accounts or services offered by MMLIS. This incentive applies to both the initial recommendation to open an Account in the Program and to make subsequent contributions to such Account. MMLIS addresses this conflict by disclosing it to clients. In addition, this incentive program does not take into account how the assets in an advisory program are invested. IA-Reps do not receive any more or less compensation based on what mutual funds or mutual fund share classes clients are invested in, or what percentage of a client's account is invested in cash or cash equivalents.

### **Other Fees and Expenses**

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

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

The Client Fee also does not include the internal management, operating or distribution fees or expenses imposed or incurred by a mutual fund or ETF held in a client's Account. If a client's assets are invested in any mutual funds, ETFs, or pooled investment vehicles, in addition to the Client Fee, client will incur the internal management and operating fees and expenses, which may include 12b-1 fees, mutual fund management fees, early termination fees (which include fees on whole or partial liquidations of client's assets) and other fees and expenses that may

be assessed by the investment vehicle's sponsor, custodian, transfer agent, adviser, shareholder service provider or other service providers. These expenses generally include administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Further information regarding charges and fees assessed are discussed in the appropriate prospectus, annual report and/or custodial agreement applicable to the corresponding investment vehicle ("Fund Disclosure Documents"). Clients should review the Fund Disclosure Documents of the mutual funds and ETFs held in their account.

As indicated above, the Firm also serves as the broker-dealer for client Accounts under the Program. The Firm earns asset-based distribution or servicing fees (12b-1 fees or otherwise) from certain mutual funds (or their related persons) for providing distribution and/or administrative services to the mutual funds. When these mutual funds are held in a client Account, the 12b-1 fees are paid by the client as a shareholder in the underlying funds. This compensation to the Firm from such mutual funds is in addition to the advisory and other fees the Firm receives under the Program. This compensation creates a financial incentive for the Firm to recommend for clients to invest in mutual funds that pay 12b-1 fees. This conflict is mitigated because the SMA Managers (and not MMLIS or the IA-Reps) select the mutual funds or mutual fund share classes for the SMAs. In addition, the Firm instructs NFS to rebate the 12b-1 fees directly to such client Account. Further information regarding these fees and other charges assessed by mutual funds may be found in the applicable mutual fund prospectus.

In order to effectuate trades under the Program, clients need to establish a brokerage account through the Firm with the Custodian, which will act as clearing firm and custodian for clients' assets under the Program. Accordingly, it is expected that Envestnet and each applicable Executing SMA Manager will place transactions for the purchase and/or sale of securities and other investments for client's Accounts through MMLIS and cleared by the Custodian. However, if Envestnet or an Executing SMA Manager, as applicable, reasonably believes in good faith, and consistent with applicable fiduciary standards, that another broker or dealer will provide better execution considering all factors including the net price, a broker other than the Custodian can be used for execution. In such instances, clients will be subject to transaction costs and fees that are in addition to the Client Fee. These additional costs are reflected in the net purchase or sale price shown on the trade confirmation clients receive for the particular trade but are not disclosed separately in the trade confirmation. Please see the Envestnet Brochure for information on how trades are sent or directed to the Custodian or other broker-dealers. Clients should also review MMLIS' Step-Out Trading Disclosure which includes additional information and a list of the SMA Managers that engage in step-out trading (available at <https://fieldnet.massmutual.com/public/mmlisi/pdfs/step-out-trade-disclosure.pdf>).

Trustees may also charge ERISA Accounts additional fees.

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

Upon acceptance of the Account Application, the Program Agreement and the Account being funded at the "Required Account Opening Amount," which is the greater of (i) an amount at or above the Program minimum, unless waived by the Firm, or (ii) an amount at or near the investment amount identified in the Proposal which was agreed upon between the client and the IA-Rep, clients pay an initial Client Fee that is based on the initial market value of the Account. The first payment is prorated to cover the period from the date the Account is opened through the end of the current calendar quarter. Thereafter, the quarterly Client Fee is paid at the beginning of each calendar quarter for such quarter. The quarterly Client Fee is based on the fair market value of the assets in the Account on the last business day of the preceding calendar quarter as calculated in accordance with the Program Agreement and as described above. Assets in the Funding Account are not included in the calculation of the Client Fee.

Please see Item 5 below for information about the Program minimum.

Clients also are subject to a Client Fee for any additional lump sum contribution(s) in a calendar quarter equal to or greater than \$10,000. Such clients will pay for that portion of the ongoing quarterly Client Fee that relates to the number of days remaining in the calendar quarter on the date of an additional contribution equal to or greater than \$10,000. Payment of the Client Fee will be made in the month following any such contribution and will be based on the amount of the contribution.

Clients may withdraw assets from their Account at any time, subject to the usual and customary settlement procedures. All withdrawals are first funded from the amount in the client's cash sweep option and other cash balances. If the amount maintained in the cash sweep option and other cash balances is not enough to meet a withdrawal request, the remaining amount of the withdrawal request will be satisfied by redeeming securities in

the client's Account. Withdrawals may have tax consequences such as capital gains taxes, the sale of securities or other assets in or outside of the cash sweep option and other cash balances may trigger taxable event, to which capital gains (or other) taxes apply. Investnet will rebalance the Account back toward the selected allocation, thus triggering a possible taxable event.

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

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

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

### **Fee Forgiveness**

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

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

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

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

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

### **Termination**

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

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

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

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

The minimum initial contribution to open an Account in the Program, unless the minimum is waived, is \$100,000.

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

Accounts cannot be aggregated, even if they are beneficially owned by the same person or entity, for the purpose of meeting the minimum thresholds. Initial asset value less than the Required Account Opening Amount will not be managed under the Program but will be placed in the cash sweep option in the Funding Account until the asset value reaches the Required Account Opening Amount. Once the Required Account Opening Amount is reached, client assets will then be invested.

Clients should also be aware that assets held in the Funding Account will not be part of the Program until the client has met the Program's participation requirements and each SMA's minimum requirement, and such assets have been transferred to the client's Separate Accounts.

Clients may make additional contributions to their Accounts at any time subject to the above minimums. Clients may fund contributions to the Program with cash or securities. Additional contributions are initially deposited into the Funding Account and, if the contribution is greater than \$1,000, will be allocated to the Separate Accounts within four business days, unless otherwise instructed by the Client.

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

Clients who transfer securities into the Program should be aware that some, and possibly all, transferred securities may be liquidated ("Liquidation Trades") by the Firm through the Custodian. Liquidation Trades are effected to make client's securities holdings portfolio consistent with the relevant investment criteria set by the selected SMA Managers and the allocations consistent with client's Proposal and SIS. The Firm will allocate and forward assets to be invested in the Program on the client's behalf to each SMA Manager selected by the client. However, clients should understand that the Firm does not have discretion over how client's assets are allocated or how much to allocate to each SMA Manager. Clients should be aware that a reasonable amount of time is necessary for the Firm to execute Liquidation Trades and to allocate assets to the SMA Managers in accordance with the asset allocation strategy accepted by clients.

Clients may incur adverse tax consequences as well as additional transaction costs in connection with Liquidation Trades. Clients should consult their tax advisor on these issues prior to transferring any securities into the Program.

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

The Firm, through its IA-Reps, provides clients with the advisory services described in Item 4 of this Brochure. As indicated in Item 4, Envestnet is tasked with several responsibilities under the Program, including selecting, screening and/or maintaining certain SMAs. In fulfilling these responsibilities, Envestnet uses its proprietary due diligence and analytical methodologies to monitor and maintain certain SMAs. For more information on



Envestnet's role under this Program, its methods of analysis, and its investment strategies as they relate to the SMAs, please refer to the Envestnet Brochure as well as Item 4 of this Brochure.

### *Selection of Available SMAs*

MMLIS selects the universe of SMAs available in the Program based either on its own due diligence or a combination of its own due diligence and Envestnet's due diligence. Generally, MMLIS selects SMAs with an "Approved" research status from Envestnet. Having this research status means that the SMA has met Envestnet's proprietary review criteria. For a discussion of Envestnet's due diligence procedures, please refer to the Envestnet Brochure.

When conducting due diligence on SMAs, MMLIS reviews reports produced by Envestnet on the SMA Managers and their SMAs including information relating to: investment philosophy, personnel, and performance. MMLIS also reviews additional information about the SMA Managers including their ADVs and websites, and information on their executives available on BrokerCheck. If an SMA Manager or SMA does not have an approved research status from Envestnet, MMLIS will conduct further due diligence that typically includes direct contact with the SMA Managers. All SMA Managers and SMAs (or the criteria used to select SMA Managers and SMAs) must be approved by the MMLIS IA-Investment Committee.

Envestnet will monitor any SMAs in the Program that have an approved research status from Envestnet. If Envestnet removes an SMA from having an approved research status, MMLIS may direct Envestnet to make no change in connection with such SMA or to: (i) remove such SMA as an investment option and from all Client Accounts and replace with a different SMA selected by MMLIS, and/or (ii) eliminate such SMA as an investment option for any Client who has not already selected such SMA.

MMLIS will be responsible for monitoring any SMAs in the Program that do not have an approved research status from Envestnet. MMLIS may direct Envestnet to remove such SMAs as an investment option and from all Client Accounts at any time at its discretion and replace with a different SMA selected by MMLIS.

Envestnet is among the SMA Managers available in SMA Select whom clients may select to manage their assets. As explained further in the Envestnet Brochure, Envestnet does not employ the same diligence procedures in making the determination to act as SMA Manager under the Program. Further, Envestnet has a financial incentive to include itself as an SMA Manager under the Program, as it will receive additional compensation in the form of advisory fees if it is selected as an SMA Manager. Such fees are included in the client's Client Fee. Please refer to the Envestnet Brochure for additional information.

Client's IA-Rep will assist the client in selecting SMA Managers and SMAs for the client's Account. The IA-Rep may discuss with the client various factors, including but not limited to client preferences, fees charged by the SMA Managers, information on SMA Managers, including their performance, forwarded by Envestnet, and the account minimum requirements of SMA Managers when making a recommendation. The client is ultimately responsible for deciding which SMA Manager(s) to choose. When appropriate, IA-Reps may also assist clients in determining whether existing SMA Manager(s) should be replaced. Client's IA-Rep may discuss some or all of the foregoing factors with the client in order to assist the client in making an appropriate decision.

### *Additional Information*

#### *IA-Rep Prerequisites*

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

#### *Due Diligence on Envestnet*

The Firm conducts due diligence on Envestnet, generally on an annual basis. The due diligence includes a review of Envestnet's organization, personnel, investment philosophy, investment process (asset allocation and investment selection), due diligence process, performance, and back office. The annual due diligence typically includes site visits to some of the Envestnet offices. The Firm does not calculate Envestnet's investment performance, or reviews its performance information in order to determine or verify i) its accuracy or compliance with any presentation standards, or ii) if such information is calculated on a uniform or consistent basis. Furthermore, the Firm does not advertise or publish any information about its own investment performance.

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

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

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

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

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

#### **ITEM 9. ADDITIONAL INFORMATION**

##### **Disciplinary Information**

On June 17, 2011, MMLIS entered into a Letter of Acceptance, Waiver and Consent ("AWC") for the resolution of charges with FINRA. The alleged rule violations relate to the Firm's compliance with FINRA Rules applicable to Firm compensation in connection with Trade Reporting and Compliance Engine ("TRACE") eligible securities during the period October 9, 2008 through June 26, 2009 (the "Review Period"). During the Review Period, in 14 transactions, the Firm purchased or sold TRACE-eligible securities as agent for a customer in transactions for a commission or service charge that was in excess of a fair amount, taking into consideration all relevant circumstances. The Firm also failed to enforce its written supervisory procedures by charging commission in excess of the procedure's limits. The conduct constituted violations of NASD Rule 2440, NASD Rule 3010, NASD Rule 2110 (for conduct prior to December 15, 2008) and FINRA Rule 2010 (for conduct on or after December 15, 2008). Under the Acceptance, Waiver and Consent, the Firm consented to a censure and a fine of \$32,500.

On November 16, 2011, MMLIS entered into an AWC for the resolution of alleged rule violations with FINRA. The alleged rule violations related to the Firm's compliance with FINRA Rules applicable to filing Forms U5 and amendments to Forms U4 and U5. From approximately May 13, 2008 through October 10, 2010, the Firm failed to file in a timely manner at least 98 filings, including 5 Form U5 filings and 93 amendments to Forms U4 and U5. Forms U4 and U5 contain information regarding the firm's registered representatives and the rule requires timely updates to these forms. FINRA also found that the Firm failed to establish and maintain a supervisory system and establish, maintain and enforce supervisory procedures that were reasonably designed to achieve compliance with the reporting requirements set forth in Article V of FINRA's By-Laws. This conduct constituted violations of NASD Conduct Rule 2110 (for conduct prior to December 15, 2008) and 3010 and FINRA Rule 2010 (for conduct after

December 14, 2008). Under the Letter of Acceptance, Waiver and Consent, the Firm consented to a censure, a fine of \$300,000 and undertakings related to a review of the Firm's supervisory systems, written supervisory procedures and quarterly reporting in 2012 to FINRA of any Form U5 filings or amendments to Forms U4 or U5 the were not timely filed during that quarter.

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

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

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

MMLIS entered into an AWC with FINRA for the resolution of a matter effective November 15, 2016. FINRA made findings that the Firm disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge ("Eligible Customers"). FINRA found that these Eligible Customers were instead sold Class A shares with a front-end sales charge or Class B or C shares with back-end sales charges and higher ongoing fees and expenses. The AWC stated that the Firm failed to establish and maintain a supervisory system and written policies and procedures reasonably designed to ensure that Eligible Customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. The AWC also stated that the Firm failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales. FINRA found that the firm relied on its financial advisors to determine the applicability of sales charge waivers, but failed to maintain adequate written policies or procedures to assist financial advisors in making this determination, including failing to establish and maintain written procedures to identify applicable sales charge waivers in fund prospectuses for Eligible Customers. Without admitting or denying the findings, the Firm consented to a censure and agreed to pay restitution to investors totaling \$1,864,167.77, plus interest.

MMLIS (and three other broker-dealers affiliated with MassMutual) entered into an AWC with FINRA for the resolution of a matter effective June 30, 2017. FINRA made findings that the Firm failed to maintain certain

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

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

## **MATERIAL RISKS**

### *Risks*

Investing in securities involves risk of loss that clients should be prepared to bear. Clients may experience loss in the value of their Account under the Program due to market fluctuation. There is no guarantee that a client's investment objectives will be achieved by participating in the Program. Clients should read carefully a copy of each SMA Manager Brochure associated with the selected SMAs prior to investing. These SMA Manager Brochures contain information regarding any fees, expenses, investment objectives, investment techniques, and risks associated with their respective SMAs. The investment returns on a client Account will vary and there is no guarantee of positive results or protection against loss. No warranties or representations are made by the Firm concerning the benefits of participating in the Program. The Firm and its IA-Reps do not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert.

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

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

conjunction with certain investments made in their Account for a complete list of risks associated with that investment.

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

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

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

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

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

Tactical asset allocation is a strategy that actively adjusts a portfolio’s asset allocation based upon short-term trends that could include financial market trends, economic cycles and asset class valuations. Based upon short-term assumptions, the portfolio allocations to certain asset classes are increased, while the portfolio allocations to other asset classes are decreased. There are risks associated with tactical asset allocation. Clients with a tactical asset allocation may not achieve their investment objectives and may lose money. Tactical asset allocation is a market timing strategy, but its risk lies more in asset categories rather than individual securities. At different points in time, the tactical asset allocation and structure of the client’s portfolio vary significantly and is likely to vary from the Investment Objective selected for the Account. There is no guaranty a tactical asset allocation will correctly predict or track market movements or that it will provide comparable returns or decreased volatility relative to traditional strategic asset allocation programs. Clients in tactical asset allocations are relying significantly on the

skills and experience of the manager's ability to correctly judge changes in market behavior and construct a portfolio that predicts market behavior. In addition, even if the portfolio is correctly positioned, there is no guaranty that the client will not experience substantial losses. The tactical asset allocation results in a portfolio may experience frequent trading in order to take advantage of anticipated changes in market conditions. A high level of portfolio turnover may negatively impact performance by generating greater tax liabilities and brokerage and other transaction costs.

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

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

*Convertible and Preferred Securities* — Convertible and preferred securities have many of the same characteristics as stocks, including many of the same risks. In addition, convertible securities may be more sensitive to changes in interest rates than stocks. Convertible securities may also have credit ratings below investment grade, meaning that they carry a higher risk of failure by the issuer to pay principal and/or interest when due.

*Corporate Fixed Income Securities Risk* — Corporate fixed income securities respond to economic developments, especially changes in interest rates, as well as to perceptions of the creditworthiness and business prospects of individual issuers. Fixed income securities involve credit risk if an issuer defaults on making interest payments, inflation risk, and interest rate risk as interest rates can rise faster than the rate on the fixed income security.

*Credit Risk* — The risk that the issuer of a security, or the counterparty to a contract, will default or otherwise become unable to honor a financial obligation.

*Depository Receipts Risk* — Depository receipts, such as ADRs, are certificates evidencing ownership of shares of a foreign issuer that are issued by depository banks and generally trade on an established market. Depository receipts are subject to many of the risks associated with investing directly in foreign securities, including among other things, political, social and economic developments abroad, currency movements, and different legal, regulatory and tax environments.

*Duration Risk* — Longer-term securities in which an Account may invest tend to be more volatile than short-term securities. A Portfolio with a longer average portfolio duration is more sensitive to changes in interest rates, and therefore may experience greater volatility than a portfolio with a shorter average portfolio duration.

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

*Exchange-Traded Funds (ETFs) Risk* — The risks of owning shares of an ETF generally reflect the risks of owning the underlying securities the ETF is designed to track, although lack of liquidity in an ETF could result in its value being more volatile than the underlying securities. ETFs are also subject to risks relating to market trading, including the potential for lack of an active market for ETF shares and significant market disruptions. Although ETF shares are listed on a national securities exchange, it is possible that an active trading market may not develop or be maintained, particularly during times of severe market disruption. If ETF shares need to be sold when trading markets are not properly functioning, they may be sold at a significant discount to their net asset value (NAV), or it may not be possible to sell them in the secondary market. Market and other disruptions also make it difficult for the ETF to accurately price its investments, thereby affecting the ETF's price and performance. Similarly, an exchange or other markets may issue trading halts on specific securities or derivatives, which will affect the ability of the ETF to buy or sell certain securities or derivatives. In such circumstances, the ETF may be unable to rebalance its portfolio or accurately price its investments and may incur substantial trading losses. ETFs that seek to track the performance of a specified underlying index ("index ETFs") are not actively managed and the investment advisers of such ETFs do not attempt to take defensive positions in declining markets. Therefore, Index ETFs may be subject to greater losses in a declining market than a fund that is actively managed. ETF shareholders will bear a proportionate share of the ETF's expenses, including, as permitted by applicable law, certain management and other fees contained in that ETF's prospectus.



*Financial Risk* – Excessive borrowing to finance a business's operations may limit profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in a declining market value and even bankruptcy.

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

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

*Investment Style Risk* — An Account's strategy may underperform other sectors of the markets or the markets as a whole.

*Market Risk* — The market value of a security may move up and down, sometimes rapidly and unpredictably. Market risk may affect a single issuer, an industry, a sector or the equity or bond market as a whole. Market risk includes prices dropping in reaction to both tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events (see "Acts of God and Geopolitical Risks" above).

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

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

*REITs Risk* — REITs are trusts that invest primarily in commercial real estate or real estate-related loans. Investments in REITs are subject to the same risks as direct ownership of real estate and mortgages, including fluctuations in the value of underlying properties, defaults by borrowers or tenants, changes in interest rates and risks related to general or local economic conditions. In addition to default, underlying loans may be subject to prepayments that occur later or earlier than expected and such loans may also include so-called "subprime" mortgages. Some REITs may have limited diversification and may be subject to risks inherent in financing a limited number of

properties. The value of REITs will rise and fall in response to many factors, including economic conditions, the demand for rental property, interest rates and the management skill and creditworthiness of the issuer. In particular, the value of these securities may decline when interest rates rise and will also be affected by the real estate market and by the management of the underlying properties. REITs may be more volatile and/or more illiquid than other types of equity securities.

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

*U.S. Government Securities Risk* —U.S. Government securities are not guaranteed against price movements due to changing interest rates. Obligations issued by some U.S. Government agencies are backed by the U.S. Treasury, while others are backed solely by the ability of the agency to borrow from the U.S. Treasury or by the agency's own resources.

*Volatility Risks* – The prices of certain instruments in the Account have been subject to periods of excessive volatility recently and in the past, and such periods can be expected to continue or recur. While volatility can create profit opportunities for the Account, it can also create the specific risk that historical or theoretical pricing relationships will be disrupted, and may cause what should otherwise be comparatively low risk positions to incur losses. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions. The expanded influence of social media platforms on the market, combined with the access to costless retail brokerage, can exacerbate the volatility of particular issuers.

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

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

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

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

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

MMLIS is owned by MassMutual Holding LLC. Massachusetts Mutual Life Insurance Company ("MassMutual") is MassMutual Holding LLC's principal owner. MMLIS's registered representatives and IA-Reps are all licensed insurance agents or brokers of MassMutual and/or other affiliated or unaffiliated insurance companies. MMLIS's RRs are all licensed to sell securities and may effect securities transactions for compensation for any client.

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

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

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

Affiliated Funds may be available as underlying investments in an SMA. When an affiliated fund is an underlying investment in an SMA, MMLIS and/or one of its affiliates receives a financial benefit. This conflict of interest is mitigated because neither MMLIS nor the IA-Reps select the investments within an SMA.

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

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

MML Investment Advisors, LLC acts as an investment adviser, and MML Distributors, LLC acts as principal underwriter, for certain mutual funds, including the MassMutual Select Funds, the MassMutual Premier Funds, MML Series Investment Fund and the MML Series Investment Fund II. MML Distributors, LLC is owned by MassMutual

Holding LLC. MMLIS may recommend these mutual funds to clients in its broker-dealer or investment adviser capacity.

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

MMLIS owns MML Insurance Agency, LLC ("MMLIA"), a Massachusetts limited liability company which has authority to sell life, health and annuity products. Variable products available through MMLIA are recommended to clients only in MMLIS's broker-dealer capacity.

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

### **Relationship with NFS**

Not all investment advisers are dually registered as broker/dealers or have affiliates that are broker/dealers. Further, not all investment advisers that are dually registered as broker/dealers or that have affiliated broker/dealers require their clients to use the related broker/dealer as introducing broker. MMLIS has an incentive to select itself as the introducing broker-dealer for the Program. In addition, although MMLIS is often able to obtain price improvement through its trade executions with NFS that it believes is beneficial to its clients, MMLIS's clearing relationship with NFS provides MMLIS with economic benefits by using itself as the broker/dealer and NFS as the clearing firm for accounts. For example, MMLIS receives revenue-sharing payments from NFS as described below and in Item 4 – Mutual Funds and Revenue Share from NFS. MMLIS's agreement with NFS also provides that NFS shall pay to MMLIS incentive credits for reaching and maintaining certain levels of assets with NFS.

MMLIS receives additional compensation from NFS in the form of revenue sharing payments from NFS for investments in mutual fund shares in NFS's NTF, INTF and TF programs. MMLIS will not credit the client's Account for any revenue share payments the Firm receives in connection with that Account. If available, the Firm, as a broker-dealer, also earns 12b-1 fees from certain mutual funds for providing distribution and/or administrative services to mutual funds. In addition, the fee MMLIS pays to NFS is based on the aggregate assets clients invest in advisory accounts, excluding any investments in NTF and INTF mutual fund share classes, cash and cash equivalents. Please see Item 4 of this Firm Brochure for additional information about the revenue-sharing payments MMLIS receives from NFS, 12b-1 fees and the fee MMLIS pays to NFS, and the resulting conflicts of interest.

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

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

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

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

Further detailed discussion of the economic benefits MMLIS receives from its relationship with NFS can be found in this Item 9.

### **Relationship with Envestnet**

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

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

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

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

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

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



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

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

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

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

Additionally, Other Accounts and Affiliated Accounts may at any time, hold, acquire, increase, decrease, dispose of or otherwise deal with positions in investments in which client's Account may have an interest from time to time, whether in transactions which involve client's Account or otherwise. The Firm shall have no obligation to purchase for client's Account a position in any investment which Other Accounts or Affiliated Accounts may acquire, and that the client shall have no first refusal, co-investment or other rights in respect of any such investment.

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

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

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

## **Review of Accounts**

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

The Firm, through the IA-Reps, will be available during business hours to answer any questions that the client may have regarding their Account and/or to provide client services related to client's Account. The Firm will notify clients in writing at least quarterly to contact the Firm if there have been any changes in their financial situation or investment objectives that might affect the manner in which their Account assets should be managed, and



whether they wish to add, or modify any existing, investment restrictions imposed on the investments in their Account, or whether there have been any changes in their investment objectives that might affect the manner in which their assets should be managed.

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

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

### **Services provided by Envestnet**

On an ongoing basis, Envestnet maintains the software utilized to generate the Proposal and SIS. Additionally, Envestnet has an ongoing responsibility for implementing securities trades in certain of the SMAs. Envestnet shall also observe any client imposed investment restrictions that Envestnet has accepted.

Envestnet has the authority to make securities trades through NFS in client's Account as necessary to fulfill its obligations under the Program. This includes the authority to make appropriate SMA and securities replacements and changes as described herein. The client will be notified of such changes through confirmations and account statements from the Custodian. The client does not have the ability to opt out of this aspect of the Program.

Envestnet's execution of its responsibilities, including the monitoring and potential replacement of SMAs and SMA Managers, will have a significant impact on the composition and performance of Client's Account as well as important tax consequences. Clients should carefully consider the effect of Envestnet's monitoring and reviews and consult a qualified, independent tax professional for advice.

### **Cash Allocation**

The SMAs are designed to maintain a minimum cash allocation to facilitate administration of each Account, including, but not limited to, trading and fee collection. There may be instances when the cash allocation temporarily exceeds the target due to standard operational processing, such as the changing of SMAs, processing of client contributions or withdrawals, or during the initial investment of a client Account. If the amount of a client's Account invested in cash varies beyond a determined maximum cash allocation, then the client's Account will have purchases made into other positions in the client's allocation. Each of Envestnet, MMLIS, and SMA Managers has the right to invest cash into other positions in the allocation to resolve for drift in the assets invested in cash.

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

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

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

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

Clients should contact their IA-Reps to discuss the various performance reporting options that are available.

IA-Reps are available to discuss performance reports, Account allocations, Account performance or any other matter relating to the Program.

## **Client Referrals and Other Compensation**

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

Certain associates of the Firm ("Investment Specialists") receive compensation from the Firm to provide sales support to IA-Reps. The compensation may be based on criteria related to new Program Accounts or subsequent contributions to Program Accounts for which they may have provided sales support. While Investment Specialists do not sell products or provide product recommendations directly to clients, clients should be aware that Investment Specialists may have an incentive to favor the presentation of these programs (including the Program) to IA-Reps for their review as potential products to discuss with their clients over other products and services for which they do not receive compensation. Clients should also be aware that the compensation received by Investment Specialists is not shared with IA-Reps or their sales manager. Furthermore, not all IA-Reps will use Investment Specialists for sales support or for support on products available through the Firm.

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

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

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

We understand that these cash payments are not paid out of the assets invested by clients in mutual funds or with SMA Managers. In addition, no portion of these payments is made by means of brokerage or advisory commissions generated by the Strategic Partners, and none of the cash payments described in this section are made directly to our branch managers or Representatives who sell these products and services. You should read each prospectus, Statement of Additional Information, offering materials or documents, Form ADV disclosure brochure, or other disclosures (collectively, "Disclosures") provided to you in connection with the Program.

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

MMLIS also has a Conference Partner Program with other investment companies that offer mutual funds and/or ETFs that are underlying investments in an SMA. Certain SMA Managers are also part of the Conference Partner

Program. These investment companies ("Conference Partners") contribute to and/or participate in MMLIS conferences and/or training meetings attended by Representatives. They also receive increased access to Representatives. The Conference Partner tier they select and the fee that they pay determines which conferences and training programs Conference Partners participate in and the level of access they receive.

In 2020, MMLIS received payments from each of the following Conference Partners, listed in order of largest contribution to smallest contribution (if Conference Partners contributed the same amount, they are listed in alphabetical order): Morningstar, Northern Trust Asset Management, and Symmetry. The amount of payments from these Conference Partners ranged from \$60,000 to \$90,000. Each payment was used to offset some of the expenses of the applicable conference or training meeting. Due to the unlikelihood of holding in-person conferences in 2021, these Conference Partners may make lower payments in 2021. MMLIS also receives access to free educational services from Northern Trust Asset Management beginning in 2020 as a result of reaching a certain threshold of assets under management by Northern Trust Asset Management belonging to MMLIS clients. We expect the following firms to participate in the Partnership Program in 2021: City National Rochdale, Clark Capital, Franklin Templeton, LMCg, Russell Investments, SEI, Thrivent Mutual Funds, W.E. Donoghue and Vanguard.

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

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

As a fiduciary, we endeavor at all times to put the interest of our clients ahead of our own interest. Clients should be aware that the receipt of such compensation in connection with the Strategic Partner Program, Conference Partner Program, and other arrangements described above, creates a financial incentive for MMLIS and its Representatives to favor Strategic Partners, Conference Partners and other companies that participate in these arrangements when making recommendations to clients. Specifically, MMLIS has a financial incentive to recommend the mutual funds provided by Strategic Partners and Conference Partners over mutual funds offered by entities that do not make marketing support payments to MMLIS, and to recommend the Strategic Partners and Conference Partners over SMA Managers that do not make marketing support payments to MMLIS or contribute to or participate in MMLIS conferences or training meetings. You should also be aware that the rate associated with marketing support and conference support payments differs among certain of the Strategic Partners, and the basis on which the payments are calculated differs among certain of the Strategic Partners. Therefore, MMLIS has a financial incentive to favor those Strategic Partners and Conference Partners whose payment structure would result in the most compensation for MMLIS. We address this conflict by assuring that MMLIS's Representatives do not share in the compensation received by MMLIS and do not receive differential compensation based on whether clients choose the SMAs offered by Strategic Partners. Conference Partners and other companies that participate in these arrangements.

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

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

From time to time, the Firm and its RRs receive other compensation from mutual fund companies that may issue mutual funds that are underlying investments in an SMA. Such mutual fund companies may sponsor their own conferences for training and educational purposes, which certain of the Firm's RRs are invited to attend. In addition to the Firm's RRs attending these conferences without charge, these mutual fund companies also

reimburse or pay for the travel and other related expenses incurred by the Firm's RRs or reimburse a Firm's branch office for expenses related to dinners or events for clients and other miscellaneous business-related expenses incurred by RRs. These conferences and reimbursements create an incentive for the Firm and the IA-Rep to make available and recommend (or select on a client's behalf) the mutual funds provided by the sponsoring mutual fund companies. These mutual fund companies may also provide nominal gifts to the Firm's RRs.

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

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

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

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

Envestnet pays the Firm a fee to attend Firm sponsored sales and/or training conferences. Envestnet generally networks with and provides training to the IA-Reps and Firm personnel during these conferences. The fee received by Firm is used to offset expenses associated with hosting the conferences and is not paid to the IA-Reps or other associated persons. While the IA-Reps do not receive a portion of the fee, the IA-Reps may be more likely to recommend the Program to prospective clients because of the education and the exposure they receive on the Program and/or Envestnet.

Your IA-Rep is compensated by the Firm and its affiliates for the services described in this brochure, for other advisory services provided to customers and for the sale, renewal and servicing of various investment products. Your IA-Rep's overall compensation includes base commissions and other forms of compensation that vary from product to product, service to service, and/or by the amount of the assets in his or her clients' accounts. You should be aware that the amount of his or her compensation will increase in part based upon the opening of your account and the amount of assets in your account within a defined period of time. He or

she also is eligible for additional cash compensation (such as medical, retirement and other benefits) and non-cash compensation (such as conferences, rewards, recognition, matching of charitable contributions, trips and sales support services) based upon similar criteria, including overall sales and productivity, as applicable. Also, IA-Reps are required to meet minimum overall sales requirements in order to continue their affiliation with MassMutual and its affiliates and/or to continue to qualify for certain compensation arrangements described above.

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

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

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

#### **Fidelity Charitable Investment Advisor Program**

MMLIS offers the Fidelity Charitable Investment Advisor Program ("CIAP") Donor Advised Fund service. A client ("Donor") may elect to utilize this service to make irrevocable donations to the Fidelity Investments Charitable Gift Fund and may be able to use such donations as tax deductions. A Donor cedes control of donated assets to Fidelity Charitable and has no authority to change investment decisions on accounts using the service. Donors should refer to the CIAP Description and Investment Policies and Guidelines, as well as their CIAP Application for additional information regarding establishing a donor-advised account with Fidelity Charitable. Assets donated to Fidelity Charitable through this service will be managed by MMLIS and may be invested in this Program.

*Administrative Fee.* An Administrative Fee is charged by Fidelity Charitable for this service which ranges from 0.115% to 0.60% depending on the amount of assets donated to Fidelity Charitable.

#### **Other Disclosures**

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

#### *Trade Errors*

The Firm attempts to effect transactions correctly and resolve any trade errors promptly and fairly. Should a trade error occur as a result of our handling of transactions for an Account, and the error correction results in a gain, the gain will be kept by the Firm. Gains that are captured due to trade errors are placed in the Firm's general account and may be used at the Firm's discretion. If gains are not used to cover an expense within a fiscal year, such gains will be considered a profit and used for the benefit of the Firm. If the error correction results in a loss, the amount of the loss will not be charged to the client. In addition, clients will not bear any costs associated with the correction of an error.



### *Bank Sweep Arrangement*

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

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

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

### *NFS Excess Trading Fee*

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

### *Additional Information About Envestnet*

Certain SMAs are managed or provided by Envestnet or an advisory firm that is an affiliate of Envestnet. In such instances, Envestnet may have an indirect financial incentive to include such SMAs in the Program. For any SMA that Envestnet recommended or selected for the Program, Clients should refer to each SMA Manager Brochure. Clients should also refer to the Envestnet Brochure for a description of Envestnet's due diligence process.

Transactions in NTF and INTF mutual fund share classes, Fidelity funds, cash and cash equivalents are not counted towards the threshold. As a result, this conflict does not apply to transactions in these investments.

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

MMLIS and IA-Reps have a conflict of interest and incentive to recommend IRA rollovers from a 401(k) or other employer-sponsored retirement account in order to earn compensation on investment recommendations for the IRA account. Fees and costs for investments acquired for an IRA account (including the Programs), and compensation generated for us from these transactions generally are higher than those for investments and transactions in employer-sponsored retirement accounts. There are also certain benefits associated with employer-sponsored retirement accounts that are not available with an IRA account.

### *Corporate Actions*

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



Account. Such notices may be received from NFS or the issuer's corporate communications service provider. Provided that Envestnet timely receives voluntary corporate action notices, Envestnet will determine on behalf of the client whether the client's Account will participate in particular voluntary corporate actions. Envestnet will make such determinations in its full discretion, consistent with its policies and procedures. Client should refer to the Envestnet Brochure for additional details on its policies and procedures in this regard.

#### *Making an Informed Decision*

The Firm wants its clients to make an informed decision when they purchase products or receive services from the Firm's RR or IA-Rep. Therefore, the Firm is disclosing material arrangements and any potential conflicts of interest that clients may find informative when making their decisions. In addition to providing disclosures to its clients, the Firm, on an ongoing basis, communicates, trains and/or supervises its RRs and IA-Reps on its policies and procedures regarding conflicts of interest.

Furthermore, when an RR or an IA-Rep makes a product or program recommendation to a client, the Firm reviews whether the recommendation is suitable for client against any financial information provided by the client, such as the client's risk tolerance, time horizon and investment objective. Nevertheless, clients should always carefully and independently review all product or program features and risks, along with any applicable disclosures before making any investment decisions.

#### *Financial Information*

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

## Important Notices to Clients

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

### PRIVACY POLICY

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

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

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

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

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

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

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

- Registered representatives who provide our products and services to you;
- Our affiliated companies, such as insurance or investment companies, insurance agencies or broker-dealers that market our products and services to you;
- Companies that perform marketing or administrative services for us;

- Nonaffiliated companies in order to perform standard business functions on our behalf including those related to processing transactions you request or authorize, or maintaining your account;
- Courts and government agencies in response to court orders or legal investigations;
- Credit bureaus; and
- Other financial institutions with whom we may jointly market products, if permitted in your state.

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

### **Important Privacy Choices**

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

- Call us at (855) 520-7715.

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

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

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

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

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