

# Fund Select/Fund Select Premier Programs Disclosure Brochure

**MML Investors Services**

## **Wealth Management Services Fund Select/Fund Select Premier Programs Disclosure Brochure**

March 31, 2023

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

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

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

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

## ITEM 2. MATERIAL CHANGES

Pursuant to SEC rules, this Item summarizes the specific material changes, if any, that have been made to this MML Investors Services, LLC (“MMLIS,” the “Firm,” “we,” “our,” or “us”) Form ADV disclosure brochure (“Firm Brochure”) since the last annual update of the Firm Brochure on March 31, 2022.

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

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

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**The following is a summary of material changes to this Firm Brochure since the last annual update of this Firm Brochure on March 31, 2022.**

February 27, 2023 Update: Items 4 and 14 were updated with information regarding changes to the Firm’s cash sweep options, effective April 2023, including fees and compensation and related conflicts of interest. Item 4 was also updated to include information about the compensation MMLIS and IARs can receive in connection with the non-purpose loan program and related conflicts of interest. Item 14 was also revised to provide updated information about MMLIS’s Conference Partner and Strategic Partner Programs and other similar arrangements.

September 30, 2022 Update: Item 5 was updated to add information about a different way to include breakpoints in the Client Fee. Item 9 was updated to provide information regarding a consent order entered into by MMLIS and the Massachusetts Securities Division on August 16, 2022. The Order included findings that the Firm failed to reasonably supervise variable annuity sales practices of a MMLIS representative.

August 22, 2022 Update: Item 4 was updated to include information about ESG. Item 5 was updated to include information about the change to the billing schedule from quarterly to monthly beginning October 1, 2022. Item 10 was updated to include additional information about referrals to MassMutual Trust Company and associated conflicts of interest.

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## **ITEM 4. ADVISORY BUSINESS**

### **Description of Advisory Firm**

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

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

This Firm Brochure describes the Fund Select ("FS") and Fund Select Premier ("FSP") advisory programs offered by MMLIS (collectively, the "Programs" and individually, each a "Program"). Each of the Programs is closed to new accounts as of March 27, 2017. Fund Select Premier was terminated on November 20, 2020. Existing clients in Fund Select may continue to make subsequent contributions to their accounts. In addition to the advisory services described in this Firm Brochure, MMLIS also offers other advisory services. If you wish to learn more about the other advisory services available through MMLIS, please feel free to contact MMLIS or an IAR.

IARs must meet licensing and training requirements, and in some cases, receive approval from their direct supervisors, before they can recommend certain advisory programs and services, and certain investment options within an advisory program. Please talk to your IAR about what advisory programs and services, or investment options within an advisory program they may recommend.

### **Overview of Fund Select Program and Fund Select Premier Program**

FS and FS Premier are two of MMLIS's proprietary investment advisory programs. In addition to this Firm Brochure, you will receive from your IAR a Form ADV disclosure brochure ("Envestnet Brochure") for Envestnet Asset Management, Inc. ("Envestnet"). Envestnet is an investment management firm that provides an extensive range of advisory and research services for use by advisers with their clients. Envestnet is a wholly owned subsidiary of its parent company, Envestnet, Inc. (NYSE: ENV). You should carefully review this Firm Brochure and the Envestnet Brochure, since they outline important information about the Firm's and Envestnet's roles and responsibilities under the Programs. MMLIS is the introducing broker under the Programs and National Financial Services LLC ("NFS" or "Program Custodian") serves as the clearing firm and custodian under the Program. NFS's address is 245 Summer Street; Boston, MA 02210.

MMLIS is the primary advisor for the Programs. Envestnet provides the services described herein in the capacity of a sub-adviser.

Both Programs are available to individual clients and institutions. The Programs are asset allocation programs which include a combination of mutual funds and exchange-traded funds ("ETFs"), if available (collectively, "Program Funds"). The FS Program consists of investment models ("Models"). The Models are assembled and maintained by either Envestnet or independent third-party managers ("Strategists"). If client selects a Model provided by Envestnet, the term "Strategist" shall also refer to Envestnet in that capacity unless specifically stated otherwise. In the FS Premier Program, MMLIS, through its IARs, manage client accounts on either a discretionary or non-discretionary basis.

Certain of the Strategists are part of the Firm's Strategic or Conference Partner Program. Please see Item 14 of this Firm Brochure for a detailed discussion of this program and the associated conflicts.

Clients participating in the Programs receive various services, including the following:

- Review of client's investment objectives, risk tolerance time horizon, and other financial information provided by the client;
- Recommendation of investment models, mutual funds and ETFs pre-screened by Envestnet;
- Investment model recommendations based on the client's investment objectives, risk tolerance and time horizon;

- Mutual fund and ETF purchase and sale execution, and custody;
- Rebalancing of client's investment advisory account ("Account") as described herein;
- Ongoing portfolio monitoring;
- Account statements (at least quarterly); and
- Periodic review of client's account.

In addition, if a client selects the discretionary management option available through FS Premier, MMLIS, through its IARs, will be able to make changes to the mutual funds and/or ETFs, if available, in that client's account and may make limited adjustments to the client's suggested asset allocation, as described herein in more detail.

### **Firm Services**

If a client wishes to participate in either Program, the IAR will assist the client in determining whether the Program is suitable and appropriate for the client. The IAR will also provide the client Program Account opening documents, disclosures and other documents necessary for the client to make an informed decision about participation in a Program.

If the client concludes that a Program is appropriate, at the opening of an Account the IAR will collect information from the client about the client's investment objectives, risk tolerance and time horizon and input such information into the Investment Questionnaire ("Questionnaire") which will determine a risk profile classification for the Account (an "Investment Objective") and generate an investment proposal ("Proposal") and a Statement of Investment Selection ("SIS"). For the Fund Select Program, the Proposal contains a recommended Model, and for the Fund Select Premier Program, the Proposal contains a recommended investment style allocation mix and recommended Program Funds. The recommendations (the "Portfolios") are summarized in the Proposal and SIS, a copy of which is provided to the client. The IAR will review the information in the SIS and Proposal with the client. The client is ultimately responsible for determining whether to participate in a Program and whether to accept or reject the recommended Portfolio and other recommendations. Client must approve a Proposal and SIS prior to implementation.

In addition, IARs will accept inquiries about either Program and coordinate the provision of responses to clients. The Firm also provides ongoing client services related to the Programs. Please see Item 13 for details.

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 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 in Item 5) may not be designated as Unsupervised Assets. Because Unsupervised Assets are not included in the calculation of advisory fees, the Firm and IARs have an incentive to recommend to clients that they (and for IARs to use their discretion to) sell Unsupervised Assets and invest the assets in securities that are included in the calculation of advisory fees.

Clients have the opportunity to impose reasonable investment restrictions applicable to client's assets in the Program(s) by identifying them on the SIS. Investment restrictions must be reasonable, as solely determined by Envestnet or MMLIS, as applicable, and must be complete and consistent with applicable law. Envestnet and MMLIS will observe the investment restrictions that the client provides in the SIS, if deemed reasonable; provided that Envestnet or MMLIS, as applicable, reserves 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 IAR.

### **Information about ESG**

Your IAR may consider ESG-related information (information that relates to environmental, social and governance practices, rankings and/or scores) when recommending investments for your account.

The consideration of ESG-related information in the construction of your portfolio should not be viewed as a guarantee that your ESG-related goals or the ESG-related goals of the underlying investments in your portfolio will be met. Neither MMLIS nor your IAR will manage or monitor your account on an ongoing basis from an ESG-related perspective. While certain

holdings in the portfolio may seek ESG-specific outcomes, there is no guarantee such results will be achieved by the issuer or manager of the security. The investment objective identified for your account is the primary guiding factor for how your account will be managed. In addition, where your portfolio (or a portion of your portfolio) is invested in a fund or model with an explicit ESG-related objective, the manager of the fund or model (not MMLIS) is responsible for managing your account (or portion of your account) according to the ESG-related objective.

You should be aware that screening and selecting strategies and investments using ESG-related criteria usually reduces investment choice and can result in exposures different from strategies or investments that do not consider such criteria. As a result, there is a risk that a portfolio that was constructed with the consideration of ESG-related goals may generate lower financial returns than a portfolio that was not constructed with the consideration of ESG factors. For example, funds that incorporate ESG factors into the investment process may limit their exposure to certain types of investments. As a result, an investment in an ESG-focused fund may be less diversified relative to funds with similar strategies that do not have an ESG focus.

Any ESG-related information that may be considered by MMLIS and your IAR when recommending investments is either provided by a third party or based on third-party research. ESG data is qualitative and subjective by nature, may evolve over time, may be based on data that is difficult to obtain, incomplete, out of date, or otherwise materially inaccurate, and may not reflect the beliefs of some investors. It's important to understand providers of ESG ratings will have differing recommendations, opinions, methodologies, scope and coverage. Neither MMLIS nor your IAR has verified any ESG-related information provided by third parties.

### **Fund Select**

Under the FS Program, Envestnet is responsible for providing access to asset allocation Models that are comprised of different asset classes, each with a distinctive expected risk tolerance and investment objective. The Models are either selected, maintained and operated by Envestnet, or are selected by Envestnet and actively managed by a third-party Strategist with whom Envestnet maintains a relationship. The Models are comprised of a mix of asset classes and investment styles represented by Program Funds that have each been screened and selected by Envestnet or the applicable Strategist. Envestnet is responsible for providing MMLIS, through the IAR, with proprietary software that generates each client's Proposal and SIS. The Proposal contains a recommended Model selected by the client from available options that fits within the Account's Investment Objective, as determined based on the client's answers to the Questionnaire. For those Models managed by third-party Strategists, Envestnet is responsible for performing administrative and/or trading duties at the direction of the Strategists via a licensing agreement between Envestnet and each third-party Strategist.

The Firm is responsible for communicating with clients about their Account(s). The IARs will assist clients in completing the SIS, accept inquiries about the FS Program, coordinate the provision of responses to clients and provide all Account documents, disclosures and other necessary documents.

As noted, the recommendations that are generated (in terms of the asset allocation and investment style allocation mixes and the eligible securities) by Envestnet's proposal system may not be amended by either the IAR or the client. It is up to the client to decide whether to invest in the Model recommended by the Proposal. A client can only accept or reject the Proposal's recommended Model in its entirety.

Except with respect to the cash sweep options available under the FS Program (in its capacity as broker-dealer), MMLIS does not recommend any securities under the FS Program.

### **Fund Select Premier**

The FS Premier Program offers more flexibility to clients than the FS Program by enabling the client's IAR to make certain recommendations to clients for review and acceptance. Under the FS Premier Program, Envestnet's software generates asset class and investment style recommendations, just as it does under the FS Program. However, under the FS Premier Program, the client's IAR is responsible for recommending Program Funds for each investment style forming the client's Portfolio.

The IAR may only recommend Program Funds for each investment style using a pre-screened list assembled by Envestnet in accordance with its proprietary screening process. An IAR may only recommend ETFs if the IAR is appropriately licensed to advise clients on ETFs.

The FS Premier Program provides both a non-discretionary and discretionary option. Under both options, a client's initial Proposal and SIS, including all IAR recommendations regarding asset allocation adjustments and recommended Program

Funds to comprise client's Account, must be approved by the client. IARs have the ability to recommend that a client slightly adjust the investment style allocations generated by Envestnet's proposal system when appropriate. The IAR may recommend such adjustment with respect to each investment style in the client's Portfolio. Such a recommendation, if approved by the client, has consequences in the proportionate allocations of the Program Funds recommended for the client. However, it is important for clients to understand that even if they agree to such adjustments, the adjustments will remain within the Investment Objective of their Account. The purpose of this flexibility is to enable a client's IAR to make recommendations that are more closely tailored to a client's time horizon, risk tolerance and preferences.

If client opts for the non-discretionary management option, any subsequent changes to client's Account (with the exception of the replacement of Program Funds by Envestnet) must be approved by client. If client opts for the discretionary management option, the IAR will be able to make adjustments to the asset allocation and change the Program Funds in client's Account without obtaining client's prior approval. The IAR cannot, however, adjust the asset allocation or change the Program Funds such that it would change the Account's Investment Objective unless the client approves. For example, if the client's Proposal and SIS indicated that the client's Account should be in a conservative Investment Objective, the IAR will not be able to adjust the asset allocation such that the client's Account would be in a more aggressive Investment Objective without the client's approval. Clients should understand that these adjustments can cause the Program Fee to increase or decrease.

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

### **Envestnet Services**

With both Programs, Envestnet has assembled Portfolios that are comprised of different asset classes. Each Portfolio consists of a unique asset class mix with a distinctive expected risk tolerance and investment objective. Certain asset classes, in turn, consist of multiple investment styles. Each client's Account will consist of Program Funds that are consistent with the Investment Objective for such client's Account.

Under the FS Program, there can be one or more Program Funds for each investment style, each screened and selected by Envestnet or the applicable Strategist, and multiple Models available for a particular investment style or Investment Objective. Each Model consists of multiple Program Funds. In FS Premier, each investment style is represented by multiple Program Funds that have been screened and selected by Envestnet. In both Programs, Envestnet, or the applicable Strategist, has selected the Program Funds by analyzing mutual funds and ETFs using its own quantitative analyses and screening techniques. Please see the Envestnet Brochure or the applicable Strategist Brochure for additional information regarding Envestnet's or the Strategist's screening and monitoring processes, as applicable. Certain Program Funds or Models may be managed or sponsored 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 Program Funds or Models in the Programs. Clients should refer to the prospectus for each Program Fund or other applicable disclosure document for particular Models for more information. Clients should also refer to the Envestnet Brochure for a description of its due diligence procedures.

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

Both Programs contain Portfolios that are maintained and operated by Envestnet. Envestnet has classified investor Accounts into five different Investment Objectives, depending on investors' investment objectives, risk tolerance and time horizon, and has created Portfolios for each of the five Investment Objectives. Envestnet also has divided the investment universe into five major asset classes and further divided these asset classes into investment styles.

Each risk tolerance category has a different maximum equity allocation limit and no minimum equity allocation requirement. Each Account's assigned Investment Objective determines the maximum equity allocation for the Account. The equity



exposure of a client's Account can decrease significantly and still be consistent with the Investment Objective assigned to that Account. Envestnet will monitor and designate a risk score for each Portfolio based on instruction from MMLIS, which will determine which Portfolios are assigned to each Investment Objective.

For FS, a Strategist (which may be Envestnet or a third-party money manager) selects an asset class allocation mix (a Model) for each of the Portfolios. For FS Premier, Envestnet selects an asset class allocation mix for each of the Portfolios. Under the Programs, Envestnet, or the applicable Strategist, selects the Program Funds available, by subjecting them to a screening process—only those mutual funds and ETFs satisfying Envestnet's or the applicable Strategist's criteria are categorized as Program Funds and included in the Programs.

Only mutual funds that are available on the Custodian's platform may be selected as Program Funds. Envestnet also screens Strategists and Models for inclusion in the FS Program.

Envestnet has sought to maintain diversification within each Portfolio through the Program Funds. With respect to Models, the Strategists (and Envestnet, with respect to Envestnet's Models) maintain the discretion to set the underlying allocation of the Model.

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

With respect to the FS Program, Envestnet recommends money managers and models to MMLIS for inclusion as Strategists and Models in the Program. Envestnet selects the recommended third-party money managers by subjecting them to a screening process - only those third-party money managers satisfying Envestnet's criteria may provide Models under the Program. For a discussion of the due diligence procedures Envestnet implements with respect to third-party money managers when recommending Strategists, please refer to the Envestnet Brochure. The Strategists recommended by Envestnet include Envestnet. As described below, Envestnet does not employ the same diligence procedures in evaluating itself. This also presents a conflict of interest in that Envestnet has a financial incentive to recommend itself for inclusion in the FS Program. Please refer to the Envestnet Brochure for additional information. MMLIS has the right to reject any money manager or model recommended by Envestnet. MMLIS considers the fees to be charged by the money managers, information on the money managers and the models, including their performance, forwarded by Envestnet, and the account minimum requirements of their models. MMLIS does not prepare, review, or verify the performance information provided by Envestnet. For historic information on performance other than for Envestnet's proprietary Models, Envestnet receives performance data from third-party Strategists and/or other sources, such as reporting service providers, but does not independently verify such performance information. Envestnet is responsible for calculating the ongoing performance data for Accounts in the Program.

MMLIS also has ongoing responsibility to advise clients regarding the appropriateness of the Model and the Strategist selected by the client for the Account in light of the client's objectives, assets, risk tolerance and investment experience as disclosed to MMLIS. Neither MMLIS nor the IAR is responsible for the Program Fund selections underlying the Models in the Fund Select Program. Rather, Envestnet is responsible for investing each client's assets attributable to Models in the Program Funds that correspond to the applicable Model for client's Account. Each third-party Strategist actively manages the applicable Model and instructs Envestnet as to the transactions to be placed in client's Account in accordance with the selected Model.

Each client's Account will have a portion of the assets maintained in cash in order to, among other things, pay the client's fees. MMLIS provides "cash sweep" programs (each, a "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 Sweep Program each business day. In certain circumstances, including periods of volatile or uncertain market conditions, any such Sweep Program may comprise all or a substantial portion of the Account assets based on, for example, concerns about the market, a decision to pursue a defensive investment strategy, or for cash management purposes. The Firm, in its capacity as a broker-dealer, selects the Sweep Program for client's portfolio. Please review the Investment Management Agreement or the MMLIS Wealth Management Services Terms and Conditions, depending on which agreement is applicable to your Account ("Program Agreement"), as well as the other account opening documents or communications provided by the Firm, for information about the Sweep Program utilized for your account.

The Firm provides two primary Sweep Programs for accounts in the Fund Select and Fund Select Premier Programs, the Advantage Cash Sweep Program ("ACS") and the Insight Cash Sweep Program ("ICS"). For the Fund Select and Fund Select Premier Programs, all non-retirement accounts utilize the ACS program and all individual retirement accounts (IRAs) utilize



the ICS program. Accounts that are ineligible for the ACS or ICS programs will utilize a money market fund designated by the Firm as the sweep option for Client's Account. Clients utilizing a money market fund sweep option should review the fund prospectus provided for more information.

Please review the Disclosure Documents for the ACS and ICS programs provided to you for more information about how these Sweep Programs work, including limitations, restrictions, how changes are implemented and additional discussion of conflicts. For current interest rates (and fees) for the ACS and ICS programs, please contact your MMLIS IA-Rep or go to the following URL: <https://fieldnet.massmutual.com/public/mmlisi/pdfs/bdsp-elig-reg-types.pdf>. For a copy of the Disclosure Documents for the ACS and ICS programs, please contact your IA-Rep or go to the following URL: <https://www.massmutual.com/investment/mmlinvestors/>.

MMLIS receives important and significant compensation and benefits from client use of the ACS and ICS programs. The compensation we receive from these sweep programs is in addition to the advisory fees that you pay (described further below under Item 5). This means that the Firm earns two layers of fees on the same cash balances in your Account with MMLIS.

The ACS and ICS programs are multi-bank programs under which client funds not otherwise invested (e.g., cash balances) are swept into deposit accounts held at one or more participating FDIC-insured banks (and in some cases, into shares of a money market fund). Clients earn interest on such deposits (and dividends on investments in a money market fund, where applicable). The ACS and ICS programs are made available and administered by NFS and a designated administrator ("Administrator"), which both also earn fees in connection with record keeping and other services provided for the ACS and ICS programs. Fees for the ACS and ICS programs will typically exceed the interest paid on client deposits. If NFS did not earn fees in connection with the ACS and ICS programs, NFS would likely charge us higher fees for providing their clearing services.

Under the ACS and ICS programs, NFS or the Administrator generally contracts with participating banks to make specific amounts of deposit capacities available at certain all-in funding rates, which are typically tied or related to the Federal Funds Rate (or a similar type of metric, composite, index, etc.). Client interest as well as ACS and ICS program fees (i.e., the compensation received by MMLIS, NFS and the Administrator) are paid from the bank's all-in funding rates. All-in funding rates (generally a percentage applied to average daily program deposits at the bank), may be fixed, variable, subject to capacity and other requirements or a combination thereof. Capacity levels may be subject to minimums and maximums. Contract terms with each participating bank are unique and are expected to change over time. Accordingly, at any given time, participating banks will generally be paying different all-in funding rates notwithstanding interest earned by clients on their sweep deposits will not vary regardless of where their funds are actually swept. Moreover, changes in the Federal Funds Rate (or other applicable factor) will not immediately affect all-in funding rates paid or interest rates offered under the ACS and ICS programs.

The Firm sets its compensation based on grids and formulas provided by NFS and/or the Administrator, but MMLIS is solely responsible for establishing its compensation levels under ACS and ICS programs. Thus, the higher the compensation received by MMLIS, NFS and the Administrator, the less available to pay client interest. The Firm will set its compensation levels for the ACS and ICS programs based on prevailing economic and business conditions, which are subject to change at any time. It is expected that the vast majority of the all-in funding rates paid by the banks will be paid to MMLIS, NFS and the Administrator. The Firm expects its compensation for the ACS and ICS programs will generally range from 60-85% of the Targeted Federal Funds rate on ACS and ICS program deposits, and vary by the amount of uninvested funds or cash included in the ACS and ICS programs. Accordingly, the interest rate clients receive on ACS and ICS program deposits will be lower than the all-in funding rates paid by the banks under these programs and will likely be lower than the rate of return on (i) other investment vehicles that are not FDIC-insured, such as money market mutual funds and (ii) on bank deposits offered outside of the ACS and ICS programs. MMLIS may change its compensation levels for the ACS and ICS programs and any such reductions or increases may vary between clients.

The more client deposits held in ACS program and the longer such deposits are held, the greater the compensation MMLIS, NFS and the Administrator receive. Different banks participating in the ACS program pay different all-in funding rates (and are subject to different contractual requirements), creating an incentive for the Administrator to direct ACS program deposits to banks (through how the ACS program bank priority list(s) are designed or changed from time to time) that result in the Firm receiving greater compensation. Both MMLIS and NFS receive more compensation with respect to amounts in the ACS and ICS programs than with respect to other sweep products. The fees MMLIS receives in connection with ACS and ICS programs create a conflict of interest and incentive for the Firm to offer and designate these programs as the cash sweep option for client accounts. In addition, the fees MMLIS receives in connection with the ACS and ICS program creates a conflict of interest and incentive for the Firm and your IA-Rep to recommend you maintain or maintain (if your IA-Rep has discretion), and/or increase cash balances in your Account, as cash balances in your Account increase compensation to MMLIS under the ACS

and ICS programs. The ACS and ICS programs are the only sweep options available for accounts in the Fund Select and Fund Select Premier programs, unless such accounts are ineligible for the ACS or ICS programs.

Banks in the ACS and ICS programs do not have a duty to provide MMLIS clients with the highest interest rates available and will instead seek to pay a lower rate, and a rate that is lower than other options available in the market, including money market mutual funds. Banks have the financial incentive to pay all-in funding rates as low as the market will permit. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market mutual fund rates. By comparison, a money market fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the fund's investment objective, which can be found in the fund's prospectus.

NFS also receives an economic benefit for shares held in the "Money Market Mutual Fund Overflow" as further described in the ACS and ICS Disclosure Documents. The fee paid to NFS is for record keeping and other services with respect to amounts invested in the program. MMLIS may receive indirect benefit from investment in the Money Market Mutual Fund Overflow in the form of better contractual terms with NFS or increases to revenue sharing, credits or other payments from NFS described in this brochure.

Given the conflicts discussed above, each client should consider the importance of ACS and ICS programs to MMLIS when evaluating our total fees and compensation, and deciding whether to open an account with MMLIS and/or the Fund Select and Fund Select Premier Programs. MMLIS mitigates these conflicts by disclosing them to you, such as in this brochure, and by not sharing the revenue generated from these sweep programs with MMLIS IA-Reps. For more information about this service and benefits that the Firm receives in connection with such deposits, please refer to the ACS and ICS Disclosure Documents, which you can request from your IA-Rep.

In low interest rate environments, ACS and ICS program fees can exceed the interest paid on client deposits in these programs. Please review the Disclosure Documents for the ACS and ICS programs regarding low interest rate environment scenarios.

#### *Legacy Bank Sweep Program*

For certain non-retirement accounts opened between February 1, 2023 and April 30, 2023, clients may have selected the Firm's legacy bank deposit sweep program ("Legacy BDSP") as the cash sweep option for client's account. MMLIS earns fees from NFS on funds invested in the Legacy BDSP. MMLIS receives a higher amount in fees than client on funds invested in the bank sweep arrangement. In addition, as interest rates rise, the payment to the Firm receives from NFS increases. As a result, MMLIS has an incentive for clients to select the bank sweep arrangement Legacy BDSP as a cash sweep option. MMLIS mitigates this conflict by disclosing it in this brochure and by not sharing any fees received from the Legacy BDSP with its IA-Reps. In addition, IA-Reps do not receive any more or less compensation based on what cash sweep option is selected by a client. Clients should review the Legacy BDSP Disclosure Document for more information regarding the Legacy BDSP.

NFS and the financial institutions that participate in the Legacy BDSP also earn fees in connection with the offering and/or administering the arrangement. MMLIS is not affiliated with NFS or any of the banks participating in the Legacy BDSP. MMLIS and its affiliates may offer and provide products and services to NFS, such participating banks and each of their employees, officers, directors, agents and independent contractors in MMLIS's normal course of business.

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

With both Programs, Envestnet has identified both quantitative and qualitative characteristics it believes are helpful in identifying mutual funds and ETFs for inclusion in the Portfolios. The mutual funds are selected from the list of fund families provided by the Firm. Nonetheless, investment in the Program Funds selected by Envestnet is subject to market risk and possible loss of principal. The purpose of the screening process is to identify mutual funds and ETFs that satisfy certain minimum investment criteria set by Envestnet. Envestnet's fund selection criteria and screening process are not applied to the cash sweep option, or to mutual funds or ETFs included in a third-party Strategist's Model. The criteria utilized by Envestnet in selecting mutual funds and ETFs are described in more detail in the Envestnet Brochure.

Envestnet also performs qualitative and quantitative diligence on the Strategists offering the Models available through the FS Program. The diligence process is discussed in further detail in the Envestnet Brochure. In addition to the Strategists, Envestnet also offers Models available through the FS Program. As explained further in the Envestnet Brochure, Envestnet does not employ the same quantitative and qualitative diligence procedures in making the determination to include its Models in the FS Program. Further, Envestnet has a financial incentive to include its Models in the FS Program, to the extent it will receive additional compensation in the form of advisory fees if clients select its Models. Such fees are included in the client's Program Fee. Please refer to the Envestnet Brochure for additional information.

For information regarding the Program Funds, including their fees, expenses, investment objectives and risks, clients should read the prospectus or similar disclosure document of each particular mutual fund and ETF.

### **Program Termination**

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

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

As of December 31, 2022, MMLIS' assets under management (for all advisory programs, including those discussed in this Firm Brochure) were:

Discretionary	\$32,469,266,654
Non-Discretionary	<u>\$26,317,784,512</u>
<b>Total</b>	<b>\$58,787,051,166</b>

### **Services**

#### ***Cash Management Features***

MMLIS makes available three cash management features for client Accounts: Dollar-Cost Averaging (DCA), Protected Cash and Pending Distribution. If you or your IAR designate cash in your Account to one of these features, such amount will be removed from your Account's asset allocation and any amounts designated to DCA or Protected Cash will be charged a negotiable annual fee ranging from 0.06% to 0.36%. Any amounts designated to Pending Distributions will be charged the standard Program Fee. DCA is an investment technique in which a fixed dollar amount will be invested into your Account's asset allocation on a periodic schedule. The Protected Cash feature may be used to remove an amount from your Account's allocation and hold such amount as cash for a certain period of time. The Pending Distribution feature is generally used to set aside cash for expected withdrawals. Any amount in client's Account designated for DCA, Protected Cash, or Pending Distribution will be included in the cash sweep option. Certain retirement accounts are not eligible for these cash management features.

#### ***Non-Purpose Loan Programs***

The Firm contracts with third parties to make non-purpose loans (each an "NPL") available to clients in the FS Premier Program. Clients can use one of these third parties (a "Program Lender") or find an alternative NPL provider. In either case, clients in the FS Premier Program apply for an NPL 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:

- Before selecting a Loan Provider, the client should consider the differences between each Loan Provider's product offering (including differences in interest rates) as well as the other options that may be available to meet the client's funding needs. There is an incentive for MMLIS and IARs to recommend that a client obtain an NPL so that the client's assets remain invested in a Program.
- A Program Lender will compensate the Firm. This compensation is calculated as a percentage of the client's outstanding loan balance. The percentage amount will differ depending on the Program Lender, so the Firm's compensation will also vary depending on the Program Lender.
- The Firm will share a percentage of this compensation with its IA-Reps. IA-Reps' compensation will not vary by Program Lender because the Firm will pay them the same percentage of the client's outstanding loan balance regardless of the Program Lender.
- These compensation arrangements create incentives for MMLIS and its IA-Reps, resulting in material conflicts of interest. MMLIS and IA-Reps have an incentive to recommend that clients obtain an NPL from a Program Lender over an alternative NPL provider, maintain loan balances for longer periods of time and increase the draw down amount of a loan. MMLIS also has an incentive to make NPLs from Program Lenders available to clients and to recommend that clients obtain NPLs from Program Lenders that calculate the Firm's compensation based on a percentage of a client's outstanding loan balance that is greater than the percentage used by other Program Lenders.

- 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 Program 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, and depending on the magnitude of the impact, the Firm may choose to terminate its relationship with the client.
- Neither the Firm nor the Firm's IARs 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.
- Purchases of new issues (including initial public offerings, shares in most mutual funds of fund families not previously owned in an Account, and certain ETFs) that have not been held in an Account for at least 30 days (New Issue Positions) are not eligible to be used as collateral. New Issue Positions may not be considered by a Loan Provider in determining the client's compliance with any minimum collateral value requirements. The Firm will not consider the effects of holding New Issue Positions in managing the Account.

#### **Additional Information about Investment Adviser Representatives**

In order to become an IAR of the Firm and provide services to clients under the Programs on behalf of the Firm, the IAR 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 11 of this Firm Brochure. Once an IAR has been approved to provide advisory services under the Programs, the IAR must annually certify that the IAR continues to comply with the Firm's policies and procedures. If an IAR is unable to continue servicing a client's account for any reason, client's account will be assigned by the Firm to another qualified IAR, who will service client's Account on the Firm's behalf.

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

##### *The Program Fee – Fund Select Premier*

Clients in the Fund Select Premier Program will pay an annual fee to MMLIS ("Program Fee") for the advisory and technology related services of Envestnet and the Firm, the brokerage-related services of the Firm and the custody and clearing services of the Program Custodian. The Program Fee for Fund Select Premier Accounts is assessed against all assets that client invests in the Program Account, including any portion of the assets maintained in cash or other short-term investments.

The Program Fee includes an Execution, Clearing and Custody Fee of 0.06% and a negotiable Advisory Fee up to a maximum of 1.54%. The Execution, Clearing and Custody Fee and the Advisory Fee are assessed against all assets that are invested in a client's Account, including any portion of the assets maintained in cash or other short-term investments. NFS charges MMLIS for certain products and services (such as clearing of transactions, centralized cashiering and bookkeeping) that MMLIS is responsible for providing to clients, and MMLIS sets its own price for such services in the form of the Execution, Clearing and Custody Fee. MMLIS will use the Execution, Clearing and Custody Fee to pay NFS for the services NFS provides to client accounts, cover its internal and external costs associated with processing transactions and providing other services and to generate revenue. The amount that NFS charges MMLIS for these products and services is less than the total amount of Execution, Clearing and Custody Fees MMLIS receives from client accounts and MMLIS retains the amount of the Execution, Clearing and Custody Fee that remains after paying NFS. This fee difference is sometimes called a "markup." This practice creates a conflict of interest for MMLIS since it has a financial incentive to recommend its brokerage services through NFS as it earns substantial additional compensation for the services it provides. The IAR does not benefit directly from this markup arrangement. In addition, certain fees MMLIS pays to NFS decrease as the total assets custodied with NFS increase. As a result, we have an incentive to recommend advisory programs custodied with NFS (including the Programs) over other advisory programs and to recommend that you increase your investment in your advisory account, as that allows MMLIS to pay NFS lower fees and keep a more substantial markup.

The Advisory Fee can include breakpoints in one of two ways. Either a different fee (typically a lower fee) will apply to assets in a client's Account that are above a certain amount (a tiered Advisory Fee), or a different fee (typically a lower fee) will

apply to all of the assets in a client's Account when the amount of assets in the client's Account reaches a certain threshold (a linear Advisory Fee). Information about the Client Fee and the breakpoint schedule for a specific client is provided in the SIS.

Assets that have been designated to the DCA or Protected Cash features will have a different fee schedule, as described above in "Cash Management Features."

#### *Fee Conversion*

Prior to January 1, 2022, the Program Fee consisted of a Firm Fee, an IAR Fee and any applicable fees to Sub-Managers. As of January 1, 2022, the Program Fee for accounts opened prior to January 1, 2022 will be converted to the current fee schedule described above as follows: the Firm Fee and the IAR Fee will be added together, the Execution, Clearing and Custody Fee of 0.06% will be subtracted from this amount, and the remainder will be the Advisory Fee. Any applicable Sub-Manager fees will remain the same. If the IAR Fee contains breakpoints, the Program Fee at each breakpoint will be converted in this manner. The total fee paid by the client will remain the same following the conversion (see further description of conversion of householded accounts below).

Certain accounts opened prior to September 11, 2021 were householded, or grouped, for purposes of calculating breakpoint eligibility for either the Firm Fee, the IAR Fee, or both. Householding will be taken into account for the conversion as follows:

- Householded accounts opened prior to July 1, 2020 that qualify for a breakpoint in both the Firm Fee and the IAR Fee will continue to be householded for the purpose of calculating breakpoint eligibility.
- For householded accounts opened prior to July 1, 2020 that qualify for a breakpoint in the Firm Fee (but not the IAR Fee) due to householding, the lower Firm Fee will be used for the conversion and the account will no longer be householded for the purpose of calculating breakpoint eligibility.
- Any other householded accounts opened prior to July 1, 2020 will no longer be householded for the purpose of calculating breakpoint eligibility.
- Householded accounts opened after June 30, 2020 will continue to be householded for the purpose of calculating breakpoint eligibility.

Additional information about the fee to the IAR is provided below under "Additional Information about Advisory Fees."

#### *The Program Fee - Fund Select*

Clients in the FS Program will pay an annual fee to MMLIS, the Program Fee, for the services provided under the Program. The Program Fee includes an Execution, Clearing and Custody Fee of 0.06%, a negotiable Advisory Fee up to a maximum of 1.54%, and any applicable fees to Sub-Managers. The Execution, Clearing and Custody Fee and the Advisory Fee are assessed against all assets that are invested in a client's Account, including any portion of the assets maintained in cash or other short-term investments. NFS charges MMLIS for certain products and services (such as clearing of transactions, centralized cashing and bookkeeping) that MMLIS is responsible for providing to clients, and MMLIS sets its own price for such services in the form of the Execution, Clearing and Custody Fee. MMLIS will use the Execution, Clearing and Custody Fee to pay NFS for the services NFS provides to client accounts, cover its internal and external costs associated with processing transactions and providing other services and to generate revenue. The amount that NFS charges MMLIS for these products and services is less than the total amount of Execution, Clearing and Custody Fees MMLIS receives from client accounts and MMLIS retains the amount of the Execution, Clearing and Custody Fee that remains after paying NFS. This fee difference is sometimes called a "markup." This practice creates a conflict of interest for MMLIS since it has a financial incentive to recommend its brokerage services through NFS as it earns substantial additional compensation for the services it provides. The IAR does not benefit directly from this markup arrangement. In addition, certain fees MMLIS pays to NFS decrease as the total assets custodied with NFS increase. As a result, we have an incentive to recommend advisory programs custodied with NFS (including the Programs) over other advisory programs and to recommend that you increase your investment in your advisory account, as that allows MMLIS to pay NFS lower fees and keep a more substantial markup.

The Advisory Fee can include breakpoints in one of two ways. Either a different fee (typically a lower fee) will apply to assets in a client's Account that are above a certain amount (a tiered Advisory Fee), or a different fee (typically a lower fee) will apply to all of the assets in a client's Account when the amount of assets in the client's Account reaches a certain threshold (a linear Advisory Fee). Information about the Client Fee and the breakpoint schedule for a specific client is provided in the SIS.

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



Assets that have been designated to the DCA or Protected Cash features will have a different fee schedule, as described above in “Cash Management Features.”

### *Strategist Fees*

The Strategist charges an investment management fee for the cost of managing the Model within the account. The Strategist Fee is assessed to the overall percentage of assets managed by the Strategist within the account. These fees vary among Strategists (including Envestnet) and Models and typically represent a percentage of the total value of the client’s assets invested in the applicable Model and range from 0.02% to 0.55%. Except for the portion to be paid to Envestnet (as described below), the fees are set by each Strategist. Such fee rates are not negotiable and the Firm does not share in any portion of such fees. Please see the Strategist Brochure for the selected Strategist (and the Envestnet Brochure, if an Envestnet Model is selected) for additional information, including whether any breakpoints apply to the Strategist’s fee. For Strategists other than Envestnet, such fees include additional compensation to Envestnet, up to 0.10% of the total value of the client’s assets invested in the applicable Model, for providing support to the Strategist.

Please see the Envestnet Brochure for additional information. Please note that for Program Accounts with Program Fees negotiated prior to June 1, 2017 certain Strategist fees were lower than 0.02%.

An IAR will receive a higher fee when a higher Platform Fee rate is negotiated. Therefore, an IAR will have a financial incentive to recommend certain Strategists over others if the IAR believes the fee paid to the Strategist will allow the IAR to negotiate a higher Platform Fee rate.

### *Fee Conversion*

Prior to January 1, 2022, the Program Fee consisted of a Firm Fee, an IAR Fee and any applicable fees to Strategists. As of January 1, 2022, the Program Fee for accounts opened prior to January 1, 2022 will be converted to the current fee schedule described above as follows: the Firm Fee and the IAR Fee will be added together, the Execution, Clearing and Custody Fee of 0.06% will be subtracted from this amount, and the remainder will be the Advisory Fee. Any applicable Strategist fees will remain the same. If the IAR Fee contains breakpoints, the Program Fee at each breakpoint will be converted in this manner. The total fee paid by the client will remain the same following the conversion (see further description of conversion of householded accounts below).

Certain accounts opened prior to September 11, 2021 were householded, or grouped, for purposes of calculating breakpoint eligibility for either the Firm Fee, the IAR Fee, or both. Householding will be taken into account for the conversion as follows:

- Householded accounts opened prior to July 1, 2020 that qualify for a breakpoint in both the Firm Fee and the IAR Fee will continue to be householded for the purpose of calculating breakpoint eligibility.
- For householded accounts opened prior to July 1, 2020 that qualify for a breakpoint in the Firm Fee (but not the IAR Fee) due to householding, the lower Firm Fee will be used for the conversion and the account will no longer be householded for the purpose of calculating breakpoint eligibility.
- Any other householded accounts opened prior to July 1, 2020 will no longer be householded for the purpose of calculating breakpoint eligibility.
- Householded accounts opened after June 30, 2020 will continue to be householded for the purpose of calculating breakpoint eligibility.

### *Additional Information Regarding the Program Fee and Other Fees for both Fund Select and Fund Select Premier*

The Program Fee charged to a specific client will be disclosed in the SIS signed by the client. Each client pays the Program Fee in advance on a monthly basis. The Program Fee will be calculated in accordance with the Program Agreement. The Program Custodian is responsible for deducting the Program Fee from each client’s Account in accordance with the Program Agreement. The Firm reserves the right to reduce the Program 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. Fees charged for similar services often vary by office and by IAR, and some IARs charge higher fees than other IARs for similar services. 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.

The Program Fee creates an incentive for MMLIS and IARs to recommend the Programs over third-party advisory programs and other types of accounts or services offered by MMLIS and, because the amount of the Program Fee increases as the amount of assets in the account increase, to recommend larger investments in the Programs. This incentive applies to both the



initial recommendation to open an account in a Program and recommendations to make subsequent contributions to such account.

#### *Breakpoints and Account Aggregation*

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

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

#### *Mutual Funds*

Clients should consider all relevant factors before contributing mutual fund shares to a Program, including the fact that clients may have paid a front-end sales charge and any applicable contingent deferred sales charges or redemption fees will remain the client's responsibility and will be in addition to the Program Fee. Clients should also consider that the contributed mutual fund shares may not be the lowest cost share class available. Certain mutual funds may offer only one class of shares, while other mutual funds may offer multiple share classes which are available for investment based upon certain eligibility and/or purchase requirements. Mutual funds often permit the conversion of shares from one class to another, subject to certain conditions as determined by the mutual fund. If clients contribute or hold mutual fund shares that are deemed to be ineligible for the applicable Program, such shares will be converted into a class of shares of the same mutual fund deemed to be eligible, and will be subject to the Program Fee; depending on a client's circumstances, the client could be subject to higher expenses overall once the shares convert to a class deemed to be eligible. The Firm may not elect to convert particular share classes of a mutual fund if, for example, there is no equivalent class eligible for the Program or other circumstances as the Firm may determine. Prior to contributing any mutual fund shares to a client's Account, the client should discuss the impact of a conversion of these shares with an IAR. If the client does not want mutual fund shares converted, the client should not contribute such shares to its Account.

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

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

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. In the FS Program, the mutual funds and mutual fund share classes are selected by the applicable Strategist, not MMLIS or the IAR. In the Fund Select Premier Program, only one share class of a mutual fund is available for purchase at a given time. If MMLIS becomes aware that a more favorable share class has become available, MMLIS will request Envestnet to make such share class available for purchase within the Program and to convert any holders of such mutual fund to the more favorable share class. Clients should contact their IAR for more information about share classes and share class eligibility.

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

NFS charges mutual fund companies a recurring fee to make their mutual funds available to broker-dealers that use NFS as their clearing firm. The amount of the fee varies and depends on whether a mutual fund's share classes are part of NFS's NTF or iNTF programs (no transaction fee) or TF (transaction fee) program, or are not part of the NTF, iNTF or TF programs. Different share classes of a mutual fund can be available on NFS's 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 Programs that are invested in NTF, iNTF and TF mutual fund share classes, with some exceptions (Fidelity funds, for example). MMLIS does not receive revenue share for assets invested in qualified plan accounts or IRAs.

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

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

The revenue sharing arrangements between NFS and MMLIS create a conflict of interest for MMLIS. 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. IARs do not receive any of the revenue share payments that NFS pays to MMLIS, and IARs do not receive any more or less compensation based on what mutual funds or mutual fund share classes they select or recommend to clients. Additionally, in the FS Program, the mutual funds and mutual fund share classes that are included in the Models are selected by the Strategists, not MMLIS or the IARs. In the Fund Select Premier Program, Envestnet selects the mutual funds that are eligible to be included in the Models, not MMLIS or the IARs. Furthermore, in the Fund Select Premier Program, if a more favorable share class becomes available, MMLIS will request Envestnet to make such share class available in the Program and to convert any holders of such mutual fund to the more favorable share class.

### *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 Programs 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 Programs) over other advisory programs and to recommend that you increase the amount you have invested in such programs.

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

These conflicts are mitigated in several ways. IARs do not receive any benefit if MMLIS pays lower fees to NFS and IARs do not receive any more or less compensation based on what investments, including mutual funds or mutual fund share classes,

are held in client Accounts. Additionally, the mutual funds and mutual fund share classes that are included in the Models in the FS Program are selected by the Strategists, not MMLIS or the IARs. In the Fund Select Premier Program, Envestnet selects the mutual funds that are eligible to be included in the Models, not MMLIS or the IARs. Furthermore, in the Fund Select Premier Program, if a more favorable share class becomes available, MMLIS will request Envestnet to make such share class available in the Program and to convert any holders of such mutual fund to the more favorable share class. With respect to cash, each of the Portfolios have a Cash Target (as defined in Item 13) of 3% and Envestnet will rebalance a client's Account if the amount of cash in such Account exceeds the Cash Target.

### **Fee Forgiveness**

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

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

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

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

In order to effectuate trades under the Programs, clients need to establish a brokerage account through the Firm with Program Custodian, which will act as clearing firm and custodian for clients' assets under the Programs. Accordingly, it is expected that Envestnet will place transactions for the purchase and/or sale of securities and other investments for client's Accounts through the Program Custodian. However, if Envestnet (or a Strategist, where applicable) reasonably believes in good faith, and consistent with applicable fiduciary standards, that another broker or dealer will provide better execution considering all factors including the net price, a broker other than the Program Custodian can be used for execution. In such instances, clients will be subject to transaction costs and fees that are in addition to the Program 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 (and the Strategist Brochure for any applicable Strategist) for information on how trades are sent or directed to the Program Custodian or other broker-dealers. Clients should also review MMLIS's Step-Out Trading Disclosure which includes additional information and a list of the Strategists that engage in step-out trading (available at <https://fieldnet.massmutual.com/public/mmlisi/pdfs/step-out-trade-disclosure.pdf>).

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

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

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

Upon acceptance of the account application and 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 applicable Program minimum, unless the

Program minimum is waived by MMLIS (and the Strategist, if applicable for the FS Program), or (ii) an amount at or near the investment amount identified in the Proposal which was agreed upon between the client and the IAR, clients pay an initial Program Fee that is based on the initial market value of the Account. Please see Item 7 in this Firm Brochure for information about the applicable Program minimum.

The first payment is prorated to cover the period from the date the Account is opened through the end of the current calendar month. Thereafter, the monthly Program Fee is paid at the beginning of each calendar month for such month.

The monthly Program Fee is based on the fair market value of the assets in the Account on the last business day of the preceding calendar month as calculated by NFS in accordance with the Program Agreement and as described above.

Clients also are subject to a Program Fee for any additional lump sum contribution(s) in a calendar month equal to or greater than \$10,000. Clients will pay for that portion of the ongoing monthly Program Fee that relates to the number of days remaining in the calendar month on the date of an additional contribution equal to or greater than \$10,000. Payment of the Program 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 cash sweep option and other cash balances. Withdrawals may have tax consequences such as capital gains or other applicable taxes. 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 shares of the Program Funds in the client's Account at Envestnet's discretion.

MMLIS will adjust or refund Program Fees paid by client that are attributable to partial withdrawals equal to or greater than \$10,000 that client made during any calendar month. MMLIS will refund client for that portion of the ongoing monthly Fee that relates to the number of days remaining in the calendar month 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 fee for the current month. The amount refunded to clients will be based on the number of days remaining in the month after the date of termination.

Clients pay the Program Fee and other applicable fees and expenses under the selected Program by instructing NFS through the Program Agreement to automatically debit the Program Fee, and applicable Expenses (as defined below) from their Account. The amount debited to pay the Expenses under the Program will appear on statements clients receive from NFS. The Expenses are first deducted by NFS from assets a client has in the cash sweep option and other cash balances. Envestnet (or the applicable Strategist) will automatically reallocate a client's Account back toward the client's selected investment allocation 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, Envestnet (or the applicable Strategist) will cause 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 to be paid by redeeming shares of Program Funds in the client's Account. In such cases, the client may face a taxable event, to which capital gains (or other) taxes may apply. Client should consult with a qualified independent tax consultant.

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

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

#### **Additional Client Fees**

Each client Account is subject to an annual fee of \$10, which is charged at the end of June, unless the Account is registered to receive both account statements and confirmations electronically before a set date of each year (initially, June 24, 2022). Accounts opened between April 1 and June 30 will be exempt from this fee until the following year. Under certain circumstances, your IAR may elect to pay this fee on your behalf.

Each Self-Employed 401(k) Account is subject to an annual fee of \$35, which is charged in November.

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

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

Termination Fees are deducted by NFS from the proceeds at termination. The Program Fee does not include these fees. The amount of these fees (other than the annual fee for Self-Employed 401(k) Accounts and the Termination Fee for Retirement Accounts) are higher than the corresponding fee NFS charges MMLIS and therefore MMLIS receives additional revenue from charging these fees.

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

The Program Fee does *not* include any fees imposed by the Securities and Exchange Commission ("SEC"), fees or commissions for securities transactions (including without limitation or dealer mark-ups or markdowns) traded through any broker-dealer other than NFS, costs associated with temporary investment of client funds in a money market account or special requests by client. In addition to the Program Fee, when applicable, the Custodian will charge client additional miscellaneous fees (including, but not limited to, ACAT fees).

If client's assets are invested in any mutual funds or pooled investment vehicles, in addition to the Program Fee, the 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 account(s)) 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. Such fees are *not* included in the Program Fee. The Program Fee also does not include charges for any special services that the client may request from time to time from the Firm, Envestnet, Investment Managers, or the Program Custodian such as IRA maintenance fees. Such fees and expenses are referred to in this Firm Brochure as "Expenses."

Further information regarding other charges and fees assessed are discussed in the appropriate prospectus, or offering document of the investment vehicle, if applicable, the Envestnet Brochure, the Program Agreement and the SIS. Clients may be able to pay lower expenses by investing directly in those investment vehicles.

#### **Additional Information about Advisory Fees**

As previously described, IARs are compensated with a portion of the Program Fee. The final net compensation received by the IAR is subject to additional adjustments of fees between the IAR and MMLIS. MMLIS utilizes compensation schedules to calculate the overall compensation paid to IARs for their work associated with the Program and other offerings at MMLIS. The compensation schedule is set annually and is generally based on the amount earned by the IAR during the prior calendar year. The compensation schedule is also impacted by the total client assets attributable to that IAR or the IAR's team reaching a certain threshold. For these purposes, the total client assets include assets across the advisory programs for which MMLIS serves as the broker-dealer and are custodied with NFS (including the Programs) and assets managed by MassMutual Trust Company. This creates an incentive for IARs to recommend more investments this year to earn a higher portion of compensation the following year. It also creates an incentive for IARs to favor these proprietary advisory programs over other advisory programs. Finally, if an IAR is also a broker-dealer registered representative of MMLIS, this creates an incentive for the IAR to recommend advisory accounts and the advisory programs noted above over brokerage accounts. MMLIS addresses these conflicts of interest by disclosing them to you, and supervising account and program recommendations for compliance with its fiduciary duty to you.

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

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

These incentive programs create a conflict of interest and incentive for IARs to recommend these proprietary advisory programs (including the Program) to clients over third-party advisory programs and other types of accounts or services offered



by MMLIS. This conflict of interest applies to both the initial recommendation to open an Account in the Program and to make subsequent contributions to such Account. In addition, if an IAR is also a broker-dealer registered representative of MMLIS, this creates an incentive for the IAR to recommend advisory accounts and the programs noted above over brokerage accounts. MMLIS addresses these conflicts of interest by disclosing them to clients, and supervising account and program recommendations for compliance with its fiduciary duty to clients. In addition, this incentive program does not take into account how the assets in an advisory program are invested. The amount of an IAR's compensation is not based on what mutual funds or mutual fund share classes clients are invested in, or what percentage of a client's account is invested in cash or cash equivalents.

If an IAR's overall compensation will decrease as a result of the fee conversion described above under "*Fee Conversion*," MMLIS will take this into account when calculating the amount of the Advisory Fee that will be paid to the IAR. In addition, pursuant to this incentive program, certain IARs are paid almost all of the Advisory Fee.

MMLIS does not utilize an Administrative Assessment for the products and services it offers other than for the advisory programs for which MMLIS serves as the broker-dealer and are custodied with NFS. The Administrative Assessment creates an incentive for MMLIS to recommend these advisory programs (including the Programs) to clients over third-party advisory programs and other types of accounts or services offered by MMLIS.

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

The Firm does not charge clients in the Programs any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **ITEM 7. TYPES OF CLIENTS**

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

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

The minimum amount to open an Account under the FS Premier Program is \$25,000 unless waived by the Firm. The minimum amount to open an Account under the FS Program varies based on the selected Model. MMLIS cannot waive the minimum amount required by a Strategist. The lowest minimum amount to open an Account under the FS Program is \$10,000. Not all Models are available at this minimum, and some Models require higher minimums. Clients may make additional payments to their Account at any time subject to the above minimums. Clients may fund contributions to either Program with cash or securities. Accounts cannot be aggregated, even if they are beneficially owned by the same person or entity, for the purpose of meeting the minimum thresholds.

Individual Program Funds may have their own investment minimums in addition to those existing under the Programs. As a result, clients may not be able to purchase shares of a Program Fund if the amount to be invested in such Program Fund under the allocation recommended in the Proposal is less than the Program Fund minimum. Clients should speak to their IAR for a description of the Program Funds' investment minimums and with respect to Models, refer to the Strategist Brochure for each Strategist for more information.

Client's assets in the selected Program will not be managed until the Required Account Opening Amount is reached. In such situations, any cash will be placed in the cash sweep option until the asset value reaches the Required Account Opening Amount. Once the Required Account Opening Amount is reached, client assets will then be invested in accordance with client's selected Portfolio.

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



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

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

If a client owns shares of a Program Fund outside of the Programs and wants to transfer such shares into either Program, Envestnet will rebalance the client's Account in accordance with the client's initial investment style allocation mix, if necessary. This means that if all of the shares of the Program Fund cannot be transferred into the selected Program without causing the client's Account to be out of balance with the selected Portfolio, those shares that would cause the client's Account to be out of balance may be sold by Envestnet at its discretion. The proceeds of the sale will be used to purchase other Program Funds in accordance with the client's investment style allocations. Since transferring shares of a Program Fund held outside the Programs into either Program may trigger fund sales, such transfers may result in a taxable event in which capital gains or other taxes apply. Clients therefore should consult with a tax professional before initiating the transfer. Client further understands that if it seeks to transfer a Program Fund into the Account held in a share class not offered through the Programs, if possible, Envestnet will convert such shares into the appropriate share class available under the Program. Client understands that transferring shares of a Program Fund held outside the Programs into either Program may thus result in a taxable event to which capital gains or other taxes apply. The proceeds of the sale will be used to purchase other Program Funds in accordance with client's asset class and investment style allocations. Please see Item 5 for more information about transferring Program Funds held outside the Programs into a Program.

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

As indicated in Item 4, Envestnet is tasked with the responsibility for creating and maintaining the Portfolios, which includes screening for the inclusion or the removal of Program Funds for each Portfolio in the Fund Select Premier Program and for each Model it manages in the FS Program, as well as screening Strategists and Models for inclusion in the FS Program. In fulfilling this responsibility, Envestnet uses its proprietary due diligence and analytical methodologies to select Strategists and Models, and to create, monitor and maintain Portfolios and to monitor and maintain the Program Funds. Please refer to the Envestnet Brochure for further details. Notwithstanding the foregoing, the Firm has the right to reject any Strategist or Model recommended by Envestnet to be included in the FS Program.

Under the FS Program, the IAR assigned to the client's Account will assist the client in selecting the Model made available by Envestnet for the client's portfolio. The IAR may discuss with the client various factors, including but not limited to client preferences, fees charged by the Strategists, information on Strategists, including their performance, forwarded by Envestnet, and the account minimum requirements of Models when making a recommendation. MMLIS does not prepare, review, or verify the performance information provided by Envestnet. For historical information on the performance of third-party Strategists, Envestnet receives performance data from such Strategists and/or other sources such as reporting service providers, but does not independently verify such performance information. The client is ultimately responsible for deciding which Model to choose. When appropriate, IAR may also assist the client in determining whether the existing Model should be replaced. IAR may discuss some or all of the foregoing factors with the client in order to assist the client in making an appropriate decision.

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

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

Investing in securities, including Program Funds and Models, involves risk of loss that clients should be prepared to bear. Clients may experience loss in the value of their Account under either Program, including loss of principal, due to market fluctuation. There is no guarantee that a client's investment objectives will be achieved by participating in either Program. Clients should read carefully a copy of the current prospectus for each Program Fund selected under the Programs, and, in

addition to the Envestnet Brochure, the Strategist Brochure provided for any of the Strategists, prior to investing. The prospectus and each Strategist Brochure contain information regarding the fees, expenses, investment objectives, investment techniques and risks of the Program Funds and Models. The investment returns on a client Account will vary and there is no guarantee of positive results or protection against loss. No warranties or representations are made by the Firm concerning the benefits of investment in either Program. The Firm and its IARs do not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert. The following are certain material risks to which a client might be exposed in connection with the Programs:

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

*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.

*Asset Allocation Risk* – The risk that a Strategist’s or an investment adviser’s decisions regarding a Portfolio’s allocation to asset classes or underlying funds will not anticipate market trends successfully.

*Duration Risk* – Longer-term securities in which a Portfolio 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 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 Portfolio 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.

*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, a Portfolio's value may fluctuate and its liquidity may be impacted. Additionally, a mutual fund may experience increased redemptions from shareholders, which may impact the mutual fund's liquidity or force the mutual fund to sell securities into a declining or illiquid market.

*Investment Company Risk* – When a Portfolio 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 Portfolio may be subject to additional or different risks than if the Portfolio 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* – A Portfolio's strategy may underperform other segments of the markets or the markets as a whole.

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

*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.

*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 Strategists 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* – Although U.S. Government securities are considered to be among the safest investments, they 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.

## **ITEM 9. DISCIPLINARY INFORMATION**

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

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

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

MMLIS (and three other broker-dealers affiliated with MassMutual) entered into an AWC with FINRA for the resolution of a matter effective June 30, 2017. FINRA made findings that the Firm failed to maintain certain electronic books and records in a non-erasable and non-rewritable format known as the “Write Once, Read Many” (WORM) format that is intended to prevent the alteration or destruction of broker-dealer records stored electronically. The findings also stated that the Firm failed to (i)

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

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

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

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

MMLIS entered into an agreement and consent order ("Order") with the Massachusetts Securities Division for the resolution of a matter effective September 15, 2021. The Firm neither admitted, nor denied the allegations. The allegations stated that MMLIS employed three hundred four (304) individuals who transacted securities business in Massachusetts, sixty-three (63) individuals who supervised MMLIS agents transacting securities business in Massachusetts, and one hundred eleven (111)



agency supervisor officers who assisted in supervising agents while not registered as agents. In connection with the Order, MMLIS was censured and agreed to pay a fine of \$750,000. MMLIS was ordered to cease and desist from future violations of Massachusetts securities law and conduct a review of policies and procedures.

MMLIS entered into an AWC with FINRA for the resolution of a matter effective December 20, 2021. The Firm was censured and ordered to pay \$617,726.28, plus interest, in restitution to impacted customers. In resolving the matter, MMLIS provided substantial assistance to FINRA and, accordingly, no monetary sanction was imposed. The AWC stated that the Firm's systems and procedures for supervising representatives' 529 plan share class recommendations were not reasonably designed. The Firm allegedly failed to provide supervisors with adequate guidance and information necessary to evaluate the suitability of representatives' 529 plan share class recommendations, and also failed to provide guidance to representatives regarding the share class suitability factors specific to 529 plan investments when recommending 529 plans. In particular, supervisors approved numerous 529 C share transactions without having access to or considering beneficiary age, a relevant factor in evaluating the suitability of 529 share-class recommendations. Moreover, the Firm did not conduct training for representatives regarding 529 plan share classes or otherwise provide guidance with respect to the relevant suitability factors when recommending a particular 529 plan share class. The AWC also stated that the Firm failed to reasonably supervise mutual fund and 529 plan transactions for available breakpoints. The Firm's supervisory system was not reasonably designed to identify and apply all available breakpoint discounts. The Firm required its registered representatives to complete a breakpoint worksheet for Class A share purchases in mutual funds of 529 plans to identify available breakpoint discounts, but did not require breakpoint worksheets for direct or automatic contribution transactions made subsequent to an initial investment. The Firm relied on an exception report to identify missed mutual fund and 529 plan breakpoints. However, the exception report only captured transactions of \$500 or more. As a result, the AWC stated the Firm failed to have a system reasonably designed to aggregate for breakpoint purposes, customers' contributions to mutual funds and 529 plans if those contributions were in amounts less than \$500.

MMLIS entered into an agreement and consent order ("Order") with the Massachusetts Securities Division for the resolution of a matter effective August 16, 2022. The Firm neither admitted, nor denied the allegations and MMLIS was ordered to cease and desist from future violations of Massachusetts securities law. The allegations stated that MMLIS failed to: (1) reasonably supervise a representative's variable annuity sales practices, (2) ensure that its representative properly informed clients of the general terms of variable annuities recommended, and (3) ensure that its representative properly disclosed commissions received in connection with clients' purchases of variable annuities and their premium payments. In connection with the Order, MMLIS was censured and the Firm agreed to: (1) pay a fine of \$250,000, (2) make certain remediation payments to clients, and (3) conduct a review of related policies and procedures.

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

### ***Broker Dealer Registration***

The Firm is registered with the SEC as an investment adviser and a broker-dealer and certain of its principal officers are registered as IARs and/or registered representatives ("RRs") of the Firm. In its capacity as a broker-dealer, the Firm sells variable insurance products and general securities, including, but not limited to, stocks, bonds, municipal and government securities, and mutual funds to the public. The insurance products available through the Firm include products issued by 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 IARs, provides a broad range of securities brokerage services which may include clients who participate in the FS or FS Premier 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. The Firm also serves as the broker-dealer for client Accounts under the Programs. If available, the Firm, as a broker-dealer, receives asset-based distribution or servicing fees (in the form of so-called "12b-1 fees" or otherwise) from certain Program Funds for providing distribution and/or administrative services to Program Funds. Please see Item 5 for a detailed discussion of the Firm's receipt of 12b-1 fees. 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.

Certain associates of the Firm ("Investment Specialists") receive compensation from the Firm to provide sales support to IARs. The compensation may be based on criteria related to new Accounts or subsequent contributions to Program Accounts for which they may have provided sales support. Clients should be aware that Investment Specialists may have an incentive to favor the presentation of the Programs to IARs for their review as potential products to discuss with their clients over products for which they do not receive compensation.



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

### ***Financial Industry Affiliations***

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

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

MML Investment 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 of interest by disclosing it to clients. In addition, MMLIS generally relies on third parties to provide the underlying analysis to determine whether a mutual fund is eligible to be recommended in an advisory program.

For the FS Premier Program, Affiliated Funds are ineligible for qualified plan accounts and IRAs.

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

MassMutual, directly and/or through one or more of its affiliates, owns common shares (approximately 17% of outstanding common shares) and preference shares of, and has certain shareholder rights with respect to, Invesco Ltd. ("Invesco") as a result of the sale of MassMutual's formerly affiliated asset management business, OppenheimerFunds, to Invesco. MMLIS, in its broker-dealer or investment adviser capacity, may recommend that a client invest in an investment product advised and/or distributed by one or more Invesco entities. MMLIS addresses this conflict of interest by disclosing it to clients. In addition, MMLIS generally relies on third parties to provide the underlying analysis to determine whether a mutual fund is eligible to be recommended in an advisory program. Investment products advised and/or distributed by one or more Invesco entities may be available as underlying investments in a model. This conflict of interest is mitigated because neither MMLIS nor the IARs select the investments within a model.

Barings also issues alternative investments. MMLIS, in its broker-dealer or investment adviser capacity, may recommend that a client invest in an alternative investment issued by Barings. MMLIS addresses this conflict of interest by disclosing it to clients and supervising recommendations relating to alternative investments in compliance with its fiduciary duty to you.

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.

MassMutual Trust Company is a wholly owned subsidiary of MassMutual. MMLIS has entered into a solicitor's agreement with MassMutual Trust Company whereby MMLIS and MMLIS IARs receive compensation for referring clients to MassMutual Trust Company for trust related services. In addition, assets managed by MassMutual Trust Company that are

attributable to an IAR or an IAR's team are included in the calculation that determines whether an IAR qualifies to receive a higher percentage of the IA-Rep Fee and overall compensation. The referral fee and these incentive programs create a conflict of interest and an incentive for IARs to refer clients to MassMutual Trust Company over other companies that provide trust related services. MMLIS addresses these conflicts of interest by disclosing them to you, and supervising referrals for compliance with its fiduciary duty to you.

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

### **Relationship with NFS**

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

MMLIS receives revenue sharing payments from NFS for investments in mutual fund shares in NFS's NTF, iNTF and TF programs. MMLIS will not credit the client's Account for any revenue share payments the Firm receives in connection with that Account. If available, the Firm, as a broker-dealer, also earns 12b-1 fees from certain mutual funds for providing distribution and/or administrative services to mutual funds. In addition, the fee MMLIS pays to NFS is based on the aggregate assets clients invest in advisory accounts, excluding any investments in NTF 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 net new assets that MMLIS customers custodied with NFS over the previous year (including the assets in the Programs) and maintaining a certain amount of accounts and assets that MMLIS customers custody with NFS (including the accounts and assets in the Programs). Therefore, MMLIS has an incentive to recommend products and services that will lead to more assets being custodied with NFS, including the Programs, over products and services that are custodied with other custodians. These credits are paid directly to the Firm and are not shared with IARs.

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

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

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

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

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

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

#### **Relationship with Envestnet**

In addition to the advisory business relationship between Envestnet and the Firm as described in Item 4 above, MMLIS has entered into other agreements with Envestnet and Envestnet affiliated investment advisers to offer other advisory programs. Please contact MMLIS or your IAR for additional information about such programs. Furthermore, Envestnet and, if applicable, its affiliates and subsidiaries, from time to time pay fees to attend Firm sponsored sales and/or training conferences. In 2022, Envestnet paid \$75,000 in such fees to the Firm and the Firm expects to receive a similar payment in 2023. Representatives from Envestnet and, if applicable, its affiliates and subsidiaries, generally network with and provide training to IARs and the Firm's personnel at these conferences. The fees received by the Firm are generally used to offset expenses associated with hosting conferences and other expenses, and are not paid directly to IARs. While IARs do not receive a portion of these fees, IARs may be more likely to recommend the Programs, 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 IARs receive on such services and products.

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

As previously discussed, MMLIS utilizes compensation schedules to calculate the overall compensation paid to IARs for their work associated with the Programs and other offerings at MMLIS. MMLIS also has an incentive program where an IAR will receive a larger portion of the Advisory Fee based on total client assets attributable to that IAR or the IAR's team. For these purposes, the total client assets include assets across the advisory programs for which MMLIS serves as the broker-dealer and are custodied with NFS (including the Programs). This incentive program creates a conflict of interest and an incentive for IARs to recommend these proprietary programs (including the Programs) to clients over other types of accounts or services offered by MMLIS. This conflict of interest applies to both the initial recommendation to open an Account in a Program and to make subsequent contributions to such Account. Also, if an IAR is also a broker-dealer registered representative of MMLIS, this creates an incentive for the IAR to recommend advisory accounts and the programs noted above over brokerage accounts. The Firm addresses these conflicts of interest by disclosing them to clients, and supervising account and program recommendations for compliance with its fiduciary duty to clients. In addition, this incentive program does not take into account how the assets in an advisory program are invested. The amount of an IAR's compensation is not based on what mutual funds or mutual fund share classes clients are invested in, or what percentage of a client's account is invested in cash or cash equivalents.

Certain Strategists under the FS Program are also Conference Partners or Strategic Partners of the Firm. Please see Item 14 for a discussion of the Firm's Conference Partner and Strategic Partner Programs. Pursuant to these programs, the Firm receives compensation from those firms that are Conference and Strategic Partners. Therefore, the Firm may have an indirect financial incentive to include such Conference and Strategic Partners as Strategists under the FS Program. Please note that neither MMLIS nor its IARs have discretionary authority under the FS Program to select Strategists.

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

MMLIS has adopted an Investment Adviser Code of Ethics ("Code") for certain persons of the Firm in compliance with Rule 204A-1 under the Investment Advisers Act of 1940. This Code establishes required standards of business conduct, as well as

policies and procedures that are reasonably necessary to detect and prevent personal trading activities that are or might be an abuse of fiduciary duties or create conflicts of interest.

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

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

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

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

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

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

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

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

The Firm or an IAR may recommend that a client invest in mutual funds advised or distributed by an affiliate. Please refer to Item 9.b. for additional information.

## **ITEM 12. BROKERAGE PRACTICES**

In order to effectuate trades under a Program, client will need to establish a brokerage account through the Firm with NFS which will act as clearing firm and custodian for client's assets under the Program. Accordingly, it is expected that all trading activity in connection with the Program will be effected through this brokerage account with the Program Custodian unless Envestnet (or a Strategist, where applicable) can seek best execution elsewhere as described below and in the Envestnet Brochure (or the Strategist Brochure for an applicable Strategist). Program Custodian will act in the capacity as a clearing firm

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

Directing Envestnet to place trades through the Firm may result in certain costs or disadvantages to client, either because client may pay higher commissions or other costs on some transactions than might otherwise be attainable by Envestnet, or may receive less favorable execution on some transactions, or both. Not all advisers require their clients to direct brokerage transactions. If Envestnet (or a Strategist, where applicable) reasonably believes in good faith, and consistent with applicable fiduciary standards, that a 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, client will be subject to transaction costs and fees that are in addition to the Program Fee. These additional costs are reflected in the net purchase or sale price shown on the trade confirmation clients receive for the particular trade but are not disclosed separately in the trade confirmation. Please see the Envestnet Brochure (or the Strategist Brochure, where applicable) for information on how trades are sent or directed to the Custodian or other broker-dealers. Clients should also review MMLIS's Step-Out Trading Disclosure which includes additional information and a list of the Strategists that engage in step-out trading (available at <https://fieldnet.massmutual.com/public/mmlisi/pdfs/step-out-trade-disclosure.pdf>).

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

The Firm attempts to effect transactions correctly and resolve any trade errors promptly and fairly. Should a trade error occur as a result of the Firm's handling of transactions for the Account, and the error correction results in a gain, the gain will be kept by the Firm. Gains that are captured due to trade errors are placed in the Firm's general account and may be used at the Firm's discretion, including to cover losses incurred by other clients for trade errors to the extent permitted by applicable law. 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 loss will not be charged to the client. In addition, clients will not bear any costs associated with the correction of an error.

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

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

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

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

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

#### **Services Provided by Envestnet**

Under both Programs, Envestnet has certain responsibilities. Envestnet's execution of its responsibilities, including the monitoring and potential replacement of Models and Strategists, may have a significant impact on the composition and performance of the Portfolios as well as important tax consequences. Client should carefully consider the potential tax implications of the transactions effected by Envestnet described below, and consult a qualified, independent tax professional for advice. Please refer to the Envestnet Brochure for more details.

Envestnet has the authority to make trades in client's account as necessary to fulfill its obligations under either Program. This includes the authority to make appropriate mutual fund or ETF (or Model, in the FS Program) replacements and Portfolio changes as described below. The client will be notified of such changes through confirmations and Account statements from the Program Custodian. The client does not have the ability to opt out of this aspect of the Programs.



#### *Program Fund/Model/Strategist Replacement*

Envestnet may, in its discretion, remove a Program Fund from the Fund Select Premier Program, or from a Model that it manages in the FS Program, if such Program Fund fails to meet its screening and monitoring criteria and replace it with another Program Fund. Envestnet may also, in its discretion, remove a Model or Strategist from the FS Program, if such Model or Strategist fails to meet its screening and monitoring criteria, and replace it with another Model and/or Strategist. In such circumstances, under both Programs, Envestnet may automatically transfer the assets from the old mutual fund, ETF or Model into the new replacement mutual fund, ETF or Model selected by Envestnet. The foregoing replacement process will be subject to the usual and customary settlement procedures governing mutual funds and ETFs and may have adverse tax consequences. As noted above, Envestnet's fund selection criteria does not apply to the cash sweep option, or to Program Funds included in a third-party Strategist's Model. Client does not have the ability to opt out of this Program feature and will be notified of such changes through confirmations and Account statements from the Program Custodian.

Please see the Envestnet Brochure for additional information regarding Envestnet's screening, monitoring and replacement processes. Clients should also be aware that Models provided by Envestnet are available for the client to select under the FS Program. Please review the Envestnet Brochure for Envestnet's disclosure of any conflicts of interest that may apply.

#### *Portfolio Changes*

As part of its ongoing review and monitoring of Portfolios, certain financial and economic events may prompt Envestnet to change the recommended asset allocations comprising a given Portfolio. If Envestnet deems it advisable, it may in its sole discretion, adjust the recommended asset class percentages forming a Portfolio. For both Programs, such a change may result in automatic adjustments to the investment style and Program Fund allocations in a client's Account. There may be tax consequences when there is an adjustment to the Program Funds in a client's Account.

#### *Account Rebalancing*

The FS Premier Program contains a feature under which Envestnet reviews Accounts on at least an annual basis to determine if rebalancing should occur. If the value of the Program Funds in a client's Account results in the client's Account deviating from such Account's Investment Objective, then the client's Account will be rebalanced to align the Account with its Investment Objective. Envestnet will purchase additional shares of certain Program Funds and sell shares of other Program Funds in order to achieve this objective. Redemptions and exchanges resulting from rebalancing a client's Account may have tax consequences. For the FS Program, the applicable Strategist is responsible for any rebalancing.

#### *Cash Allocation*

The Portfolios are designed to maintain a minimum cash allocation to facilitate administration of the investment portfolio, including, but not limited to, trading and fee collection. There may be instances when the cash allocation temporarily exceeds the target due to standard operational processing, such as the changing of Investment Options, processing of client contributions or withdrawals, or during the initial investment of a client Account. If the amount of a client's cash investment style varies beyond 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 and any applicable Strategist has the right to invest cash into other positions in the allocation to resolve for drift in cash investment style. In addition, each Strategist has its own cash allocation target that it may adjust at any time. Please see the Strategist Brochure for each applicable Strategist for additional information.

These rebalancing and cash reallocation features are the responsibility of Envestnet and any applicable Strategist.

For the FS Premier Program, if a client has granted discretion to client's IAR, the IAR may change the cash allocation target for client's Account up to 10% of the amount of assets in client's Account so long as such change is consistent with the Investment Objective assigned to client's Account. If a client has not granted discretion to client's IAR, the cash allocation target for client's Account cannot be changed without client's approval. Regardless of whether a client has granted discretion to client's IAR, the IAR cannot change the cash allocation target for client's Account if such change would be inconsistent with the Investment Objective assigned to client's Account. A client may agree to change the cash allocation target for client's Account to a new cash allocation target between 2% and 10%.

#### *Performance Reports*

NFS will send client statements of all activity in clients' brokerage accounts on no less than a quarterly basis, and 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 IAR immediately upon discovery of any errors, discrepancies or irregularities.



Clients should contact their IARs to discuss the various performance reporting options that are available.

IARs are available to discuss performance reports, Account allocations, Account performance or any other matter relating to the selected Program.

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

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

MMLIS has a Strategic Partner Program with certain investment companies (“Strategic Partners”) that offer mutual funds and/or ETFs that are (a) available Investment Options in the FSP Program and/or (b) underlying investments in a Model available in the FS Program. Certain Strategic Partners may also be Strategists. 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 2022, the following investment companies made cash payments to MMLIS to participate as a Strategic Partner: American Funds, BlackRock, Brinker Capital, Invesco, Fidelity, and BNY Mellon, in order of largest contribution to smallest contribution. American Funds paid more than \$4 million, BlackRock and Brinker Capital each paid more than \$1.4 million, and Invesco, BNY Mellon and Fidelity each paid less than \$1 million. These Strategic Partners are expected to make similar payments in 2023.

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

Strategic Partners make payments to MMLIS based on one, or a combination, of the following: 1) a percentage of initial and/or additional investment 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, and/or 5) 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 (a) available Investment Options in the FSP Program and/or (b) underlying investments in a Model. Certain Strategists 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 2022, 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): City National Rochdale, Morningstar, American Century, Donoghue Forlines, Franklin Templeton, LMCG, Northern Trust Asset Management, PIMCO, Russell Investments, SEI, Symmetry, Vanguard and Frontier Asset Management. The amount of payments from these Conference Partners ranged from \$25,000 to \$75,000. Each payment was used to offset some of the expenses of the applicable conference or training meeting. These Conference Partners are expected to make payments ranging from \$75,000 to \$200,000 in 2023 due to the return of in-person conferences. MMLIS also receives access to free educational

services from Northern Trust Asset Management beginning as a result of reaching a certain threshold of assets under management by Northern Trust Asset Management belonging to MMLIS clients.

We expect JPMorgan to participate in the Partnership Program in 2023.

MMLIS has other marketing support arrangements similar to but separate from the Strategic Partner Program described above. In 2022, MMLIS received between \$30,000 and \$500,000 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 2023.

MMLIS also received an annual conference credit of \$150,000 from NFS and expects to receive a similar payment in 2022.

MMLIS also has similar strategic partner and conference partner programs with the following variable annuity issuers, in order of largest contribution to smallest contribution: Brighthouse, Jackson National, Lincoln Financial, Equitable, Prudential, Allianz, Corebridge Financial (formerly known as AIG), Nationwide, Pacific Life, and Transamerica. In 2022, each of Brighthouse, Jackson National, Lincoln Financial and Equitable paid more than \$1 million to MMLIS in connection with these strategic partner and conference partner programs. These variable annuity issuers are expected to make similar or larger payments in 2023. While these strategic partner and conference partner programs are unrelated to MMLIS's investment advisory business, some of the variable annuity issuers offer mutual funds and/or ETFs that are (a) available investment options in the Programs and/or (b) underlying investments in a Model. Certain of the variable annuity issuers or their affiliates could become Strategists.

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, Conference Partners and other participating companies over mutual funds offered by entities that do not make marketing support payments to MMLIS, and to recommend the Strategic Partners, Conference Partners and other participating companies over Strategists 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, Conference Partners and other participating companies, and the basis on which the payments are calculated differs among certain of the Strategic Partners, Conference Partners and other participating companies. Therefore, MMLIS has a financial incentive to favor those Strategic Partners, Conference Partners and other participating companies whose payment structure would result in the most compensation for MMLIS. We address these conflicts 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 mutual funds or Models 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, Conference Partner's and other participating companies' products and services with the Firm's RRs and IARs. Therefore, these payments create an incentive, and lead to a greater likelihood, for the Firm or its IARs to recommend (or select on a client's behalf if the IAR has discretionary authority) a mutual fund of a Strategic Partner or Conference Partner (or other participating company) over the mutual fund of another entity, or a Strategist who is a Strategic Partner or a Conference Partner (or other participating company) over other Strategists. These payments are in addition to the fees received by the Firm under the Programs 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 IARs receive other forms of compensation from mutual fund companies that may issue Program Funds. Such mutual fund companies may sponsor their own conferences for training and educational purposes, which certain of the Firm's IARs are invited to attend. In addition to the Firm's IARs attending these conferences without charge, these mutual fund companies may also reimburse or pay for the travel and other related expenses incurred by the Firm's IARs or reimburse a Firm's branch office for expenses related to dinners or events for clients and other miscellaneous business-related expenses incurred by IARs. Some mutual fund companies and Sub-Managers provide free investment tools to IARs.

These conferences and the reimbursements create an incentive for the Firm and the IARs to 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 IARs.

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. Clients who are introduced to the Firm through a Solicitor will be provided with 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 directly charged to referred clients, but depending on the circumstances, the existence of such marketing or referral arrangements may affect the Program Fee paid by clients or the Firm's or IAR's willingness to negotiate Fee reductions in particular instances.

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

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

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

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

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

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

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

Therefore, your IAR has an incentive to offer you the programs referenced in this Firm Brochure in order to meet these requirements and qualify for these benefits and services, and to recommend that you increase the amount you have invested in such programs. Additionally, your IAR's manager is compensated by the Firm and its affiliates generally based on overall sales goals, including those that include the Programs referenced in this Firm Brochure, achieved by the IARs whom they supervise and may qualify for additional compensation based on non-sales related factors as set by the Firm and/or its affiliates from time to time. Other incentives based on the amount of assets invested in NFS Custodied programs apply to certain managers. Generally, the manager's compensation is aligned with that of your IAR, as noted above. MMLIS addresses these conflicts of interest by disclosing them to clients, and supervising account and program recommendations for compliance with its fiduciary duty to clients.

#### *MMLIS Sweep Program*

MMLIS provides "cash sweep" programs (each a "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 Sweep Program each business day. In certain circumstances, including periods of volatile or uncertain market conditions, any such Sweep Program 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 Sweep Program for client's Account. Please review the Program Agreement, as well as other account opening documents or if applicable, communications provided by the Firm, for information about the Sweep Program utilized for your account. The Firm provides two primary Sweep Programs for accounts in the Fund Select and Fund Select Premier Programs, the Advantage Cash Sweep Program ("ACS") and the Insight Cash Sweep Program ("ICS"). For the Fund Select and Fund Select Premier Programs, all non-retirement accounts utilize the ACS program and all individual retirement accounts (IRAs) utilized the ICS program. Accounts that are ineligible for the ACS or ICS programs will utilize a money market fund designated by the Firm as the sweep option for Client's Account. Clients utilizing a money market fund sweep option should review the fund prospectus provided for more information.

Please review the Disclosure Documents for the ACS and ICS programs provided to you for more information about how these Sweep Programs work, including limitations, restrictions, how changes are implemented and additional discussion of conflicts.

For current interest rates (and fees) for the ACS and ICS programs, please contact your MMLIS IA-Rep or go to the following URL: <https://fieldnet.massmutual.com/public/mmlisi/pdfs/bdsp-elig-reg-types.pdf>. For a copy of the Disclosure Documents for the ACS and ICS programs, please contact your IA-Rep or go to the following URL: <https://www.massmutual.com/investment/mmlinvestors/>.



MMLIS receives important and significant compensation and benefits from client use of the ACS and ICS programs. The compensation we receive from these sweep programs is in addition to the advisory fees that you pay (described further below under Item 5). This means that the Firm earns two layers of fees on the same cash balances in your Account with MMLIS. The ACS and ICS programs are multi-bank programs under which client funds not otherwise invested (e.g., cash balances) are swept into deposit accounts held at one or more participating FDIC-insured banks (and in some cases, into shares of a money market fund). Clients earn interest on such deposits (and dividends on investments in a money market fund, where applicable). The ACS and ICS programs are made available and administered by NFS and a designated administrator ("Administrator"), which both also earn fees in connection with record keeping and other services provided for the ACS and ICS programs. Fees for the ACS and ICS programs will typically exceed the interest paid on client deposits. If NFS did not earn fees in connection with the ACS and ICS programs, NFS would likely charge us higher fees for providing their clearing services.

Under the ACS and ICS programs, NFS or the Administrator generally contracts with participating banks to make specific amounts of deposit capacities available at certain all-in funding rates, which are typically tied or related to the Federal Funds Rate (or a similar type of metric, composite, index, etc.). Client interest as well as ACS and ICS program fees (i.e., the compensation received by MMLIS, NFS and the Administrator) are paid from the bank's all-in funding rates. All-in funding rates (generally a percentage applied to average daily program deposits at the bank), may be fixed, variable, subject to capacity and other requirements or a combination thereof. Capacity levels may be subject to minimums and maximums. Contract terms with each participating bank are unique and are expected to change over time. Accordingly, at any given time, participating banks will generally be paying different all-in funding rates notwithstanding interest earned by clients on their sweep deposits will not vary regardless of where their funds are actually swept. Moreover, changes in the Federal Funds Rate (or other applicable factor) will not immediately affect all-in funding rates paid or interest rates offered under the ACS and ICS programs.

The Firm sets its compensation based on grids and formulas provided by NFS and/or the Administrator, but MMLIS is solely responsible for establishing its compensation levels under ACS and ICS programs. Thus, the higher the compensation received by MMLIS, NFS and the Administrator, the less available to pay client interest. The Firm will set its compensation levels for the ACS and ICS programs based on prevailing economic and business conditions, which are subject to change at any time. It is expected that the vast majority of the all-in funding rates paid by the banks will be paid to MMLIS, NFS and the Administrator. The Firm expects its compensation for the ACS and ICS programs will generally range from 60-85% of the Targeted Federal Funds rate on ACS and ICS program deposits, and vary by the amount of uninvested funds or cash included in the ACS and ICS programs. Accordingly, the interest rate clients receive on ACS and ICS program deposits will be lower than the all-in funding rates paid by the banks under these programs and will likely be lower than the rate of return on (i) other investment vehicles that are not FDIC-insured, such as money market mutual funds and (ii) on bank deposits offered outside of the ACS and ICS programs. MMLIS may change its compensation levels for the ACS and ICS programs and any such reductions or increases may vary between clients.

The more client deposits held in ACS program and the longer such deposits are held, the greater the compensation MMLIS, NFS and the Administrator receive. Different banks participating in the ACS program pay different all-in funding rates (and are subject to different contractual requirements), creating an incentive for the Administrator to direct ACS program deposits to banks (through how the ACS program bank priority list(s) are designed or changed from time to time) that result in the Firm receiving greater compensation. Both MMLIS and NFS receive more compensation with respect to amounts in the ACS and ICS programs than with respect to other sweep products. The fees MMLIS receives in connection with ACS and ICS programs create a conflict of interest and incentive for the Firm to offer and designate these programs as the cash sweep option for client accounts. In addition, the fees MMLIS receives in connection with the ACS and ICS program creates a conflict of interest and incentive for the Firm and your IA-Rep to recommend you maintain or maintain (if your IA-Rep has discretion), and/or increase cash balances in your Account, as cash balances in your Account increase compensation to MMLIS under the ACS and ICS programs. The ACS and ICS programs are the only sweep options available for accounts in the Fund Select and Fund Select Premier programs, unless such accounts are ineligible for the ACS or ICS programs.

Banks in the ACS and ICS programs do not have a duty to provide MMLIS clients with the highest interest rates available and will instead seek to pay a lower rate, and a rate that is lower than other options available in the market, including money market mutual funds. Banks have the financial incentive to pay all-in funding rates as low as the market will permit. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market

mutual fund rates. By comparison, a money market fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the fund's investment objective, which can be found in the fund's prospectus.



NFS also receives an economic benefit for shares held in the “Money Market Mutual Fund Overflow” as further described in the ACS and ICS Disclosure Documents. The fee paid to NFS is for record keeping and other services with respect to amounts invested in the program. MMLIS may receive indirect benefit from investment in the Money Market Mutual Fund Overflow in the form of better contractual terms with NFS or increases to revenue sharing, credits or other payments from NFS described in this brochure.

Given the conflicts discussed above, each client should consider the importance of ACS and ICS programs to MMLIS when evaluating our total fees and compensation, and deciding whether to open an account with MMLIS and/or the Fund Select and Fund Select Premier Programs. MMLIS mitigates these conflicts by disclosing them to you, such as in this brochure, and by not sharing the revenue generated from these sweep programs with MMLIS IA-Reps. For more information about this service and benefits that the Firm receives in connection with such deposits, please refer to the ACS and ICS Disclosure Documents, which you can request from your IA-Rep.

In low interest rate environments, ACS and ICS program fees can exceed the interest paid on client deposits in these programs. Please review the Disclosure Documents for the ACS and ICS programs regarding low interest rate environment scenarios.

#### *Legacy Bank Sweep Program*

For certain non-retirement accounts opened between February 1, 2023 and April 30, 2023, clients may have selected by the Firm’s legacy bank deposit sweep program (“Legacy BDSP”) as the cash sweep option for client’s account. MMLIS earns fees from NFS on funds invested in the Legacy BDSP. MMLIS receives a higher amount in fees than client on funds invested in the bank sweep arrangement. In addition, as interest rates rise, the payment to the Firm receives from NFS increases. As a result, MMLIS has an incentive for clients to select the bank sweep arrangement Legacy BDSP as a cash sweep option. MMLIS mitigates this conflict by disclosing it in this brochure and by not sharing any fees received from the Legacy BDSP with its IA-Reps. In addition, IA-Reps do not receive any more or less compensation based on what cash sweep option is selected by a client. Clients should review the Legacy BDSP Disclosure Document for more information regarding the Legacy BDSP.

NFS and the financial institutions that participate in the Legacy BDSP also earn fees in connection with the offering and/or administering the arrangement. MMLIS is not affiliated with NFS or any of the banks participating in the Legacy BDSP. MMLIS and its affiliates may offer and provide products and services to NFS, such participating banks and each of their employees, officers, directors, agents and independent contractors in MMLIS’s normal course of business.

#### *Incentives Relating to Electronic Delivery*

When the number of MMLIS accounts that are custodied at NFS reach certain thresholds of adoption of electronic delivery of statements and confirmations, the percentage used to calculate MMLIS’s fee to NFS decreases. In addition, NFS charges MMLIS a fee for every account that receives statements and confirmations by U.S. mail. These economic arrangements create an incentive for MMLIS to encourage clients to adopt electronic delivery (by charging fees for paper delivery, for example).

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

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

Except for quarterly performance reports delivered electronically to advisory account clients, MMLIS charges its Registered Representatives a fee for providing quarterly performance reports to clients. This creates an incentive for MMLIS’s Registered Representatives to recommend clients transition brokerage accounts to advisory accounts.

The Firm wants its clients to make an informed decision when they purchase products or receive services from a Firm’s RR or IAR. Therefore, the Firm is disclosing material arrangements and any potential conflicts of interest that clients may find informative when making their decisions. In addition to providing disclosures to its clients, the Firm, on an ongoing basis, supervises and communicates and/or trains its RRs and IARs on its policies and procedures regarding conflicts of interest. Furthermore, when an RR or an IAR makes a product or program recommendation to a client, the Firm reviews whether the

recommendation is suitable for the client against any financial information provided by the client, such as the client's investment objectives, risk tolerance and time horizon. 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.

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

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

MMLIS and IARs have a conflict of interest and incentive to recommend IRA rollovers from a 401(k) or other employer-sponsored retirement account in order to earn compensation on investment recommendations for the IRA account. Fees and costs for investments acquired for an IRA account (including the 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.

### **ITEM 15. CUSTODY**

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

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

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

### **ITEM 16. INVESTMENT DISCRETION**

Except for the selection of the cash sweep option (in its capacity as broker-dealer) as described in Item 4 of this Firm Brochure, the Firm and its IARs do not have investment discretion under the FS Program. However, under the FS Premier Program, a client may elect to grant the Firm, through its IAR, discretionary authority. This discretionary authority permits the IAR to make adjustments to the Account's asset allocation or change Program Funds held in client's Account without obtaining client's prior approval, so long as such changes are consistent with the Account's Investment Objective. Any such authority will be provided in the SIS. Clients should understand that these adjustments can cause the Program Fee to increase or decrease. As described in Item 13 of this Firm Brochure and in the Envestnet Brochure, Envestnet has investment discretion over the assets in client's Account under the circumstances described therein.

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

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

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

Except with respect to voluntary corporate action notices, the client expressly retains all responsibility for responding to proxies, consents, waivers and other documents with respect to any securities held in a client's Account, which may be received from NFS or the issuer's corporate communications service provider. Provided that Envestnet timely receives

voluntary corporate action notices, Envestnet will determine on behalf of the client whether 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.

#### **ITEM 18. FINANCIAL INFORMATION**

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

## **Important Notices to Clients**

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

### **PRIVACY POLICY**

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

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

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

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

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

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

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

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

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

**Important Privacy Choices**

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

- Call us at 1-855-520-7715

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

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

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

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

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