

**Momentum Independent Network Inc.**  
**Client Disclosure Brochure**  
*Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure*

Momentum Independent Network Inc.  
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March 31, 2023

This Client Disclosure Brochure provides information about the qualifications and business practices of Momentum Independent Network Inc. and the Managed Account Programs. This information should be considered before becoming a client of one of these programs.

This Form ADV Disclosure Brochure applies to all wrap fee program advisory accounts offered by Momentum Independent Network Inc. including all current and future advisory accounts. Momentum Independent Network, Inc. will not provide the client an additional copy of the Form ADV Disclosure Brochure when a new advisory account is established unless there are material changes to the document previously provided. Annually a copy of the updated Form ADV Disclosure Brochure or a summary of material changes from the brochure will be provided to the client.

Please retain all these documents for future reference as they contain important information if a client decides to add services or open new advisory accounts with our Firm.

This information should be considered before becoming a client. If there are any questions about the contents of this brochure, please contact MIN at 888-658-9165 or 214-859-9165, [clientpartners@hilltopsecurities.com](mailto:clientpartners@hilltopsecurities.com), or by contacting the Investment Advisor Representative.

This information has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Momentum Independent Network Inc. is available on the Securities and Exchange Commission's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). A search on this website by the Momentum Independent Network Inc. unique identifying number, known as an IA number. The IA number for Momentum Independent Network Inc. is 801-60812. Registration does not imply a certain level of skill or training.

## Summary of Material Changes

*Updated March 31, 2023*

This Brochure has been updated with the following material Changes that have occurred since the last Client Disclosure Brochure update on March 31, 2022.

### **Bank Insured Deposit Changes**

Effective March 6, 2023, MIN implemented certain changes to the cash sweep program. Specifically, MIN no longer offers money market mutual funds (“MMMFs”) as a sweep option for excess cash held in customer accounts, and instead only offers customers the option of sweeping excess cash to an interest earning bank deposit account insured by the Federal Deposit Insurance Corporation (also known as the Bank Insured Deposit Program, or “BID” Program).

### **Program Additions**

Effective third quarter of 2022, MIN began offering the Explorer Program.

Effective fourth quarter of 2022, MIN began offering the Partner Third Party Custodian (TPC) program

**A copy of the current Client Disclosure Brochure is available at any time, without charge, by calling Momentum Independent Network Inc. at 888-658-9165 or 214-859-9165 or by emailing [clientpartners@hilltopsecurities.com](mailto:clientpartners@hilltopsecurities.com). A copy of the most current disclosure brochure may also be obtained by going to the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

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## **Advisory Business**

Momentum Independent Network Inc. a Texas corporation ("MIN"), is a full-service broker-dealer and registered investment adviser, serving the investment and capital needs of individual, corporate and institutional clients, as well as qualified accounts ("client" or "clients"). MIN is a wholly owned subsidiary of Hilltop Securities Holdings LLC, a Delaware limited liability company.

MIN, as a full-service broker-dealer, provides brokerage, and execution services to its clients. It is registered with the United States Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). MIN is also an investment adviser registered with the SEC pursuant to the Investment Advisers Act of 1940. As an Investment Adviser, MIN completes a Form ADV which contains additional information about its business and affiliates. The Form ADV and additional information is available through public filings with the SEC at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

In comparing account types and managed account programs ("Programs") and their relative costs, the client should consider various factors, including but not limited to, the range of investment products available in each Program, preference for an advisory or brokerage relationship, and preference for fee-based or commission-based relationship.

Each MIN managed account is assigned to an Investment Adviser Representative ("IAR"). Any IAR of MIN who provides investment advice for a fee is required to meet the appropriate states' regulatory requirements which may include an administered exam or an approved designation in lieu of an exam.

A number of the advisory programs available to clients of MIN are sponsored by Hilltop Securities Inc., ("HTS" or "Sponsor"), an affiliate of MIN. Registration of an Investment Adviser does not indicate a higher level of skill or training.

As of December 31, 2022, MIN has \$824,546,759 assets under management, \$163,615,302 on a discretionary basis and \$660,931,457 on a non-discretionary basis.

## **Services, Fees and Compensation**

MIN makes a number of Programs available to help clients meet their investment objectives and goals. The accounts managed by MIN are generally not intended to provide the client with a complete investment program, and MIN expects that the assets it manages do not represent the entire value of their investment portfolio. The service begins with a consultation between the client and their IAR to review the client's investment objectives, financial circumstances, and risk tolerance. The client will complete a Risk Tolerance Questionnaire ("RTQ") to document the results of this assessment. After reviewing the results of the RTQ, the IAR will recommend a specific advisory program. By reviewing the RTQ and recommending a specific advisory platform, the IAR seeks to appropriately balance the client's financial objectives with the appropriate risk tolerance as part of an investment strategy. The client agrees to immediately notify their IAR of any changes in their financial situation, risk tolerance, or investment objectives. In some cases, Program costs, Program fees, or commissions charged are higher than those otherwise available if the client selects separate brokerage services and negotiated commissions in the absence of the extra advisory services available.

The fee schedules of MIN are subject to negotiation, depending upon a range of factors including, but not limited to, total account values ("Account Values") and overall range of services provided.

Services provided as part of the wrap fee for advisory accounts include, but not limited to:

- Access to an IAR for personal service and financial advice
- A suitability review based on client provided information in advisory agreements, new account forms, and client interviews
- Portfolio management services
- Quarterly and/or monthly account statements
- Performance reports available on demand
- Execution of client portfolio transactions
- Custodial services
- Advisory Fee billing

If the client holds qualified accounts in the Programs such as IRA or other tax advantaged types, please note, the client must carefully monitor contributions to prevent inadvertently exceeding federal limits.

## **Advisory Accounts available through Envestnet Asset Management, Inc.**

MIN advisory programs and services are available through Envestnet Asset Management, Inc. ("Envestnet"), a non-affiliate investment adviser registered under the Investment Advisers Act, through its web-based platform. These services in part or whole apply to the

Sponsor's Aviator, Co-Pilot, Passport Series Separately Managed Accounts ("SMA"), Momentum Pathways Unified Managed Account ("UMA") and Gateway Fund Strategist Portfolio ("FSP") and Compass UMA programs.

Additionally, MIN offers the Partner – TPC program which does not make all of the services listed below available and is further explained in the next section.

The services from Envestnet include:

- Providing access to a variety of SMA, UMA and FSP strategies and Risk Based Asset Allocation models available for MIN programs
- Portfolio trading as directed by Envestnet and or Envestnet Manager
- Providing billing for most MIN advisory program accounts
- Providing account reporting including but not limited to Performance, Realized/Unrealized Gains and Losses, Account Holdings etc.
- Account Rebalancing
- Accepting and acting on reasonable account restrictions

Additional services can be provided based on the Program selected. Fees and additional services for each Program are listed below:

## **MIN Aviator and Co-Pilot Programs**

### **Aviator Program**

The MIN Aviator Program, a fee-based advisory program, offers an open architecture platform. This enables the IAR to develop a personalized investment strategy for clients, manage their customized portfolios, and deliver ongoing investment advice. With Aviator, the IAR can construct a portfolio that consists of a wide assortment of investments including, but not limited to, individual securities, ETFs, mutual funds, and fixed-income positions. In the Aviator Program, the IAR manages the accounts on either a discretionary or non-discretionary basis. For the accounts to be in the discretionary program the IAR must first be approved to participate in the program.

The Aviator Program features include:

- Customized portfolio and allocations
- Account minimum is \$30,000 or as accepted
- On-demand performance reporting and other account reports
- Trading is done on the Momentum back-office system

### **Co-Pilot Program**

The MIN Co-Pilot Program, a fee-based advisory program, offers an Adviser-created model-based platform that requires the use of Envestnet to create a model portfolio within the client's risk tolerance and assign that model to accounts. This enables the IAR to develop a personalized investment strategy for their clients, manage their customized portfolios, and deliver ongoing investment advice. With Co-Pilot, the IAR will construct a model portfolio that consists of a wide assortment of investments including, but not limited to, individual securities, ETFs, mutual funds, and fixed-income positions. In the Co-Pilot Program the IAR manages the accounts on either a discretionary or non-discretionary basis. For the accounts to be in the discretionary program the IAR must first be approved to participate in the program.

The Co-Pilot Program features include:

- Customized model portfolio and allocations
- Account minimum is \$30,000 or as accepted
- On-demand performance reporting and other account reports
- Trading is done on the Envestnet Platform

### **Partner – Third Party Custodian (TPC) Program**

The Partner – TPC program is an investment advisory program which enables the IAR to provide investment advice through an account where the assets are custodied at Charles Schwab & Co., Inc. Advisor Services ("Schwab") with access to a wide spectrum of investments choices to help achieve portfolio diversification. Within the Partner – TPC program, the IAR assists in developing a personalized investment portfolio using a variety of security types. The IAR obtains the necessary financial data from the client and assists in determining the suitability of the advisory services and selecting the appropriate investment objective. The IAR provides ongoing investment advice and management tailored to the individual needs of each client. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed by MIN and the IAR.

In addition to the asset-based fee for advisory services, Schwab charges transaction costs, custodial fees, redemption, retirement plan and administrative fees or commissions.

MIN offers a limited discretionary service in the Partner – TPC program and that is only available to a limited number of IARs who meet certain eligibility requirements.

#### **Aviator, Co-Pilot and Partner – TPC - Methods of Analysis**

Each IAR has the independence to take the approach they believe is most appropriate when analyzing investment products and strategies for clients in the Aviator, Co-Pilot and Partner - TPC Programs. There are several sources of information that MIN and/or IARs use as part of the investment analysis process. These sources include, but are not limited to:

- Financial publications
- Research materials prepared by third parties
- Corporate rating services
- SEC Filings (annual reports, prospectus, 10-K, etc.)
- Company press releases
- Regulatory and self-regulatory reports
- Other public sources

As a firm, MIN does not favor any specific method of analysis over another and therefore would not be considered to have one approach deemed to be a “significant strategy.” There are, however, a few common approaches that MIN or the IAR often use, individually or collectively, in the course of providing advice to clients. Please note that there is no investment strategy that will guarantee a profit or prevent loss. The following are some common strategies employed in the management of client accounts:

- Dollar Cost Averaging (“DCA”): The technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and fewer shares are bought when prices are high. Periodic investment programs cannot guarantee a profit or protect against a loss in a declining market. Dollar cost averaging is a long-term strategy that involves continuous investing, regardless of fluctuating price levels, and, as a result, the client should consider their financial ability to continue to invest during periods of fluctuating price levels.
- Asset Allocation: An investment strategy that aims to balance risk and reward by allocating assets among a variety of asset classes. At a high level, there are three main asset classes—equities (stocks), fixed income (bonds), and cash/cash equivalents—each of which has different risk and reward profiles/behaviors. Asset classes are often further divided into domestic and foreign investments, and equities are often divided into small, intermediate, and large capitalization. The general theory behind asset allocation is that each asset class will perform differently from the others in different market conditions. By diversifying a portfolio of investments among a wide range of asset classes, IARs seek to reduce the overall volatility and risk of a portfolio by avoiding overexposure to any one asset class during various market cycles. Asset allocation does not guarantee a profit or protect against loss.
- Technical Analysis (a.k.a. “Charting”): A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security’s intrinsic value. Instead, they use charts and other tools to identify patterns that can suggest future activity. When looking at individual equities, a person using technical analysis generally believes that performance of the stock, rather than performance of the company itself, has more to do with the company’s future stock price. It is important to understand that past performance does not guarantee future results.
- Fundamental Analysis: A method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial, and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security’s value, including macroeconomic factors (e.g., the overall economy and industry conditions) and company-specific factors (e.g., financial condition and management). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security’s current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis.
- Quantitative Analysis: An analysis technique that seeks to understand behavior by using complex mathematical and statistical modeling, measurement, and research. By assigning a numerical value to variables, quantitative analysts try to replicate reality mathematically. Some believe that it can also be used to predict real-world events, such as changes in a share price.
- Qualitative Analysis: Securities analysis that uses subjective judgment based on no quantifiable information, such as management expertise, industry cycles, strength of research and development, and labor relations. This type of analysis

technique is different from quantitative analysis, which focuses on numbers. The two techniques, however, are often used together.

### **Unsolicited Transactions**

The advice and counsel of the client's IAR is a critical service of the client's Aviator, Co-Pilot, and Partner - TPC account. Solicited transactions will be made based on the recommendations of the client's IAR to the client. Unsolicited transactions are made when the client directs transactions without advice or counsel from their IAR. Unsolicited transactions will impact performance of the portfolio and future financial planning activities.

After the client executes an unsolicited transaction without advice from their IAR, for so long as that position is in the Aviator, Co-Pilot, and Partner - TPC Account, MIN will take into consideration the impact of that asset:

- as part of the overall account assets,
- when MIN provides the client periodic asset allocation advice,
- when MIN values the client's account holdings,
- when MIN provides analyses and reports on the account's performance, and
- MIN will make recommendations to liquidate the asset, if and when the client's IAR deem it appropriate

MIN will include any holding that is acquired in an unsolicited transaction as part of the client account assets for calculating their advisory fee on the last business day of each calendar quarter. Holdings that remain in the account will continue to be part of each fee cycle calculation until the holding is transferred or liquidated.

A significant unsolicited trading pattern will indicate that the Aviator, Co-Pilot, and Partner - TPC account is no longer appropriate for the client. In these situations, MIN has the right to terminate the account from the program.

### **Inactive Accounts**

Aviator, Co-Pilot and Partner - TPC Program accounts are reviewed on a quarterly basis for trading inactivity for accounts that have been in the Program for over 12 months. If the accounts have had zero trades for the trailing 12 months, the IAR will be notified of the inactivity and if the account does not have trading activity by the end of the next quarter review, the account will be subject to conversion to a brokerage account due to the continued inactivity. The reinvestment of dividends and capital gains are not considered trades for this purpose.

### **Cash and Securities Concentrations**

Advisory Programs are not appropriate for clients who want to maintain a high level of cash and/or highly concentrated positions that will not be sold regardless of market conditions. Advisory accounts that continue to hold high levels of cash and/or highly concentrated positions and do so against the recommendation of the IAR, MIN will include the asset value of the holding as part of the calculation for the program fee, resulting in a higher fee to MIN. If the account continues to be outside of the cash and concentration guidelines over a specified period of time, then the account will be subject to removal from the Program. MIN will allow the client to hold excess cash or concentrated position in a brokerage account without incurring the Advisory Program Fee.

### **Mutual Fund Investments available through MIN**

The client should be aware that only those mutual fund companies with which MIN has a selling agreement will be available for purchase within a Program account, and are generally limited to those fund companies that provide MIN marketing service and support fees, which compensate MIN for marketing efforts to its clients concerning the mutual funds, as well as for shareholder servicing activities (such as order-taking, responding to customer inquiries, providing confirms, statements, prospectuses and issuer communications) that the mutual funds otherwise would have to provide to customers themselves, and are revenues to MIN in addition to the advisory fee revenue received from customers. These fees range generally from 0% to .31% (thirty-one, one-hundredths of one percent) of the value of MIN customer assets invested with those mutual fund companies, and in the aggregate are a material revenue source for MIN. As a result, not all mutual funds available to the investing public will be available for investment. However, MIN has selling agreements with over three hundred fund companies.

The client should be aware that mutual funds contain internal expenses which are apart from and in addition to Program account fees and which are described in the respective funds' prospectuses. Certain funds offered in the Program, while not having sales charges or having sales charges waived, assess distribution fees, such as those assessed pursuant to SEC Rule 12b-1 of the Investment Company Act of 1940, as amended ("12b-1 Fees") which are paid to MIN. To the extent that when MIN receives 12b-1 shareholder servicing fees in any Managed Accounts, they will be rebated to clients. The respective mutual fund prospectuses provide detailed information about such fees.

Eligibility for various share classes offered by mutual funds to be used as part of the ASG programs, is determined by the mutual fund and disclosed in the fund's prospectus. Rule 12b-1 fees will be rebated to client accounts as they are received. Use of a more costly share class will reduce the performance of a client's account. Any recommendation to use a more costly share class when a lower cost

share class of the same fund is available is a conflict of interest. The firm mitigates this conflict in that advisors do not have an incentive to recommend or select share classes that have higher expense ratios because their compensation is not affected by the share class selected. In Addition, these 12b-1 fees, too, will be rebated to client accounts.

Shareholders considering transferring mutual fund shares to or from MIN should be aware that if the firm from or to which the shares are to be transferred does not have a selling agreement with the fund company, the shareholder must either redeem the shares (potentially incurring a tax liability) or continue to maintain an investment account at the firm where the fund shares are currently being held. Clients should inquire as to the transferability, or “portability,” of mutual fund shares prior to initiating such a transfer.

Upon termination of their Managed account, clients would generally be permitted to continue holding the institutional class of the fund but will be unable to make additional investments.

### **Mutual Funds Assessed or Subject to 12B-1 Fees or Sales Charges**

MIN will convert existing advisory fee-eligible mutual fund positions in the Aviator, Co-Pilot and the Partner - TPC Program accounts to a specific mutual fund share class (“wrap recommended share class”) in an effort to provide advisory clients with lowest cost share class available through MIN. MIN will perform ongoing quarterly maintenance conversions to ensure the wrap recommended share class has been selected for the client’s account. These share class conversions are non-taxable events, and clients’ cost basis will carry over to the new wrap recommended share class.

### **Funding the Client Account**

The client may fund their account by depositing cash and/or eligible securities designated as “eligible” for the Aviator, Co-Pilot and Partner - TPC Programs. The Destinations Program Account must be funded by cash/check for all new purchases.

Class A shares used to fund accounts subsequent to the Share Class Conversions will be converted, on a tax- free exchange basis (subject to availability of that service by the mutual fund sponsor), to the new share class available for the relevant fund.

If the client should fund their account with securities, the client authorizes and directs MIN, as applicable given the terms of their program, to liquidate those securities on behalf of the client and to allocate the proceeds in accordance with the clients selected investment style.

MIN will not advise the client regarding the liquidation of these securities. MIN will execute those transactions free of commission charges; however, depending on the type of security involved, those liquidations can result in the client incurring redemption charges and taxable gains or losses. The client should review the potential tax consequences of these liquidations with their tax advisor before funding the account with securities.

When liquidating these securities for purposes of establishing the client account, MIN will be acting as the clients broker, not the clients investment adviser. Liquidations will be affected promptly after acceptance of the account at the then prevailing market prices.

MIN will not be responsible for the liquidations and any consequences due to the clients failure to notify MIN of other existing security holdings, the overall effect of liquidations once effected, or the loss of potential gains due to movements in the market prices or changes in market conditions.

Securities that are ineligible for an ASG Program should be transferred to a brokerage account. If immediately prior to funding an advisory account, the client chooses to liquidate eligible and/or ineligible securities to fund an account with the cash proceeds, those liquidations will not be subject to commission charges or if charged, commissions will be reversed.

For Programs that offer mutual funds, MIN will provide the client with mutual fund prospectuses and other fund information as they may reasonably request to assist them in completing appropriate forms for purchases, redemptions, account designations, address changes and other transactions involving these investments.

Class A shares are available for mutual funds that do not offer Institutional or Advisory share classes or that declined to make those shares available in the Programs. Class A shares normally impose a shareholder servicing fee, commonly referred to as a 12b-1 fee, which the client pays directly to the fund company. These fees will be rebated to the client account.

The Class A shares available in the ASG Programs do not impose a load or sales charge at the time of purchase; however, because most Institutional or advisory share classes do not impose a 12b-1 fee shareholder servicing fee, these share classes are usually more cost effective than the Class A shares.



As part of its fiduciary duties to clients, MIN endeavors at all times to put the interests of its advisory clients first. The client should be aware, however, that the receipt of economic benefits by MIN (or its related persons) in and of itself creates a potential conflict of interest.

#### **Funding the client account with Securities/Commissions Lookback**

Security trades executed 30 days prior to the date the client signed the account agreement, should not include commissions or sales credits. Any securities trades in the previous 30 days that have had commission charges must be canceled and rebilled to reflect that no charges were made to the customer. Mutual funds, unit investment trusts and other products with a sales load that have not been held for the previous 12 months generally are not eligible for Program accounts. The positions should not be liquidated prior to approval in expectation of acceptance into the program. These positions will be reviewed for eligibility on a case-by-case basis by the Advisory Services Manager and Sales Supervision. If not approved, these positions will need to be kept in a separate brokerage account until the full 12 months has passed or be marked as Unsupervised Assets. This will not apply to positions that transfer into the account from other firms.

#### **Aviator, Co-Pilot, Partner - TPC Program Fees**

The fee schedules, shown in the tables below, are based on Account Value and are negotiable. The fee schedules for Aviator, Co-Pilot, and Partner – TPC Programs are not applied incrementally; the corresponding rate is applied to the entire Account Value in determining the fee. The fees do not cover the fees and expenses of any underlying ETFs, closed-end funds, mutual funds, UITs or exchange traded notes (“ETNs”) or fees for ancillary services such as wire transfers, returned checks, etc. nor does it cover all applicable exchange fees or option reporting fees. Program fees will not be adjusted for no or low trading.

The fees are calculated using the market value of the account on the last day of the preceding quarter. The fee is applied to the account each calendar quarter, on a pro-rated quarterly basis and is billed in advance. A portion of any fees received by MIN will be paid to the IAR. MIN can keep between 0 to 100% of the fee and pay the remaining portion to the IAR as agreed upon with each IAR. This amount will vary depending on a number of factors including negotiated agreements, assets under management or other factors as determined by MIN. For the Partner – TPC client has the ability choose advance or arrears billing at the time the account is set up.

<b>Aviator; Co-Pilot; Partner - TPC Maximum Annualized Fee Schedule</b>		
<b>Total Account Value</b>	<b>Individual Securities Accounts Fees</b>	<b>Mutual Fund/ETF/UIT Accounts</b>
Up to \$249,999	2.25%	1.75%
\$250,000- \$499,999	2.00%	1.50%
\$500,000- \$999,999	1.75%	1.25%
\$1,000,000 and over	1.50%	1.00%

*\*\* Any single deposit or any single withdrawal of \$10,000 or more of cash and/or securities, the account will be debited or credited a pro-rated fee on the market value of the assets deposited to or withdrawn. The pro-rated amount will be due and charged as of the date additional assets were deposited or a pro-rated adjustment or refund of any prepaid fee as of the date of the withdrawal. MIN will retain between .10% and 25% of the fee assessed to the Client for administrative services provided. For accounts billed in arrears there will be no credit or debit as the amount of deposit or withdrawal will already be taken into consideration for the quarterly billing value.*

#### **Passport Series SMA/Momentum Pathways UMA**

The Passport Series SMA and Momentum Pathways UMA are discretionary investment advisory programs sponsored by HTS (“Sponsor”) and made available to advisory clients of MIN through a co-advisory agreement between HTS and MIN. The Passport Series SMA and Momentum Pathways UMA provides the IAR and their clients access to a broad selection of Separately Managed Accounts (“SMAs”) and Unified Managed Account strategies (“UMAs”).

Passport Series and Momentum Pathways are made available with Envestnet Asset Management, Inc. (“Envestnet”), a non-affiliate investment adviser registered under the Investment Advisers Act, through its web-based platform. As manager of the web-based platform, Envestnet has entered into a sub-management agreement with investment managers (“Envestnet Managers”) to manage various types of portfolios offered through the platform and to develop model portfolios and research that is made available to Sponsor, IARs, and MIN clients. For certain Envestnet Managers, Envestnet has entered into a licensing agreement with the manager, whereby Envestnet performs administrative and/or trading duties pursuant to the direction of the sub-manager. In such situations the Envestnet Manager is acting in the role of “Model Provider.” The Model Providers are responsible for all investment selections made for the portfolios they create. It is up to the client to select a third-party model portfolio. Unless Envestnet affirmatively cites the Model Providers as “approved” as described below in Methods of Analysis section, Envestnet does not collect and report data on investment style and philosophy, past performance and personnel of Model Providers.

In Passport Series SMA program, clients are offered access to actively managed investment portfolios managed by independent investment managers. Unlike a mutual fund, where funds are comingled, a separately managed account is a portfolio of individually

owned securities that can be tailored to fit the clients investing preferences. IARs will work with clients to complete a Statement of Investment Selection (“SIS”) which includes a Risk Tolerance Questionnaire. The purpose of this statement is to establish an understanding between the client, MIN and Envestnet regarding the investment objectives, goals, and guidelines for the investment management account. This will also assist with the selection of the investment manager(s). The asset managers who are selected for these Programs employ different methods of analysis that are described in each managers’ Disclosure Brochure.

The Momentum Pathways UMA is a discretionary program that provides the client access to combine a broad selection of investment managers and fund strategists as well as ASG programs including a Co-Pilot account over which their IAR may exercise limited trading discretion in a single portfolio. Partner – TPC accounts is not eligible to be an investment sleeve in the UMA program. The IAR will provide their client with recommendations regarding the appropriate asset allocation and underlying investment vehicles or investment strategies to meet the clients objectives, but the client making the selection of the investment managers/fund strategists and changes made to the UMA portfolio and are ultimately responsible for the selection of the appropriate asset allocation and investment strategies. Envestnet provides overlay management services for UMA accounts and implements trade orders based on the directions of the investment strategies contained in the UMA portfolio. The IAR will assist their client in creating a customized portfolio, providing clients with recommendations regarding the asset allocation and underlying investment strategies. The client shall select the asset allocation and the investment strategies. The asset managers who are selected for this Program employ different methods of analysis that are described in each manager’s Disclosure Brochure. In addition, to the extent that other investment vehicles are utilized in the portfolio such as mutual funds or ETFs, the client should read the offering documents (e.g., prospectus, offering memorandum, etc.) carefully to fully understand the various risks, investment objectives, expenses and other information about the company associated with the investment.

MIN also provides the client with monitoring and on demand reporting of portfolio performance on a periodic basis for Passport Series and Momentum Pathways Program accounts.

#### **Passport Series and Momentum Pathways Program Fees**

These Programs charge an annual fee, out of which MIN pays for all portfolio management and administration (including Envestnet, Envestnet Manager Fees, and fees payable to the Sponsor and IARs as well as costs for transaction execution, clearing, custody and reporting). The sub-manager’s fee will generally fall within a range of 0.15% to 0.75% (annual rate) of assets under management. The fee payable to MIN, as the Sponsor will generally fall within a range of 0.10% to 0.38% (annual rate) of assets under management. The program fee will not be adjusted if the manager trades away from MIN.

Where applicable, MIN will also receive a portion of the fee for providing advisory services to clients introduced to the program. The amount retained is typically the amount remaining after the deduction of fees payable to individual portfolio managers and fees payable to MIN for clearing, program administration and sponsorships. The MIN portion of the fee will generally fall within a range of 0.50% to 1.75% (annual rate) of assets under management. The level of fees will vary with the amount of assets under advisement in the Programs and the particular investment styles and investment options chosen or recommended.

The maximum fee schedule for the Passport Series and Momentum Pathways Program services is set forth below, but may be negotiable in individual cases:

<b>Passport Series and Momentum Pathways Program Fee</b>		
<b>Total Account Value</b>	<b>Maximum Annualized Fee for Equity/Balanced Portfolios</b>	<b>Maximum Annualized Fee for Fixed Income Portfolios</b>
First \$ 250,000	2.90 - 3.00%	1.55 - 1.65%
Next \$ 250,000	2.40 – 2.50%	1.40 – 1.50%
Next \$ 500,000	2.15 – 2.25%	1.25 – 1.35%
Next \$ 4,000,000	1.90 – 2.00%	1.05 – 1.15%
Over \$5,000,000	1.75 – 1.85%	0.90 – 1.00%

*\* The total fee actually charged to the client’s account(s) will vary depending upon the selection of sub-managers and allocation of total portfolio assets thereto, the total amount of portfolio assets in the program and other factors.*

*\*\* Accounts with deposits or withdrawals of \$10,000 or more during a fee period, will be debited or credited a pro-rated fee on the market value of the assets deposited to or withdrawn. The pro-rated amount will be due and charged as of the date additional assets were deposited or a pro-rated adjustment or refund of any prepaid fee as of the date of the withdrawal.*

#### **Gateway FSP – Fund Strategists Portfolios**

The Gateway FSP program is an investment advisory program sponsored by HTS (“Sponsor”) and made available to advisory clients of MIN through a co-advisory agreement between HTS and MIN. Gateway FSP provides the client access to a selection of Fund Strategist Portfolios (“FSP”) managed on a discretionary basis. The Program will provide adviser’s access to investment strategists who construct distinct portfolio solutions to help meet the ever-increasing demands of today’s investors. The portfolios are typically comprised of a set of mutual funds and/or exchange-traded funds (“ETFs”). The Gateway FSP solutions support various approaches to portfolio construction and asset allocation, whereas most Gateway FSP portfolios employ a long-term, strategic asset allocation

approach, others take a dynamic or tactical approach and actively shift allocations in order to take advantage of short-term market movements (these approaches are referred to below as the “Strategy” or “Strategies”). The IAR will assist their client in selecting one or more FSPs from a roster based on the client’s financial situation, investment objectives and risk tolerance. MIN also provides monitoring and reporting of portfolio performance on an on-demand basis.

For each model portfolio, the FSP determines the Strategy, including the underlying mutual funds or ETF’s to be used for each Strategy, the allocation of assets to each “fund,” and the investment advisory firms (“Money Managers”) responsible for managing the assets of each “fund.” The FSP will make changes to their underlying Strategies; and periodically can change the Money Managers for the “funds” and/or the allocation of assets of the “funds” to the various Money Managers. At MIN’s discretion, MIN will implement the changes proposed by the FSP.

Fund–selected investment managers are terminated or replaced by the FSP generally due to changes in senior investment personnel and/or a deviation from the desired investment discipline. Such changes to fund investments are made without prior notice to the client.

MIN reserves the right to remove any FSP from the Gateway FSP program without prior notice to the client. Factors involved in our decision to remove an FSP include but are not limited to failure to adhere to a management style or client objectives, a material change in the adviser’s professional staff, unexplained poor performance, dispersions of account performance, or the firm’s decision to no longer include the FSP on the roster. MIN will determine whether any or all of these factors are material when deciding whether to recommend termination. The client can elect to remove an FSP from their account at any time.

Information MIN collects regarding any FSP, mutual funds, or ETFs is believed to be reliable and accurate, but does not necessarily independently review or verify it on all occasions. While performance results are generally reported to the firm through consultants or FSP on a standard gross of fees or a commission basis, the firm does not audit or verify that these results are calculated on a uniform or consistent basis as provided by a FSP directly to MIN or through the consulting service.

Gateway FSP is available through MIN and their IARs. HTS will also allow one or more independent Registered Investment Advisers (“Co-Adviser”) and their IARs (“Co-Adviser IARs”) to offer the Gateway FSP Program to their investment advisory clients.

Additional information regarding the Gateway FSP Program can be found in the MIN Managed Account Client Disclosure Brochure.

#### **Gateway FSP Program Fees**

The fee schedule shown in the tables below, are based on Account Value and are negotiable. The fee schedule for Gateway FSP is not applied incrementally; the corresponding rate is applied to the entire Account Value in determining the fee. The fees do not cover the fees and expenses of any underlying ETFs, closed-end funds, mutual funds, UITs or exchange traded notes (“ETNs”) or fees for ancillary services such as wire transfers, returned checks, etc. nor does it cover all applicable exchange fees or option reporting fees. Program fees will not be adjusted for no or low trading.

The fees are calculated using the market value of the account on the last day of the preceding quarter. The fee is applied to the account each calendar quarter, on a pro-rated quarterly basis and is billed in advance. A portion of any fees received by MIN will be paid to the IAR. MIN can keep between 0 to 100% of the fee and pay the remaining portion to the IAR as agreed upon with each IAR. This amount will vary depending on a number of factors including negotiated agreements, assets under management or other factors as determined by MIN.

Total Account Value	Gateway FSP Maximum Annualized Fee		
	ETF/Equity/Balanced Portfolios	Fixed Income Portfolios	Mutual Funds
Up to \$249,999	3.00%	1.65%	1.75%
\$250,000 to \$499,999	2.50%	1.50%	1.50%
\$500,000 to \$999,999	2.00%	1.35%	1.25%
\$1,000,000 and up	1.85%	1.15%	1.10%

*\*\* Any deposit or withdrawal of \$10,000 or more during a fee period, the account will be debited or credited a pro-rated fee on the market value of the assets deposited to or withdrawn. The pro-rated amount will be due and charged as of the date additional assets were deposited or a pro-rated adjustment or refund of any prepaid fee as of the date of the withdrawal.*

#### **Passport Series/Momentum Pathways/Gateway FSP - Methods of Analysis**

MIN relies on Envestnet for analysis, information, asset allocation strategies, and the identification selection and monitoring of Envestnet Managers. Envestnet is responsible for the selection of managers and strategists offered on the Passport Series/Momentum Pathways/Gateway FSP platforms. Envestnet seeks managers/strategists with a variety of investment strategies available. Some strategies are higher-risk strategies, and such strategies are not intended for all clients. Clients who choose to follow higher-risk strategies

should know that there is a possibility of significant loss. Please review Envestnet's Form ADV Part 2A Appendix 1 for more information about its advisory business.

Managers/strategists offered by Envestnet are considered "Approved" or "Available," depending on the level of due diligence performed. "Approved Envestnet Managers/Strategists" are evaluated using data and information from several sources, including independent databases. Among the types of information analyzed are historical performance and volatility, and qualitative factors such as the Approved Envestnet Manager/Strategist and investment vehicle's reputation and approach to investing. Envestnet also reviews the manager/strategist Form ADV Part 2A and portfolio holding reports. To ensure accuracy, Envestnet attempts to verify all information by comparing it to publicly available sources.

In addition to Approved Envestnet Managers/Strategist, Envestnet also makes available certain managers/strategist for which Envestnet has not performed due diligence. These sub-managers are categorized as "Available Sub-Managers" and Envestnet makes no recommendations concerning Available Sub-Managers. The IAR will recommend and perform their own research on sub-managers and investment vehicles that it believes are most appropriate for the client's individual circumstances.

Envestnet uses a quantitative process that measures risk and return measures for each portfolio versus its investment style peers via a ranking methodology. This ranking methodology is updated each quarter for all third-party separate account managers and strategists. The result of this review can result in the risk score being changed to a higher or lower risk. Envestnet will notify MIN each quarter of these reviews. The client and their IAR should review this information, and in certain cases where the risk score materially changes, updated paperwork may be required.

Before a manager/strategist is made available for the Passport Series/Momentum Pathways/Gateway FSP program, general research is conducted by MIN to determine eligibility. This includes, among other things, assets under management, inception date of strategy, manager tenure, investment style and performance factors. MIN also reviews investment philosophy and process, trading practices, fundamental and quantitative statistics of the strategy. In some cases, interviews with portfolio managers, principals and key staff members are conducted by the firm.

MIN conducts an annual review of Envestnet and Managers/Strategists. This review is based on applicable information gathered from various sources that include, but are not limited to, disclosure documents, performance, assets under management and other applicable criteria. As a result of these reviews, MIN can request that Envestnet take corrective action to address such concerns. From time to time, these reviews also result in the removal of a Manager/Strategist being available to MIN clients.

For additional information, please refer to Envestnet Asset Management's disclosure brochure.

## **Compass UMA Program**

The Compass UMA Program ("Compass UMA Program") is a non-discretionary program sponsored by HTS (sponsor) that provides the client access to seven risk-based asset allocation models. The IAR will provide their client with recommendations regarding the appropriate asset allocation and underlying investments of mutual funds and ETFs to meet client objectives, but the client will make the final selection of the investment allocation model and underlying funds and changes made to the Compass UMA Program portfolio and are ultimately responsible for the selection of the appropriate risk-based asset allocation model and underlying investment funds. Envestnet provides overlay management services for UMA accounts and implements trade orders based on the semi-annual or annual rebalance discipline as well as transactions directed by the client and their IAR. The clients IAR will assist the client in creating the asset allocation portfolio, providing the client with recommendations regarding the risk-based asset allocation and underlying investments. The client shall select the asset allocation and the investment strategies. The client should read the offering documents (e.g., prospectus, offering memorandum, etc.) carefully to fully understand the various risks, investment objectives, expenses and other information about the mutual funds and ETFs that clients have selected.

### **Fund Changes:**

Changes to the mutual funds and/or ETFs utilized for investment within the Compass UMA account will require prior consent from the client. All such change requests received by Envestnet prior to 12:00 pm CST will be processed the same day on a best effort's basis. Requests received by Envestnet after 12:00 pm CST will be processed by 12:00 pm CST the following trading day. Rebalancing or fund changes may result in tax consequences to the account holder including, but not limited to, the realization of capital gains, and/or losses regarding the sale of fund shares.

### **The Rebalancing Process:**

The client will have the option to either have the account rebalanced semiannually or annually. Envestnet will review all Compass UMA Program accounts based on the clients selection of semiannual or annual rebalancing at inception of the account and identify accounts that have not been rebalanced based on the rebalance selection at inception of the account. The review is based on the inception date of the account. If an account has been determined to have any position outside of the drift tolerance set by HTS the account will be rebalanced. If an account has no positions outside of the drift tolerance no trades will be made and the rebalance clock will be reset.

Trades will be done to maintain client's target asset allocation among the mutual funds and/or ETFs. Affirmative consent from the client is not required to implement these changes. Rebalancing will be accomplished by selling the shares of the over-weighted fund(s) and purchasing a corresponding dollar amount of the appropriate underweighted fund(s). The IAR and client are free to direct a rebalance as they choose, but the account will be automatically reviewed and rebalanced at least on a semiannual or annual or basis as selected by the client. When the account is rebalanced, the calendar is reset with a new semiannual or annual review now established. MIN reserves the right to change the drift tolerance as the model portfolios/accounts are reviewed for activity.

A rebalance of the account will also take place when the client directs MIN to raise cash for a withdrawal or if the client makes a deposit to the account that results in the cash balance being low or high. All deposits made to the account will be deemed eligible for immediate investment and the client will be responsible for any losses that may arise from a deposit in error.

Investnet as the overlay trading manager will be taking discretion when placing the trades directed by the client and their IAR as well as rebalancing the account either semi-annually or annually.

#### **Compass UMA Program Fees:**

Fees for the Compass UMA Program are offered on a wrap fee basis, covering all MIN's execution, consulting, and custodial services. The maximum Compass UMA Program fee schedule, shown in the table below, is based on total account value and is negotiable. The fee schedule is not applied incrementally; the corresponding rate is applied to the entire account value for the purpose of determining the fee rate. The fees do not cover the fees and expenses of any underlying ETFs or mutual funds. The fee is calculated using the market value of the account on the last day of the preceding quarter. The fee is charged to the account each calendar quarter, on a pro-rated quarterly basis and is billed in advance. The client program fee will not be adjusted for no or low trading activity.

Maximum Annualized Fee Schedule

<i>Maximum Fee Schedule for Compass UMA Program</i>	
<i>Amount</i>	<i>Maximum Annual Fee</i>
\$0 - \$250,000	3.00%
\$250,000 - \$500,000	2.50%
\$500,000 - \$1,000,000	2.25%
\$1,000,000 - \$4,000,000	2.00%
Over \$4,000,000	1.85%

The client agrees and acknowledges that other fees may be assessed to the client that are not part of the Program Fee. Other Fees include, but are not limited to, fees for portfolio transactions executed away from the Sponsor, dealer mark-ups, electronic fund and wire transfer fees, market maker spreads, exchange fees and broker/custodian fees. The client is further advised that mutual funds/ETFs charge their own fees for investing the pool of assets in the investment vehicle and such fees are apart from, and in addition to, the Program Fee charged hereunder. Please see the prospectus or related disclosure document for information regarding those fees. The client acknowledges and understands that MIN and/or its affiliates may receive 12b-1 fees or other fees from the mutual funds in which client invests.

The client can request to have two or more eligible Advisory accounts be treated as related accounts for purposes of taking their assets into consideration in order to calculate the Program Fee. This means that all eligible assets in those accounts will be considered together when determining breakpoints, if applicable, in the fee schedule. Relating Advisory accounts can provide the opportunity for fee reductions at certain breakpoints.

*\*\*If the client makes any single deposit or any single withdrawal of \$10,000 or more of cash and/or securities, they will be debited or credited a pro-rated fee on the market value of the assets. The pro-rated amount will be due and charged to the client account as of the date they deposit the additional assets, or the client will receive a pro-rated adjustment or refund of any prepaid fee as of the date of withdrawal.*

#### **Compass UMA Program - Methods of Analysis**

HTS maintains a list of mutual funds and ETFs eligible to participate in the Compass UMA Program.

The IAR will research and recommend funds from an eligible funds list for the account based on the clients stated risk tolerance, risk-based asset allocation model selected and investment objectives. Each IAR has a different philosophy or criteria in the review and selection of investment products.

Periodically the list is reviewed by HTS and funds may be removed, or new funds may be added as deemed necessary. The IARs of MIN are notified of the status change and the reason for any change is made available to them. For mutual funds that are no longer open to new and/or additional investments, clients that maintain a position are permitted to continue to do so as deemed appropriate by the IARs of MIN.

MIN makes available 7 Compass UMA risk-based asset allocation models that the client and their IAR will choose from. The IAR will work with the client to determine a model, the underlying funds and select either the required semiannual or annual rebalancing.

### **Explorer Program – Fund Strategist Portfolios**

The Explorer Program offers limited access to certain MIN approved turn-key Third-Party Asset Manager Programs (TAM). This will provide the client with access to professional third-party asset managers that are outside the scope of the ASG platform. The Explorer Program offers the client access to a variety of model portfolios with varying levels of risk from which to choose. These program accounts are not managed by MIN; instead, they are managed by one or more third-party portfolio managers on a discretionary basis, and they consist of a variety of different security types, including stocks, bonds, mutual funds, and derivatives. Account minimums for the Explorer program generally range between \$25,000 and \$50,000.

MIN is not the sponsor of the program; the firm is the “sub-adviser.” The clients IAR’s portfolio management supervisory services with respect to their program account(s) involve monitoring the accounts performance, investment selection, and continued suitability for the client portfolio and related advice. The IAR also helps determine the investment objectives and risk tolerance to help the client choose a TAM that meets account investment objectives. Again, MIN and the IAR do not have the ability to effect transactions or make specific investment recommendations to the account(s) managed by a TAM.

There will be conflicts of interest when recommending one TAM over another. MIN and the IAR receive compensation when they refer clients to the TAM, which is usually a percentage of the advisory fee assessed to the account by the TAM. The amount of compensation received by the firm and the IAR from a particular TAM could be higher than the compensation received from another TAM. As a result, the IAR may have a financial incentive to recommend one TAM over another. There may be other suitable TAMs that cost less. It is important to note that TAMs available through the Explorer Program share a portion of fees charged by such TAMs directly to the client account, including specifically the expense ratio assessed to the account by the TAM or its affiliates.

In certain instances, clients will have lower advisory fees for TAM accounts as compared to the ASG Platform; however, in addition to an asset-based advisory fee, a client can incur brokerage commissions, mark-ups and mark-downs, transaction charges and other fees, including “ticket charges,” related to the purchase and sale of stocks, bonds and other securities in TAM accounts. Neither MIN nor its IARs received any of those fees. In other instances, the advisory fees for the TAM on the ASG Platform may be lower than the TAM Platform.

The fees charged by TAMs who offer their programs directly to the client may be more or less than the combined fees charged by the Tam and MIN for the firms participation in the investment programs. The fees charged by the TAM may also be more or less than those of the third-party managers made available on the ASG platform and the IAR may have a financial incentive to offer one program over another.

The client will typically enter into an agreement directly with the TAM, which will outline, among other things, fees, and the trading of their account. Please refer to the relevant form ADV, Part 2A and 2B of each TAM for a more detailed explanation of each of the different investment advisory programs offered through MIN. Although MIN periodically researches, selects, and reviews the TAM, MIN make no guarantees that the clients financial goals or objectives will be achieved. Nor does the firm guarantee performance.

MIN currently has an agreement with the following TAM:  
SEI

The TAM is responsible for managing the account and will conduct reviews. MIN and the IAR will monitor the trading activity and the performance of the TAM.

### **Explorer Program Fees**

Fees for the Explorer Program may be negotiated but generally range from 0.50% to 3.00%, depending on the TAM program selected, the size of the account and the services provided. Under some programs, an inclusive fee covers account management, brokerage, clearing, custody, and administrative services. In other programs, the account may be charged separately for these services. The amount of the fees, the services provided, the payments structure, termination provisions, account minimums, and other aspects of each program are detailed and disclosed in the unaffiliated third-party money manager’s disclosure document and account opening documents and/or agreements. MIN and the IAR share in the advisory fee.

TAMs select the brokerage and custody relationships in their respective programs. In addition to the program fees, based upon the investments selected, clients may incur certain charges imposed by third parties in connection with the investments made through Explorer accounts. These include, but are not limited to, the following: mutual fund or money market 12b-1 and sub-transfer agency fees, mutual fund networking fees, mutual fund or money market management fees and administrative expensed, certain deferred sales charges on previously purchased mutual fund shares transferred into an Explorer account, other transaction charges and service fees, and other charges permitted or required by law. Neither MIN, nor the IAR receive a portion of these fees.

Maximum Annualized Fee Schedule

Total Account Value	ETF/Equity/Balanced Portfolios	Fixed Income Portfolios	Mutual Fund Portfolios
\$0 - \$249,999	3.00%	1.65%	1.75%
\$250,000 - \$499,999	2.50%	1.50%	1.50%
\$500,000 - \$999,999	2.00%	1.35%	1.25%
\$1,000,000 and up	1.85%	1.15%	1.10%

## Destination Fee-Based Annuity Program Overview

The Destination Fee-Based Annuity Program is designed to provide the client with ongoing investment management and advice for the sub-account investment options of a fee-based variable or index annuity. In some cases, annuities have additional riders available for purchase. IARs will monitor market conditions and the performance of the annuity's sub-accounts and/or market linked indexes and discuss with the client. The account will be required to have an annual re-balance or more frequent as needed after discussion between the client and their IAR. If the clients risk tolerance changes, updates should be made to the risk tolerance selection made for the annuity. In some cases, Insurance carriers will, depending upon market conditions, modify the risk exposure of the annuity's sub-accounts which can result in a change to the risk profile of the annuity. The client should carefully review the prospectus for the selected annuity to understand the conditions under which this may occur and discuss any question have with their IAR.

### What is a Variable Annuity

A tax deferred variable annuity will allow the client and their IAR to determine how assets are invested by choosing from a large selection of investments available from the annuity carrier called sub-accounts. These sub-accounts can be made up of a wide variety of investments. As the value of these investments fluctuate based on the ups and downs of the markets, so will the contract value.

Variable annuities have greater growth potential but can also lose money. The wide range of investment options with different risk and growth potential can provide additional flexibility in structuring an investment plan for retirement savings.

### What is an Index Annuity

An index annuity is a tax deferred, long-term savings option that provides principal protection in a down market and opportunity for growth. It gives the client more growth potential than a traditional fixed annuity, but with less risk and less potential return than a variable annuity.

Returns in an index annuity are based on the performance on an underlying index, such as the S&P 500. Participation rates of the underlying index will vary by contract.

### What is a Structured Annuity

Structured annuities can also be referred to as registered index-linked annuities, variable-indexed annuities, indexed-variable annuities, or buffered annuities. This is essentially a blend of a variable and fixed indexed annuity. Depending on the Insurance Carrier, it may offer more market upside than a fixed indexed annuity.

Structured annuities offer multiple different crediting strategies that let the client choose the balance between growth potential and downside protection. The clients IAR can help them narrow these choices down and select a strategy that will help them reach their individual retirement and legacy goals.

As each crediting period expires, the client has the ability to reallocate to a new type of crediting strategy for a new term. This flexibility allows the client to meet changing financial objective over the life of the structured annuity.

The clients IAR must be licensed to sell variable insurance products in the clients state of residence before presenting the Destination Fee-Based Annuity Program to the client.

Annuities are considered long-term, tax-deferred investments designed for retirement, which involve investment risks, and may lose value. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax penalty for withdrawals before age 59 1/2 unless an exception to the tax penalty is met.

The clients Annuity Account is monitored by their IAR at least annually to ensure that the portfolio remains aligned with the clients selected model and their Client Risk Profile, as stated in the SIS. All investment decisions are made and implemented by the client and their IAR. The client account statements will be sent to them quarterly by the insurance carrier.

## Services

The Destination Fee-Based Annuity Program is a non-discretionary investment advisory program that gives the client access to several variable and index annuity contract offerings from different insurance carriers. The clients IAR will help them develop an asset allocation strategy, select from the sub-accounts or fixed account(s) available from the annuity carrier, and determine how much of the client premium to allocate into each of the sub-account(s) and/or the fixed account with the contract. The IAR may use a variety of methods and resources to develop a recommended asset allocation strategy.

Due to changing market conditions, the asset allocation among the Subaccounts within the client Contract may change or deviate from its original allocation. Considering this, the clients IAR may recommend that they participate in the automatic asset rebalancing program, which is an option available in most the offerings. If the client does not choose to participate in the asset rebalancing program, their IAR will recommend that they rebalance or reallocate the sub-accounts and the fixed account assets. It is solely the clients decision to implement any rebalancing or reallocation recommendations provided by their IAR. The client may also contact their IAR to rebalance or reallocate the sub-accounts and the fixed account assets.

Where permitted by applicable law and business need, the clients insurance carrier reserves the right to make certain changes to the structure and operation of the Contract. These changes include, among others, the right to:

- Remove, combine, or add new sub-accounts at its sole discretion.
- Substitute shares of one portfolio for another, which may have differences including different fees, expenses, objectives, and risks.
- Restrict or prohibit additional allocations, and/or payments to sub-accounts.

Review the Annuity prospectus for more information about these changes.

## Program Account Reviews and Reports

The clients insurance carrier will provide custodial statements, and trade confirmations for products purchased through the Destination Fee-Based Annuity Program. The client should review these documents upon receipt and promptly notify their IAR of any discrepancies.

## Account Statements

The clients insurance carrier will send client statements at least quarterly. These statements contain information including, but not limited to, the accumulated value of the contract, the current market value of each sub-account, the amount in the fixed account and transaction activity for the previous quarter period.

## Trade Confirmations

The clients insurance carrier will send the client confirmation of each purchase or surrender transaction effected in their contract and/or any other transaction for which it is obligated to send the client a confirmation.

## Fees and Compensation

The client will be charged a quarterly Program Fee that is billed in arrears for each Destination Fee-Based Annuity Program annuity contract not to exceed the fee rate from the fee schedule below:

### Destination Fee-Based Annuity Program Fee Schedule

Portfolio Value	Maximum Annual Fee
Any Billable Account Value	1.50%

The Program Fee will vary among clients and may be negotiable under certain circumstances. Factors typically considered to determine a clients Program Fee include:

- The managed account program(s) the client have selected.
- The amount of assets in the clients contract.



- The clients personal financial needs, objectives, and complexity of their financial situation.
- The level of anticipated or actual trading within the Subaccounts.
- The experience level and credentials of the clients IAR.

### **Calculation of Program Fees**

The Program fee is based on the accumulated value of the client's contract assets as of the last business day of the end of the quarter and in accordance with the Client Agreement. The quarterly billing is done in arrears for the Destinations Program.

The Program fee is not deducted from the annuity program account, but instead it is deducted from a payment account opened at MIN. The payment account is a separate brokerage or ASG account and linked to the annuity program account for the payment of the Program fee.

In addition to the Program fee, the client pays the insurance company the internal expenses for the selected annuity product as disclosed in the annuity's prospectus. Internal expenses for annuity products are born by all customers that own the annuity and are in addition to the Destination Fee-Based Annuity Program fee the client pays. The expenses are paid directly from the assets in the annuity product as outlined in the products' prospectus and cannot be paid from a payment account.

### **Allocation of the Program Fee**

A portion of the clients Program fee is paid to MIN, their IAR and the Platform Manager for their services. The amount of the fees paid to the IAR and/or MIN depends upon the Program Fee that the clients negotiate with their IAR and the amount of the fee payable to their IAR pursuant to the MIN compensation policies.

### **Destination Fee-Based Annuity – Methods of Analysis**

The IAR will use a variety of methods and resources to develop a suggested asset allocation strategy for the Program subaccounts and fixed account assets the client's Fee-Based Annuity contract.

The IAR will research and recommend the subaccounts from the eligible funds the carrier makes available for the client's account based on the stated risk tolerance and investment objectives. Each adviser has a different philosophy or criteria in the review and selection of investment products.

### **Is the Destination Fee-Based Annuity Program the right program for the Client**

The IAR and/or MIN may recommend to the client one or more programs. The decision to select on or more managed account programs is the clients. Discuss, among other things, the following with the clients IAR to determine if the recommended program is appropriate for them:

- The cost, potential benefits, and potential risks of the Destination Fee-Based Annuity Program.
- The clients investment objectives and sophistication of their investment strategy.
- The types of and number of investments the client holds and intend to make, including the percentage of the overall portfolio that they intend to hold in the fixed account.
- The clients desire for diversification across sub-account(s).
- The clients anticipated use of other services and features specific to the Destination Fee-Based Annuity Program.
- The payment preference of an asset-based fee for ongoing investment advice and other related services compared to a commission-based variable annuity.

At any time, a contract can vary greatly in the size, number and diversity of the sub-accounts held, due to, among other things, market conditions and the clients current investment needs and objectives. Generally, it is recommended that the client diversify their holdings to help reduce their portfolio's overall market risk.

Investment diversification does not ensure a profit or protect against loss. If the client intends to hold a concentrated portfolio, including a concentrated position in the Fixed Account, for an extended period of time, they should consider other contract options (i.e., investing in a commissioned based variable annuity) that may be more economically advantageous for them.

The clients IAR receives training related to the product offerings in the Destination Fee-Based Annuity Program. Training includes, but not limited to, client needs and suitability of product, expected trading, fee type preference, and desire for ongoing investment advice.

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

MIN, as a registered investment adviser, provides investment advisory services to individuals, trusts, estates, nonprofit organizations, corporations, and other business entities.

The minimum initial investment amount for the Destination Fee-Based Annuity Program is \$25,000. In some cases, IAR's may set a higher minimum for their clients than listed in this brochure.

Margin accounts are not eligible within this program.

If the client decides to establish an account in the Destination Fee-Based Annuity Program, the client will sign a Client Suitability Agreement, which will govern their participation in the Destination Program, the insurance carrier's annuity contract, and the Platform Managers Statement of Insurance Selection.

### **Subaccount Selection and Evaluation**

The IAR may use a variety of methods and resources to develop a recommended asset allocation strategy for the sub-accounts and fixed account assets within the clients annuity contract.

### **Risks**

Investing involves risks and there is no guarantee that the sub-accounts selected will achieve their stated objectives.

Certain sub-account options may present more risk than others due to the nature and/or complexity of the strategy.

While fixed income portfolios have historically been considered a more conservative investment in comparison to equity portfolios, it is an investment with associated risks that should be considered before investing. A fixed income investor should not expect to experience higher levels of income or yield without assuming some or all of the potential risks associated with the underlying fixed income investments. There are various risks associated to fixed income investing, some of the primary risks include credit risk, duration risk, and interest rate risk. Review the annuity prospectus for the sub-account options, which contains more complete information on the Investment objectives, risks, charges, and expenses of the portfolio, which investors should read and consider before investing.

### **Voting Client Securities**

MIN, the clients IAR and the Platform Manager do not vote proxies, nor will they advise the client regarding the voting of the proxies, corporate action or other materials regarding the shares held in their sub-account(s). Review the annuity prospectus for more information about voting privileges and delivery of proxy materials, reports and other materials relating to the sub-accounts.

### **Review of Accounts**

MIN periodically reviews sub-account allocation for the Destination Fee-Based Annuity Program. Reviews may include, but not limited to:

- Certain types of transaction activity or inactivity.
- sub-account options relative to the clients financial status, investment objectives, and risk tolerance.

Depending on the results of the review, MIN may take certain actions, up to and including the termination of the Program services. As a participating client in Destination Fee-Based Annuity Program, the client will periodically receive reports from their insurance carrier. These include statements, transaction confirmations and performance reports. The client should review these and report any suspected discrepancies immediately to their IAR.

### **Selecting Annuity Riders and Features**

Riders are optional enhancements that are available on the client annuity contract at an additional cost. They allow their IAR to tailor the contract and provide additional protection of the client's investment. Riders may not be available on all products in the Destination Fee-Based Annuity Program.

### **Living Benefits**

Living benefit riders provide guaranteed lifetime income for the client (and their spouse, when elected).

- Can provide guaranteed increases, or roll-ups to the clients benefit base, for their future income.

- Offer consistent lifetime payouts that are based on the age when the client takes income, or on the younger spouses age, if elected.

### **Death Benefits**

Death benefits allow the client to pass assets to beneficiaries while potentially avoiding the time-consuming and costly probate process. Death benefits may be used to:

- Continue payments or a lump sum to a designated beneficiary.
- Pay for the owner's final costs (such as funeral, burial or estate planning).

Annuity contracts (not specific to death benefits) generally waive surrender charges due to terminal illness or injury.

Most products offer a standard death benefit – often the return of premium. In some cases, there may be an additional fee for this death benefit.

Some annuities offer optional death benefits that let the client lock in the highest contract value (annually or monthly) or a set rate of interest, even if the client should pass away when performance is down. There are also annuities that offer a spousal protection feature on death benefits.

It is important to note that these riders, in some cases, do have additional costs. Please make sure to discuss the benefits of these riders as well as the costs with the clients IAR. Additional information about these riders and the costs can be found in the Annuity prospectus.

### **Billing Practices**

The billing process described below is subject to change upon prior written notice to the client.

#### **1. Relating Accounts for Billing Purposes**

The client can request to have two or more eligible advisory accounts be treated as related accounts for purposes of taking their assets into consideration in order to calculate the Program Fee. This means that all eligible assets in those accounts will be considered together when determining breakpoints, if applicable, in the fee schedule. This request is subject to approval from MIN.

Relating advisory accounts can provide the opportunity for price reductions at certain breakpoints.

If the client chooses a breakpoint fee schedule for their Account, the client should review and consider the potential benefits of relating advisory accounts. The Program Fee for advisory accounts with a breakpoint fee schedule that are terminated prior to the quarterly billing process will be based on the contractual rate for that Account, not the relationship rate. The client can contact a MIN IAR for more information on the definition of eligible accounts and how to choose this billing option. Retirement Accounts cannot be linked where a prohibited transaction under ERISA or the Internal Revenue Code could result.

#### **2. Initial Program Fee**

MIN will deduct the client's Initial Program Fee from their Account when the client account is accepted for the Program. The fee will be calculated based on the value of the eligible assets on the date the client account is accepted, pro-rated to cover the period from the date the account is accepted through the end of the calendar quarter.

#### **3. Quarterly Fee**

After the assessment of the Initial Program Fee, the clients subsequent Program Fees will be assessed quarterly based on the net asset value (i.e., fair market value of the eligible assets including dividends and, where applicable, accrued interest, the value margin loans) in the Account on the last business day of each calendar quarter. Fees will be charged directly to the clients account in the month following the close of a calendar quarter unless the client designated another eligible MIN account to pay the Program Fee. The client fee is an annual percentage of the account assets—and the client will pay the fee quarterly in advance, if the program and agreement allow, pro-rated according to the number of calendar days in the billing period. The quarterly fee for the Destinations Program will be billed in arrears.

Advisory fees are calculated on the fair market value of the assets, as determined by Envestnet, on the last business day of the preceding calendar quarter. If the management of the account commences or is terminated at any time other than at the beginning or end of a calendar quarter, the fee is prorated based on the initial account value and the number of days the account was open in that quarter. For calculation purposes the fee is based on 365 actual days in a year (366 for leap year). The calculation is as follows: (Market Value x Rate x ((Days / 365)) with the Rate being the agreed upon fee within the Advisory Agreement. For more complete information on the

fee charged, please contact the IAR. If the client would like a copy of the most recent form ADV or disclosure brochure document, which describes our programs, including services and fees, they may contact their IAR.

For the purposes of calculating the Program Fee in advance, the value of the account is calculated as the sum of the long and short market value of all Billable Securities held in the Account, plus accrued interest, minus any margin loan balances, as of the last day of the prior quarter. For mutual funds, the fund's net asset value, as computed by the mutual fund company will be used. MIN and/or Envestnet prices securities based on information believed to be reliable. If any prices are unavailable or believed to be unreliable, MIN will determine prices in good faith to reflect the understanding of fair market value.

If the Agreement is terminated prior to the end of the quarter, the client will receive a pro rata refund of the prepaid, unearned fees from the date the Account is removed from the Program through the end of the quarter. Please see the "Account Termination" section of this Disclosure Brochure for additional information.

When fees are calculated, certain assets will be excluded from the market value of the Account. These are called "Unbillable Assets" and will not be included in the "billable" Market Value. Unbillable Assets are generally securities that are not considered approved for the Program or that the IAR and client have agreed should be held only and not included in Account rebalancing, performance tracking and management of Account. Cash and cash equivalents are included in the Program Fee calculations.

#### 4. Fee Rate Changes

Changes to a fee rate on an advisory account, whether an increase or a decrease in the Annual rate, must be received by ASG no later than the 20<sup>th</sup> of the month prior to the quarter end. If the request is received after the cutoff date, the new rate will not go into effect until the next quarter billing cycle. The changes will also apply to any contributions over \$10,000 made after the rate change request.

#### 5. Alternative Investments Valuation and Redemptions

The valuation of alternative investments held at MIN reflect the records of the issuers and administrators of those funds. MIN does not guarantee the accuracy of the information. The value shown is not necessarily the value the client would receive from the issuer if they sold the assets. Funds actively sold by MIN are subject to ongoing research, although the level performed varies. In very limited circumstances, a closed fund could be subject to no ongoing research. A fund that the client purchased elsewhere could never have been subject to MIN research.

The Net Asset Value of these investments is primarily based on estimated portfolio values provided by the underlying fund sponsor. Reported estimates sometimes do not reflect resale, liquidation or repurchase value, if any, and sometimes do not reflect distributions of capital until the next valuation is reported, generally on an annual or semi-annual basis. These valuation practices are important because the calculation of the Program Fee for alternative investments the client holds in advisory accounts based on these estimates.

For purposes of calculating the Program Fee, MIN will use the valuation of alternative investments available/reported to the firm as of the billing date. Valuation for alternative investments is often delayed, so only those investments that have at a minimum quarterly valuation will be eligible for the program. In addition, for Program accounts holding eligible alternative investment (nondaily traded alternative funds), initial cash proceeds from redemptions sometimes are not received into the account for a period that can extend over several months. Proceeds from "hold back" promissory notes are usually received within 18 months of issuance.

Redemptions and "Hold Back" Promissory Notes: For accounts holding eligible alternative investments, proceeds from redemptions are not to be received into the advisory account for a period that can extend over several months after a redemption request is submitted and is effective. As a result, the Program Fees charged originally are based on the value of the alternative investment fund inclusive of the value of the alternative fund pending redemption.

The client will receive a credit of the Program Fee imposed on alternative investments they redeem in whole or in part while they hold these investments in advisory programs. Credits will be based on the effective date of redemption.

#### 6. Quarterly Fee – Partner – TPC Program

MIN will charge a fee as compensation for providing Investment Management services provided for the clients Program account. These services include advisory services, trade order entry and monitoring, investment supervision, and other account-maintenance activities. Schwab may have additional custodial transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. Please review the client Schwab account agreements for additional information about the fees that Schwab will charge.

The fees for investment management are based on an annual percentage of assets under management and are applied to the net asset value on a pro-rata basis and are billed either quarterly in advance or in arrears. The client will choose how the account will be billed

when setting up the account. The value will be determined as reported by Envestnet. Fees are assessed on all assets under management, including securities, cash, and money market balance. Margin account debit balances are not included in the fee billing.

Schwab as the qualified custodian holding the clients funds and securities will debit the account directly for the advisory fee and pay that fee to MIN. The client will provide written authorization permitting the fees to be paid directly from the account held by Schwab. Further, Schwab agrees to deliver an account statement to the client at least quarterly which will include all the amounts deducted from the account including the MIN advisory fee.

### **Additional Information Regarding Fees and Compensation**

For all Programs, the fees do not cover the fees and expenses of any underlying ETFs, closed-end funds, UITs, ETNs or mutual funds, fees for ancillary services such as wire transfers, returned checks, etc., nor does it cover all applicable exchange fees or option reporting fees. There are additional fees in the Destinations Program for the Variable Annuity sub-accounts and the riders selected.

The client should be aware that commissions or Program fees charged could be higher than those otherwise available if they were to select a separate brokerage service and negotiate commissions in the absence of the extra advisory services provided. MIN fee schedules are subject to negotiation, depending upon a range of factors including, but not limited to, Account Values and overall range of services provided.

Affiliate HTS acts as co-adviser and/or provides certain services offered by MIN and certain other fully disclosed firms that clear their transactions through HTS.

Program fees do not cover exchange or similar fees (such as for American Depositary Receipts) charged by third parties, including issuers, foreign taxes and fees required by the SEC or option reporting. In addition, Clients participating in program accounts could also be subject to various other fees, including but not limited to, postage, handling and insurance charges on each transaction executed in their account(s), wire fees, and overnight fees. These charges are described in the Customer Information Brochure provided to all Clients on account opening and annually thereafter.

The client should consider the value of these advisory services when making comparisons. The combination of custodial, advisory and brokerage services sometimes are not available separately or could require multiple accounts, documentation and fees. They should also consider the amount of anticipated trading activity when selecting among the programs and assessing the overall cost. Advisory Programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings can result in higher fees than if commissions were paid separately for each transaction.

If the client liquidates securities prior to initiating or after terminating program service, they will be subject to customary brokerage charges with respect to that transaction, in addition to any program fees that are applicable during the period.

The clients IAR has a financial incentive to recommend a fee-based advisory program rather than paying for investment advisory services, brokerage, performance reporting and other services separately. A portion of the annual advisory fee is paid to the IAR, which generally is more than the IAR would receive under an alternative program or if the client paid for these services separately. Therefore, the client IAR has a financial incentive to recommend a particular account program over another. In addition, the IAR receives incentive compensation for utilizing a particular account program. Such incentive compensation is generally available as follows:

IARs utilizing any of the previously mentioned account programs offered by MIN generally receive compensation in the form of asset-based fees, and this compensation is typically credited to the IAR on a quarterly basis. Such compensation generally is more than the representative would receive if the client participated in other programs or paid separately for investment advice, brokerage and other services and, therefore, the representatives have a financial incentive to recommend the advisory programs over other services.

IARs are typically compensated based on their annual gross production, whereby higher gross production will generally result in higher payouts. These compensation programs constitute a targeted payout increase to certain qualified IARs based on economies of scale achieved by MIN, its affiliates, and IARs at increasing asset levels. However, such compensation arrangements represent a conflict of interest where an IAR can be incentivized to recommend an asset-based fee account program rather than recommending an alternative product or service, if comparable or if available separately to clients. Clients should be aware of such arrangements and should consult their IAR for additional details regarding the IAR's compensation levels in fee-based accounts.

As part of its fiduciary duties to clients, MIN endeavors at all times to put the interests of its advisory clients first. The client should be aware, however, that the receipt of economic benefits by MIN (or its related persons) in and of itself creates a potential conflict of interest.

While certain account minimums are set for each advisory account program, the clients IAR can elect to recommend a program based on their understanding of and familiarity with the various services offered within a particular program. Because each advisory program is unique and offers a different bundle of services, the standard advisory fee the client pays is allocated within MIN differently from one program to another. The compensation received by the IAR is higher in some particular programs relative to others, and this compensation fluctuates based on certain minimum clearing or retention rates assigned by the IAR's broker-dealer. These clearing and retention rates are a component of, and not in addition to, the overall advisory fee paid, and generally are higher as a percentage of the overall advisory fee paid by the client for smaller accounts. As a result, an IAR has a disincentive to recommend certain of the aforementioned advisory programs to clients with smaller accounts that otherwise would meet the standard account minimum for each respective advisory program. Therefore, this causes a conflict to exist with respect to the level of investment diversification a client may achieve.

MIN has entered into Financial Institution Service Agreements ("Service Agreements") with unaffiliated financial institutions ("UFIs"), such as banks and credit unions. Pursuant to the Service Agreements, MIN through its IARs, offers advisory services on the premises of the UFI. In some cases, MIN also shares compensation with the UFI, including a portion of the advisory fees (generally ranging from 40% to 100%), for the use of the UFI's facilities and for client referrals. Therefore, the UFI has a financial incentive to recommend an MIN IAR over other IARs.

Under a Service Agreement, advisory services are offered by MIN and not the UFI. Any securities recommended by MIN and its IARs as part of any investment advice are not guaranteed by the UFI or insured by the Federal Deposit Insurance Corporation ("FDIC") or any other federal or state deposit guarantee fund relating to financial institutions.

MIN has entered into a clearing arrangement with an unaffiliated registered broker-dealer pursuant to which the broker-dealer clears transactions in certain mutual funds. This broker-dealer has established relationships with the mutual fund companies. The registered broker-dealer receives sub-transfer agent fees and shareholder servicing fees from the mutual fund companies or their affiliates for the shareholder, administrative and other recordkeeping services it provides, and can pass all or a portion of these fees through to MIN. The sub-transfer agent fees and shareholder servicing fees vary by mutual fund company and are based on assets held in MIN client accounts. These fees are a percentage of the fund's average net assets per year and the percentage paid to MIN generally ranges up to 0.35% (thirty-five, one-thousandths of one percent), though that number can be higher or lower. The fees are not paid from the client account but are paid from the mutual fund. As a result, the fees reduce the fund's net asset value and thus the value of an investment in the fund. Therefore, these fees are a form of indirect compensation paid by all investors in the mutual fund. Generally, whether MIN receives these fees is not dependent on the share class in which the client invests. MIN has an incentive to only offer mutual funds and other investments that make third party payments or enter into revenue sharing agreements with us. MIN also has an incentive to recommend these investments to the client because the more client assets that invest in them the more payments and revenue MIN receives. These revenue-sharing payments create a conflict of interest because some mutual fund companies pay more than others, and MIN therefore has a financial incentive to choose mutual funds issued by companies that pay it more than others, and this financial incentive could interfere with MIN's fiduciary obligation to choose the best available investments for the client. These revenue-sharing payments also create a conflict of interest because they create an incentive for MIN to invest the client assets in mutual funds that pay these fees, rather than other types of investments (such as equities, bonds or ETFs) that do not pay these fees, or mutual funds from companies that do not pay these fees. MIN can only sell mutual funds issued by mutual fund companies with which MIN signs a selling agreement, and these revenue-sharing payments create a conflict of interest because MIN has a financial incentive not to sign selling agreements with mutual fund companies that do not pay fees. The firm intends, however, to make all recommendations independent of such fee consideration and based solely on our obligations to consider the clients objectives and needs.

## **Cash Sweep Information**

Effective March 6, 2023, MIN implemented certain changes to the cash sweep program. Specifically, MIN no longer offers money market mutual funds ("MMMFs") as a sweep option for excess cash held in customer accounts. Instead, excess cash balances will be invested, upon your affirmative written consent, in our Bank Insured Deposit ("BID") program, which is an account at a participating bank whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). If you decline participation in the sweep account program, fail to make a selection by affirmative written consent, or if your account is otherwise ineligible to participate, your excess cash balances must be retained in an interest-bearing SIPC-insured credit interest program ("CIP") account held at MIN.

The BID program is an FDIC-insured account that sweeps excess cash to participant banks (including PlainsCapital, an affiliate of HTS and MIN) in increments of \$250,000, to achieve FDIC insurance coverage up to \$5 million per account owner (for an individual account) or up to \$5 million per each individual owner of a joint account, up to two owners (e.g., for a joint account with two individual owners – up to \$10 million), depending on the number of participant banks in the program. However, the FDIC insurance limit at any bank applies to all of the customer's deposits in any capacity at that bank. As a result, you are responsible for monitoring the total amount of deposits you have with each participant bank in order to determine the extent of FDIC deposit insurance coverage available to you. MIN and HTS are not, themselves, FDIC-insured depository institutions. Rather, the FDIC's deposit insurance coverage only protects against the failure of an FDIC-insured depository institution, including the participant banks. In order to qualify for this pass-through deposit insurance, MIN and HTS are also required to meet certain requirements.

The BID program pays interest at a single rate, to a “tiered” interest rate system, which pays different rates of interest based on five different deposit tiers. Generally speaking, higher cash deposit balances receive higher rates of interest than deposits with lower balances. The amount of interest paid will be determined by the amount of interest paid by the banks participating in the program, minus the amount of fees charged by us, as broker-dealer or custodian, in accordance with the following tiers:

<b>Tier</b>	<b>Deposit Level</b>
Tier 1	\$0 to \$49,999.99
Tier 2	\$50,000 to \$249,999.99
Tier 3	\$250,000 to \$499,999.99
Tier 4	\$500,000 to \$999,999.99
Tier 5	\$1,000,000 or more

The applicable interest rate tier will be determined based on the amount of cash available in your brokerage account on a per account basis. Cash available in one brokerage account will not be aggregated to include cash which may be contained in other brokerage accounts you hold with us for purposes of qualifying for a higher interest rate tier. In other words, the amount of cash available in each specific brokerage account can only be used to qualify for one individual interest rate tier under the BID program.

MIN anticipates receiving fees, including fees for administrative services and other financial benefits, for providing sweep funds to the BID program. MIN anticipates that its affiliate, PlainsCapital Bank, will receive a financial benefit from the use of sweep funds, such as net interest income. MIN has a conflict of interest with respect to the BID program, because the banks participating in the BID program (including PlainsCapital) have discretion in determining how much interest to pay on BID program deposits, and HTS has discretion in determining how much of that bank interest rate is paid to customers in the program, and how much of the bank interest rate to retain itself as a Program Fee. The banks (including PlainsCapital) have a financial interest in paying a lower interest rate so that their net interest income is increased, and MIN has a financial incentive to pay a lower rate to customers so that its fees are increased. Complete sweep account disclosures and a list of the participant banks available in the BID program are available at <http://www.hilltopsecurities.com/hilltop-securities-inc-disclosures/sweep-account-disclosure/>. Also, complete sweep account disclosures are contained in MIN’s Customer Information Brochure.

Similarly, MIN has discretion concerning the amount of interest to pay, if any, on cash swept to free credit balances held at MIN, and MIN has a conflict of interest in determining this interest rate because a lower or no interest rate paid to customers on free credit balances results in greater revenue for MIN. MIN does not share any fees received in the BID program or any revenue received in connection with free credit balances with MIN IARs.

MIN also offers money market mutual funds (of various share classes) to customers on a position-traded basis, that is to say, by having the customer's IAR place individual buy or sell orders for those funds, not on an automated sweep basis. Some of these position-traded money market mutual funds offer higher yields to customers than the sweep money market mutual funds, and pay lower or no fees to HTS or MIN.

## **Compensation to IARs Who Recommend Advisory Programs**

In general, MIN pays IARs cash production payout. The production payout is a percentage of the product-related revenue that each IAR generates during that billing cycle with respect to the clients they serve, minus adjustments due to distributions from or the closing of the advisory account. The payout rate is generally based on production levels and ranges from 50% to 92%. IARs working as part of a team that meets minimum production requirements can qualify for a higher grid rate (but not above 92%) than they would receive working as an individual.

MIN reserves the right, at the firms discretion and without prior notice, to change the compensation methods used for MIN IARs and independent contractors including reducing and/or denying production payout and for any reason.

**Recruitment Compensation:** In general, if a clients IAR is joining MIN from another firm, clients should discuss the reasons their IAR decided to change firms and any costs or changes in services the client will incur by transferring their accounts to MIN. In many cases, MIN pays IARs financial incentives when they join and on an ongoing basis as described below.

Many IARs who joined MIN are eligible to receive financial incentives, including loans, bonuses and/or other compensation, if they reach certain asset and/or production levels or other targets. The amount paid to IARs under these arrangements is largely based on the size of the business serviced by the IAR at their prior firm and the IAR achieving a minimum percentage of their prior firm production and asset levels within a specific time period after joining MIN.

These incentives can be substantial and take various forms, including, loans, transition bonus payments, temporary or transitional increases in the portion of account fees paid to the IAR, reimbursement of client account transfer fees and various forms of compensation

to encourage IARs to join MIN and are contingent on the IAR's continued affiliation. Therefore, even if the fees the client pays at MIN remain the same or are less, the transfer of the assets to MIN contribute to the IAR's ability to meet such targets and to receive additional loans and/or compensation even if not directly related to clients' accounts or the fees the client pays to MIN.

These practices create an incentive and a conflict of interest for the IAR to recommend the transfer of the account assets to MIN since a significant part of the IAR's compensation is often contingent on the IAR achieving a pre-determined level of revenue and/or assets at MIN. The client should carefully consider whether their IAR's advice is aligned with their investment strategy and goals.

### **MIN Program Eligible/Ineligible Assets and Non-Billable Assets in the Advisory Programs**

This Section describes MINs general policies regarding eligible assets in the firms advisory programs. The Aviator, Co-Pilot and Partner – TPC programs provide a greater level of flexibility than other advisory programs as it pertains to eligible assets—i.e., those assets held in client accounts that are subject to advice from their IAR.

Specifically, the program permits a client to hold, but not to purchase, certain assets deemed ineligible in other programs such as the following:

- B share class and C share class mutual funds and other classes deemed ineligible
- Open-end mutual funds not approved for the Program
- UITs not approved for the Program
- ETFs and closed-end funds not approved for the program
- Structured products not approved for the program
- Alternative investments not approved for the Program, including hedge funds, hedge fund of funds, managed futures, and restricted stock.

While these assets are permitted to be held in Program Accounts, , they will need to be coded as unsupervised and are excluded from the calculations of the Program Fees due to the additional compensation that is received in connection with those investments. These “Non-billable assets” will not be included when determining the minimum account opening requirement, and they may not be included in the performance reports for Aviator, Co-Pilot and Partner – TPC accounts.

#### **Investment strategies; Eligible and Ineligible Assets**

MIN employs a variety of investment strategies in connection with the firms wrap fee and other investment advisory services, depending upon:

- The type of client involved
- The Program chosen
- The objective and risk tolerance selected by the client

Some of these strategies involve the use of asset allocation models, long-term and short-term investments. MIN uses their discretion to expand the offerings in the firms programs to include multiple style accounts and investment strategies that include:

- The purchase and sale of mutual funds
- ETFs/ETNs
- Non-Daily Traded Alternative investment vehicles
- Margin and short sales
- Option strategies

MIN has discretion to impose special suitability and investment requirements with respect to these portfolios.

#### **Eligible Assets and Ineligible Assets**

The firm requires that clients hold and purchase only eligible assets in advisory accounts. Generally, with respect to most of the Programs described in this brochure, the client or their IAR, SMA Manager or FSP manager has discretion to purchase and sell a broad array of different securities including any of the following eligible assets:

- U.S. and foreign stocks – both common and preferred shares
- Government, Corporate and Municipal Bonds (agency transactions only) – Investment Grade only in certain retirement plan accounts
- Options (in certain programs)
- American Depositary Receipts



- Closed-end funds
- Open-end mutual funds (in certain programs) which in some cases include several share classes including Institutional, Advisory and other non 12b-1 fee paying share classes. In limited cases some mutual funds used pay 12b-1 fees.
- Eligible wrap CUSIP UITs (in certain programs)
- Eligible ETFs/ETNs
- Money market funds (in certain programs)
- Public REITs
- Approved Publicly Registered Non-Traded REITs (Aviator, Co-Pilot, Partner – TPC program only) that price quarterly at a minimum
- Approved Eligible Structured Products (Aviator, Co-Pilot, Partner – TPC program only) that price quarterly at a minimum

**The following products/strategies are not eligible (“Ineligible Assets”) for our advisory programs:**

- Syndicate Issues/Initial Public Offerings/Brokered CDs
- Short Positions unless approved
- Solicitation of Low-Priced Securities – No unsolicited purchases in DOL related accounts
- Fixed Annuities and certain other Insurance Products
- Non-publicly traded securities/Private Placements/Worthless Securities
- Non-networked mutual funds
- Share classes of mutual funds that pay 12b-1 fees or have CDSC charges unless approved
- Auction Rate Securities – Individual issues
- Leveraged and Inverse ETFs and ETNs in any Aviator, Co-Pilot and Partner – TPC Program account. This also includes any derivative thereof, including, but not limited to, options, swaps or futures contracts on these inverse/leveraged ETFs/ETNs.
- Day Trading
- All other Non-Daily Traded Alternative investments including, but not limited to, brokerage share classes of Hedge Funds, Funds of Funds, Real Estate and Private Equity
- Alternative Investment funds that do not offer an Advisory or Institutional Share class.
- Listed or OTC index warrants
- Commodities and futures (in certain programs)
- Non-Daily traded alternative investments – brokerage share classes

The list above describes the products which are usually (but not always) eligible or ineligible in our Programs. The list can change at any time at the firms discretion. Eligibility of investments can vary by program and strategy type. Clients may obtain a list of eligible investments in a specific program by contacting their IAR.

MIN advisory programs do not offer the ability to conduct principal trades. As such, in these accounts, clients are not permitted to hold, purchase, or sell securities that trade only on a principal basis. Currently, access to principal execution in advisory accounts only for tax loss sales transactions in worthless securities in all Programs.

Hilltop Holdings (“HTH”) Stock. Subject to the exception described below, MIN advisory programs do not offer HTH stock or HTH securities. Program Accounts may not be funded by depositing HTH stock.

MIN has discretion to allow SMA and UMA Managers in the Passport Series and Momentum Pathways Program who are not affiliated with MIN to purchase HTH securities for Client Accounts (this is limited to the common stock of HTH).

**Impact of Ineligible Assets in Advisory Accounts:**

- Neither MIN, the IAR, SMA/FSP manager will act as the clients investment advisor with respect to Ineligible Assets. If the client holds Ineligible Assets in in their advisory account and also have a separate MIN commission-based brokerage account, MIN will transfer those assets from the Program account to the available MIN commission-based brokerage account in order to facilitate accurate billing and performance reporting. However, MIN is not obligated to transfer those assets and the client remains responsible for monitoring and moving these assets from the Programs. The transfer of Ineligible Assets from an advisory program account to a brokerage account will not result in liquidation of securities or taxable events, commissions or any other compensation either to MIN or IAR. MIN has discretion in this situation to terminate the client account.
- If a separate MIN commission-based brokerage account and Ineligible Assets remain in an advisory account, against MIN and the IAR’s recommendation, these positions will be coded as unsupervised.

**Unsupervised Assets**

Under certain circumstances positions in a client account may be held as unsupervised assets (“Unsupervised Assets”). These Unsupervised Assets will not be a part of the billing calculation for Program accounts and will not be a part of the account performance calculation as long as they are coded as unsupervised.

If an asset becomes an Unsupervised Asset during a quarterly billing period, that asset will be excluded for purposes of determining the asset-based Program Fee beginning at the start of the next quarterly billing period, and no portion of the asset-based Program Fee paid by a client in advance for the quarter will be refunded or rebated back to the client.

## **Tailoring of Advisory Programs and Reasonable Restrictions**

For all advisory programs offered by MIN, the client will select the IAR with whom they wish to work. The IAR will assess the clients prior investment experience, financial goals, time, horizon, risk tolerance and investment objectives to determine the appropriate program for the client.

Clients may request that reasonable restrictions be imposed on the management of their account. Reasonable restrictions generally include the designation of particular securities or types of securities that should not be purchased for an account. If the request for restrictions are unreasonable or if MIN, or the IAR, believe that the restrictions are inappropriate, MIN has discretion to remove a clients account from the program.

In some cases, MIN has discretion to liquidate preexisting positions in a portfolio immediately and bring the account into conformity with client target allocations so if a client holds certain positions for tax and investment purposes, the client should consider holding these positions in a separate account.

Under certain circumstances, the IAR can temporarily place certain restrictions on securities for the purpose of model rebalancing. This is for portfolio trading purposes only.

## **Account Termination**

Investment advisory services may be terminated by either party at any time. Upon termination, clients are responsible for monitoring and managing the securities in their portfolio and will be subject to customary brokerage charges. Neither MIN, the IAR, or other outside investment managers will have any further obligation to act on advice with respect to those assets. Any unused portion of the prepaid quarterly fee will be refunded and credited to the account. Such refunds will be pro-rated based on the number of days remaining in the calendar quarter for which a fee was prepaid. For terminated Explorer Program accounts, the TAM will be notified and will close and bill the account for the number of days in the quarter the account was in the program.

If the client chooses to terminate their participation in any advisory programs, MIN can liquidate the clients account at that time if instructed to do so. If so instructed, MIN will liquidate the client account in an orderly and efficient manner. MIN does not charge for such redemption; however, clients should be aware that certain mutual funds impose redemption fees as stated in their fund prospectus. The client's decision to liquidate security issues or mutual funds has tax consequences that should be discussed with their tax advisor.

## **IAR Termination from the Programs**

MIN retains authority to remove any IAR from the Programs at any time and to transfer day-to-day management responsibility of a client account to another MIN IAR or OSJ in certain situations, at any time without first notifying the client or obtaining their consent. In most cases this will result in the termination of the client advisory agreement and the need to establish an advisory agreement with newly assigned IAR. Under certain circumstances a new advisory agreement will not be required.

## **Conflicts of Interest**

Conflicts of interests can arise with respect to a variety of business and other relationships in almost any investment advisory program. When MIN acts as an Investment Adviser, MIN and the IARs earn more when the client invests more in their advisory account and earn the same advisory fee rate regardless of how frequently the client trades. MIN also receives payments from third parties, including the investment products in which the client invests, and their sponsors. These third-party fees are disclosed in our Form ADV Brochure and the investment product's prospectus and other offering documents. Please refer to the "Other Financial Industry Activities and Affiliations" section under the "Additional Information" heading above for discussion of conflicts of interest relationships and product-specific compensation that is received by MIN.

## **Performance-Based Fees**

MIN does not charge performance-based fees in any of its managed account programs.

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

MIN generally provides investment advisory services for individuals, individual retirement accounts ("IRAs"), banks and thrift institutions, pension and profit-sharing plans, including plans subject to Employee Retirement Income Security Act of 1974 ("ERISA"), trusts, estates, charitable organizations, state and municipal government entities, corporations and other business entities. MIN can prohibit anyone or any account type from establishing a Program Account for any reason, including if the firm believes it is not an appropriate investments strategy for the client.

The minimum initial Account Values for the Programs described in this document are listed below. The firm has discretion to terminate client accounts by written notice if Account Values fall below the minimum Account Value guidelines established by MIN. Under certain circumstances, MIN has discretion to grant an exception to the minimum account value requirement.

Program Name	Minimum Account Value
Aviator/Co-Pilot; Partner - TPC	\$30,000
Compass UMA	\$25,000
Passport Series/Momentum Pathways	\$100,000 (Subject to Managers Minimum)
Gateway FSP	\$25,000 (Subject to Managers Minimum)
Explorer Program	The minimum is determined by each TAM
Destinations Program	\$25,000

### **Manager/Strategist Selection and Evaluation**

MIN applies the following investment strategies, as appropriate, when managing client assets:

#### **Long-term Purchases:**

Where appropriate, MIN employs a long-term investment strategy when formulating the investment advice given to clients. This entails the purchase of securities with the idea of holding them in the clients account for a year or longer. MIN does this when the firm believes the securities to be currently undervalued. This also applies when the firm deems exposure to a particular asset class over time, regardless of the current projection for this class, is appropriate.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, MIN does not take advantages of short-term gains that could be profitable to the client. Moreover, if the predictions made by MIN are incorrect, a security could decline sharply in value before the firm makes the decision to sell.

#### **Short-term Purchases:**

Where appropriate, MIN also purchases securities with the idea of selling them within a relatively short time, typically a year or less. MIN does this in an attempt to take advantage of conditions that the firm believes will soon result in a price swing in the securities purchased.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, MIN is left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and results in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

#### **Short Sales:**

A short sale is a transaction in which the client sells a security that they do not own. MIN borrows shares of a stock for the client's portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. MIN then sell the shares the firm borrowed. On the agreed-upon future date, MIN buys the same stock and return the shares to the original owner. MIN engages in short selling based on the firm's determination that the stock will go down in price after MIN borrowed the shares. If the stock has gone down since MIN purchased the shares from the original owner, the client keeps the difference. There are certain costs associated with the securities that MIN borrows on behalf of the client, and they agree to pay such costs.

One risk in selling short is that losses are theoretically unlimited. MIN is obligated to repurchase the stock no matter how much the price has climbed. In addition, even if MIN is correct in determining that the price of a stock will decline, the risk of incorrectly determining when the decline will take place still exists. Short selling has greater risks in times of inflation, as prices adjust upwards regardless of the relative value of the stock.

For more information relating to risks and costs of short sales, please refer the MIN Customer Information Brochure.

#### **Margin:**

Leverage strategies, such as using margin, are desirable in some cases but are generally not recommended for advisory accounts. If an advisory account is approved for margin trading, the client could be required to deposit additional securities or cash on short notice to maintain the account position and/or to maintain sufficient assets to meet MIN's requirements. If the client does not meet requirements in the required time frame, MIN has discretion to liquidate all or a portion of the holdings. The client will be liable for any resulting deficit in the account. Margin trading can work against as well as for the client, for example, larger losses as well as the potential for larger gains. Before clients begin using margin, please read the "Margin Disclosure" brochure available from their IAR. Maintaining a

margin account balance will also increase the wrap fee to the extent of the margin exposure. It is important that the client fully understands the risks involved in trading securities on margin. These risks include but are not limited to the following:

- The client can lose more funds than deposited in the margin account.
- MIN can force the sale of securities or assets in advisory accounts and in some cases without contacting the client.
- The client will pay interest on the outstanding margin loan balance.
- The use of margin can have a positive or negative performance affect, net of interest charges and other account fees that likely will be greater as a consequence of using margin. As a result, gains or losses in a leveraged managed account are likely to be greater than would be the case with an unleveraged managed account.

As explained in the Margin Disclosure brochure, HTS has discretion when setting the interest rate for clients margin balance, and HTS earns more revenue the higher it sets this interest rate. This creates a conflict of interest because HTS has a financial incentive to charge the client a higher-than-market-rate interest rate for margin loans. HTS has the right to loan to third parties client securities pledged to secure clients margin balance, HTS earns revenue from these loans, and HTS retains all of this revenue. This creates a conflict of interest because HTS has the ability to determine which securities will be pledged to secure client debit balance, and HTS a financial incentive to loan the securities that will result in the greatest level of revenue for HTS. For more information relating to risks and costs of margin, please refer to the MIN Customer Information Brochure.

### **Options:**

Certain types of option trading are permitted in order to generate income or hedge a security held in the Aviator, Co-Pilot and Partner – TPC Programs; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the Program account. Clients should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the option counterparty has the right to call the security away and the Program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account. Options involve risk and are not suitable for all investors. Clients should read "Characteristics and Risks of Standardized Options" brochure provided by their IAR. There are costs associated with options trading, and the client agrees to pay such costs.

### **Risk of Loss**

The client should understand that all investments involve a certain amount of risk. Investment performance can never be predicted or guaranteed and that the values of the accounts will fluctuate due to market conditions and other factors. The client should also understand that MIN makes no representations or warranties with respect to the present or future level of risk or volatility in, or the future performance of the client's account. Clients should further understand that they are assuming the risks involved with investing in securities and other investment products and should understand that they could lose all or a portion of the amount held in their account(s).

Below are some of the common risks the client should consider prior to investing. This list is not a complete enumeration or explanation of the risks involved, and clients should consult with their IAR, legal, tax advisers before investing in any particular strategy.

- **Market risks:** The prices of, and the income generated by, the common stocks, bonds, and other securities the client owns can decline in response to certain events taking place around the world, including those directly involving the issuers; conditions affecting the general economy; overall market changes; local, regional, or global health, political, social, or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate, and commodity price fluctuations.
- **Asset Allocation and Diversification Risk:** The performance of Accounts is dependent on the allocation of securities among various asset classes and the selection of underlying mutual funds and/or ETFs. There is a risk that IAR's decisions regarding asset allocation and the selection of investments will cause an account's performance to lag relevant benchmarks or will result in losses. While allocations to multiple asset classes can reduce risk, risk cannot be completely eliminated with diversification. Asset allocation and diversification do not guarantee a profit or protect against loss.
- **Stock Investments Risk:** Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. In addition, stock investments are subject to risk related to market capitalization as well as company-specific risk.
- **Long-Term Purchases Risk:** IARs often recommends that clients purchase investments with the intention of holding them for one year or longer. This recommendation is often because the IAR believes the investments to be undervalued at the time of purchase and/or because IAR chooses to recommend exposure to a particular asset class over time, regardless of the current projection for such class. A risk of a long-term investment strategy is that by holding an investment for a longer period of time, the client is not be able to take advantage of potential short-term gains. Moreover, if the analysis is incorrect, an investment can decline sharply in value before it is sold.
- **Volatility and Correlation Risks:** Clients should be aware that the IAR's asset selection process is based in part on a careful evaluation of past price performance and volatility in order to evaluate future probabilities. However, it is possible that different or unrelated asset classes exhibit similar price changes in similar directions, which can adversely affect the client and become

more acute in times of market upheaval or high volatility. Past performance is no guarantee of future results, and any historical returns, expected returns or probability projections do not reflect actual future performance.

- **Small-Cap Risk.** Historically, small-cap stocks have been riskier than large- and mid-cap stocks. Stock prices of smaller companies often are based in substantial part on future expectations rather than current achievements and can move sharply, especially during market upturns and downturns. Small-cap companies themselves often are more vulnerable to adverse business or economic events than larger, more established companies. During a period when small-cap stocks fall behind other types of investments —large-cap stocks, for instance—a client's small-cap holdings could reduce performance.
- **Fixed Income:** Bonds offer return of principal if held to maturity, but any bond remains subject to the creditworthiness of the guarantor and, prior to maturity, the bond is subject to interest rate, inflation and credit risks.
- **Credit Risk:** Changes in the financial condition of an issuer or counterparty and changes in specific economic or political conditions that affect a particular type of security or issuer can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's credit quality or value. Lower quality debt securities and certain types of other securities involve greater risk of default or price changes due to changes in the credit quality of the issuer.
- **Municipal Bond Risk:** The municipal market can be affected by adverse tax, legislative, or political changes and the financial condition of the issuers of municipal securities. Municipal funds normally seek to earn income and pay dividends that are expected to be exempt from federal income tax. If a fund investor is a resident in the state of issuance of the bonds held by the fund, interest and dividends are sometimes exempt from state and local income taxes. Income exempt from regular federal income tax (including distributions from tax-exempt, municipal, and money market funds) is sometimes subject to state, local, or federal alternative minimum tax. Certain funds normally seek to invest only in municipal securities generating income exempt from both federal income taxes and the federal alternative minimum tax; however, outcomes cannot be guaranteed, and the funds sometimes generate income subject to these taxes. For federal tax purposes, a fund's distributions of gains attributable to a fund's sale of municipal or other bonds are generally taxable as either ordinary income or long-term capital gains. Redemptions, including exchanges, can result in a capital gain or loss for federal and/or state income tax purposes. Tax code changes could impact the municipal bond market. Tax laws are subject to change, and the preferential tax treatment of municipal bond interest income could be removed or phased out for investors at certain income levels.
- **Quantitative Investing Risk:** Securities selected in mutual funds using quantitative analysis can perform differently from the market as a whole as a result of the factors used in the analysis, the weight placed on each factor, changes to the factors' behavior over time, market volatility, or the quantitative model's assumption about market behavior.
- **Derivatives Risk:** Some mutual funds selected contain derivatives, such as swaps and exchange-traded futures. Generally speaking, a derivative is a financial contract whose value is based on the value of a reference asset. Investments in derivatives subject these mutual funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Some derivatives involve leverage and provide investment exposure in an amount exceeding the initial investment. As a result, the use of derivatives causes these mutual funds to be more volatile, because leverage tends to exaggerate the effect of any increase or decrease in the value of a fund's portfolio securities.
- **International/Global Securities Risk:** expose the investor to currency risk and political, social and economic risks of the countries in which the securities are domiciled, in addition to the equity or debt nature of the securities involved.
- **Pooled Investments Risk:** Certain strategies invest in one or more pooled investment funds including mutual funds, ETFs, UITs Real Estate Investment Trusts, etc. Clients should read the offering documents (e.g., prospectus, offering memorandum, etc.) carefully to fully understand the various risks, investment objectives, expenses and other information about the company associated with the investment.
- **Trading Frequency Risk:** Frequent trading can result in short-term capital gains which are taxed at a higher rate than long term capital gains.
- **Market Trading Risks:** Exchange Traded Funds/Notes face various market trading risks. These include the potential lack of an active market for Fund shares, losses from trading in the secondary markets, periods of high volatility and disruption in the creation/redemption process of the Fund. As a result of any of these factors, among others, the Fund's shares can trade at a premium or discount to the NAV. For additional information please refer to the Fund's prospectus for more specific market trading risk.
- **Legislative and Regulatory Risk:** Investments in a client's Advisory Account can be adversely affected by new (or revised) laws or regulations. Changes to laws or regulations can impact the securities markets as a whole, specific industries and individual issuers of securities. The impact of these changes is not always known for some time.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in standardized products. There is a greater degree of illiquidity in those non-standardized products such as Alternatives, Structured and other products that are redeemed by the issuer's acceptance of a tender offer.
- **Cybersecurity Risk:** With the increased use of technologies to conduct business, corporate and personal technology are susceptible to information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events and arise from external or internal sources. Cyberattacks include but are not limited to gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment or systems; or causing operational disruption. Cyberattacks are also carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting MIN, its affiliates or IARs, or

any other service providers (including, but not limited to accountants, custodians, transfer agents, and financial intermediaries used by a fund or an account) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to calculate net asset value (“NAV”), impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which an account invests, counterparties with which an entity engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers), and other parties.

Clients should understand that investing in any security involves a risk of loss of both income and principal. There can be no assurance that the IAR’s or MIN’s investment advice and recommendations will be successful or that Client’s investment objective will be achieved.

## **Voting Client Proxies**

MIN will not vote on matters requiring shareholder voting in connection with the securities held in client accounts, or with respect to certain legal actions involving securities including, for example, voting proxies, mergers, bankruptcies, restructuring, class actions, or similar matters. Under the circumstances where MIN receives material on a clients behalf, MIN will promptly forward such material to the clients attention. MIN does not offer advice regarding proxy voting; this is the sole responsibility of the shareholder. With respect to the Passport Series/Momentum Pathways/Gateway FSP Programs, Envestnet and/or third-party investment managers with discretion vote the proxy. The client may request information on how their securities were voted by each sub-manager by contacting MIN or the IAR. MIN will aid any customer in obtaining proxy voting information if requested. If such information is not readily available, it would be grounds for termination of the sub-advisor’s agreement. Any problems will be immediately referred to the Advisory Services Manager and the Chief Compliance Officer (“CCO”) of MIN.

MIN and its IARs do not vote client proxies in the Explorer Program. Clients are encouraged to carefully review the TAMs and any selected investment managers disclosure brochures relating to their proxy voting policies.

## **Client Information Provided to Portfolio Managers**

### **Information Provided to Envestnet**

When a client establishes an Advisory Services Group Program account, MIN will send various information about the client and their account to Envestnet (including name, address, account assets, whether or not the account is taxable, state/country of residence, the clients Statement of Investment Selection, any applicable restrictions and the account activity). Upon acceptance of the account, Envestnet will forward the foregoing information on to the Envestnet Manager in order for the Envestnet Manager to effectively manage client accounts. Model Providers are not provided with the client specific information, except for the brokerage number, account size and information about the IAR. In some cases, MIN sends the Envestnet Manager duplicate brokerage statements and/or confirmations.

## **Client Contact with Portfolio Managers and Insurance Carriers**

The MIN IAR will be the clients primary point of contact for addressing any questions or concerns relating to the managed account. If the client is enrolled in a program that employs an unaffiliated third-party investment manager Strategist or Insurance Carrier, MIN imposes no limitations on the clients ability to consult the investment manager(s) and/or Portfolio Strategist(s) or Insurance Carrier directly but are encouraged to first contact their IAR.

## **Disciplinary Information**

Below is notice of certain regulatory and legal settlements entered into by MIN and/or its affiliates:

In January 2012, SWST (now HTS) reached a settlement with FINRA after allegations were made that the firm bought or sold securities from customers at prices that were not considered fair given the current market conditions. The firm agreed to a censure, \$38,000 fine and \$19,655.36 restitution plus interest.

In November 2012, SWST (now HTS) reached a settlement with the State of Illinois after allegations were made that the firm failed to properly respond to a subpoena issued by the state. The firm agreed to a consent order and a \$7,500 fee to reimburse the state for the cost of the investigation

In November 2012, SWST (now HTS) reached a settlement with FINRA for failure to properly provide Official Statements in a municipal securities offering to customers. The firm agreed to a censure and an \$85,000 fine.

In March 2013, SWST (now HTS) reached a settlement agreement with FINRA after allegations were made that the firm bought or sold municipal securities from customers at prices that were not considered fair given the current market conditions and also failed to properly report certain trades within the required time period. In addition, FINRA further alleged that the firm's supervisory system with respect to the alleged conduct was insufficient. The firm agreed to a censure, \$77,500 fine and \$32,167.14 restitution plus interest.

In August 2013, SWST (now HTS) reached a settlement agreement with FINRA for failure to transmit last sale reports to the appropriate trade reporting facility within the required time period. The firm agreed to a \$5,000 fine.

In November 2013, SWST (now HTS) reached a settlement agreement with FINRA for failing to execute the proper and timely close out of short positions creating a fail-to-delivery position in violation of FINRA rules relating to Regulation SHO. SWST (now MIN) agreed to a censure and \$10,000.00 fine.

In June 2014, SWST (now HTS) reached a settlement agreement with FINRA for failing to report the correct time of trade executions as required and failure to properly maintain record of the time of execution as required within the Firm's records. SWST (now MIN) agreed to a censure and \$12,500.00 fine.

In October 2014, SWST (now HTS) reached a settlement with FINRA for failure to, within 30 seconds of execution, transmit last sale reports of transactions to the NASDAQ Trade Reporting Facility. FINRA further alleged that the firm failed to report the correct time of execution. The firm agreed to a censure and a fine of \$17,500 and agreed to revise its Written Supervisory Procedures relative to the trade reporting of NMS Securities

In July 2015, affiliate FSC reached a settlement agreement with FINRA for failing to deliver Exchange Trade Fund Prospectuses to its own customer at the time of delivery of the security in contravention of Section 5 of the Securities Act of 1933. FSC agreed to a censure and \$450,000 fine.

In August 2015, an extended hearing panel decision was made to fine SWSFS (now MIN) \$50,000. The sanction was based on the findings that the firm's Supervisory system and its procedures were not reasonably designed to achieve compliance with rules relating to the suitability review process for certain variable annuity transactions and the time for transmitting Variable Annuity Transactions to the issuer. The findings also stated that the firm failed to implement adequate surveillance procedures to monitor its representatives. The panel also stated in the decision that FINRA did not prove that the firm lacked policies and procedures reasonably designed to implement corrective measures to address inappropriate exchanges to the conduct associated with the persons that engaged in inappropriate states. Further the decision stated that FINRA did not provide that the firm's principals who reviewed the transactions lacked reasonable basis to believe the transactions were suitable for the customers or that the firm failed to document adequate training policies for its principals who reviewed Variable Annuity Transactions.

In February 2016, the SEC instituted a cease-and-desist proceeding against affiliate SWST (Now HTS). The SEC found that SWST willfully violated section 17(A)(2) of the Securities Act by conducting inadequate due diligence in certain offerings and as a result failed to form a reasonable basis for believing the truthfulness of certain material representations in official statements issued in connection with those offerings. This resulted in the firm offering and selling municipal securities on the basis of materially misleading disclosure documents. The violations were self-reported by SWST to the commission pursuant to the SEC's municipalities continuing disclosure cooperation initiative (MCDC). The firm was censured and paid a fine in the amount of \$360,000 and is required to retain an independent consultant to conduct a review of the firm's policies and procedures as they relate to municipal securities underwriting due diligence.

In March 2016, the SEC instituted a cease-and-desist proceeding against affiliate, FSC. The SEC identified violations by FSC relating to the Fair Dealing and Financial Advisory Agreement rules of the MSRB in connection with financial advisory services rendered by FSC to its municipal client during the time frame March through November 2010. Specifically, during the aforementioned time frame FSC rendered advisory services to the municipal client in connection with a 2010 bond issuance but failed to memorialize, through a written agreement, the specific services or tasks that FSC would provide in connection with the bond issuance until seven months into the financial advisory relationship. FSC was ordered to pay disgorgement of \$120,000, prejudgment interest in the amount of \$22,400 and a civil money penalty in the amount of \$50,000.

In May 2016, HTS reached a settlement with FINRA for failing to provide appropriate disclosures to clients, at the time of trade, when the client was effecting a bond transaction for quantities below the required minimum denomination. While the firm had written procedures in place which prohibited the sale of municipal securities to customers below the minimum denomination, subject to certain exceptions, it did not have any systems or controls in place to prohibit sales below the minimum denomination. The firm agreed to a censure and fine in the amount of \$40,000.

In November 2016, HTS reached a settlement with FINRA for failing to disclose the material aspects of its relationships with its execution venues as it pertains to "payment for order flow" arrangements. The firm is required to describe the material terms of the arrangements such as any amounts per share or per order that the firm receives. As a result of the firm's failure to disclose the

payment terms for these relationships, the firm violated SEC Rule 606 of Regulation NMS. The firm agreed to a censure, and a \$10,000 fine.

In April 2019, affiliate broker-dealer Hilltop Securities Inc. (HTS) reached a settlement with the CBOE/BZX exchange for failing to report reportable positions in expiring options, mistakenly deleting the positions in its large option position reporting system submissions that were set to expire on the following day or failing to report positions that the firm had added or modified on the expiration date. The firm agreed to a censure, and a \$37,500 fine.

In September 2019, affiliate broker-dealer Hilltop Securities Inc. (HTS), reached a settlement with FINRA for failing to establish procedures to ensure that customers received in writing the initial disclosure stating the annual rate or rates of margin interest that could be imposed prior to opening their margin account and failed to establish, maintain, and enforce a supervisory system designed to achieve compliance with Rule 10b-16(a)(1). As a result, HTS violated SEC Rule 10b-16(a)(1) and FINRA Rules 3110(a) and (b) and 2010. The firm agreed to a censure, and a \$250,000 fine.

In September 2019, Momentum Independent Network (MIN) and affiliate broker-dealer Hilltop Securities Inc., jointly and severally, paid disgorgement of \$736,497.48 and prejudgment interest of \$74,287.92 for a total of \$810,785.40. The U.S. Securities and Exchange Commission (SEC) brought numerous actions against investment advisers over the past several years that failed to make required disclosures or the disclosures made were not written in a clear enough manner, related to its selection of mutual fund share classes that paid certain fees, known as 12b-1 fees, to representatives when a lower cost share class was available for the same fund that did not make those payments. 12b-1 fees are sometimes also described as distribution and marketing fees and are generally paid to brokerage firms for distribution and shareholder services. As a result of these actions and related findings, the SEC implemented the Share Class Selection Disclosure initiative to allow firms to self-report circumstances in which the disclosures do not meet the SEC's requirements.

After conducting a review of its advisory business, HTS addressed this issue in January 2018 by enhancing its investment advisory programs to rebate to customers any 12b-1 fees paid by mutual funds held in managed accounts and by making disclosures regarding the 12b-1 payments.

Although HTS did make disclosures regarding mutual fund 12b-1 payments, without admitting or denying the findings in the order, the SEC has indicated that the disclosures were not clear enough for investors to make an informed decision regarding offered advisory services and payments.

As a result of the SEC's decision regarding these fees and disclosures, without admitting or denying the findings, HTS accepted an offer from the SEC to settle this matter and agreed to the entry of an order which included HTS to return certain 12b-1 fees and interest charged to investors in managed accounts from January 2014 through January 2018.

In agreeing to participate in this initiative, HTS will not be subject to a regulatory fine by the SEC.

### **Related Items:**

<https://www.sec.gov/litigation/admin/2019/ia-5393.pdf>

In June 2020, affiliate firm HTS reached a settlement with FINRA for failure to establish and implement an anti-money laundering ("AML") compliance program that was reasonably designed to detect and report suspicious trading activity in low-priced securities. FINRA alleged that HTS failed to conduct reasonable reviews of low-priced securities activity for the purposes of determining if a Suspicious Activity Report should be filed. The same settlement agreement also applied to the Firm's failure to submit required regulatory filings to the MSRB's EMMA system and G-17 disclosure letters to issuers in connection with primary offerings of municipal securities. HTS agreed to a \$475,000.00 fine (\$375,000 for AML and \$100,000 for the municipal offerings), censure and to retain an independent consultant to conduct a review of the reasonableness of its policies, systems and procedures related to the AML matter.

In July 2021, affiliate firm HTS reached a settlement with the Securities and Exchange Commission for failing to reasonably supervise a registered representative in connection with retail order periods for negotiated new issue municipal bonds. Between January 2016 and April 2018, HTS personnel obtained bonds for trading inventory accounts by placing orders with a co-managing underwriter during the retail order period. The retail order period is designed to grant first priority to retail investors for new issue municipal bonds. By placing the orders in this manner, the senior managing underwriter was unaware that bonds were being purchased for trading inventory accounts. HTS agreed to a \$85,000.00 civil penalty, \$206,606 disgorgement, \$48,587 prejudgment interest, a censure and cease and desist injunction.

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



MIN is a wholly owned subsidiary of Hilltop Securities Holdings LLC, a Delaware limited liability company. Hilltop Holdings Inc. (“HTH”) has a 100% ownership interest in Hilltop Securities Holdings, LLC, which operates through its wholly owned subsidiaries, Hilltop Securities Inc., Momentum Independent Network Inc., and Hilltop Securities Asset Management, LLC. HTH is a public company listed on the New York Stock Exchange (“NYSE”) under the symbol “HTH.” Through HTH’s wholly owned subsidiary, PlainsCapital Corporation, a regional commercial banking franchise, it has two operating subsidiaries: PrimeLending and PlainsCapital Bank (“PCB”), including its subsidiary PlainsCapital Securities, LLC. MIN and HTS provide a full complement of securities brokerage, institutional and investment banking services in addition to clearing services and retail financial advisory. HTH also has other wholly owned direct and indirect subsidiaries which are not material to the advisory business of MIN and HTS.

Affiliates of MIN that are material to MIN’s advisory business include:

- Hilltop Securities Inc., a dually registered Broker-Dealer and Registered Investment Adviser
- Hilltop Securities Asset Management, LLC, a Registered Investment Adviser
- Hilltop Securities Insurance Agency, Inc., a licensed insurance agency

MIN through its affiliation with Hilltop Securities Insurance Agency (“HSIA”), will earn commission-based compensation for selling insurance type products, such as life, disability, long term-care insurance, and fixed and variable annuities. In addition, some IARs also are licensed and operate as insurance agents and receive commission-based compensation for the sale of these types of products. Insurance commissions earned by IARs from the sale of these products are separate and in addition to our advisory fees. Therefore, the sale of insurance and annuity products presents a conflict of interest because IARs who are also insurance agents have an incentive to recommend insurance and annuity products to clients for the purpose of generating commissions. Clients are under no obligation to purchase products or services recommended by MIN or its IARs in connection with any advisory service that is offered.

MIN also has arrangements with HTS which are material to its advisory business. HTS and MIN are affiliated due to their common ownership by HTH. HTS is the sponsor of the Passport Series SMA, Momentum Pathways UMA, and Gateway FSP Programs. MIN offers these advisory programs to Clients via a "co-advisory" arrangement it has with HTS. For all programs offered by MIN, HTS retains a portion of the program fee for performing administrative services (such as reporting, record keeping and fee billing administration). The portion of the program fee retained by HTS generally ranges from 0.10% to 0.35% (annual rate) of the Account Value of each program.

PCB is an affiliate of MIN, both of which are under HTH’s common control. MIN has entered into an agreement with PCB for brokered deposit services. In addition, PCB pays certain marketing and administrative fees to MIN in exchange for marketing money market funds to certain MIN Clients.

## **Registration as a Broker-Dealer**

MIN is an independent broker-dealer and investment adviser. As a registered broker-dealer, MIN is a member of FINRA and SIPC.

Generally, MIN IARs are also associated with MIN as registered representatives. IARs can recommend the purchase of securities offered by MIN as a securities broker-dealer. If a client purchases these products through these individuals as registered representatives in regular brokerage accounts, they will receive normal commissions, including 12b-1 fees for the sale of investment company products, which are separate from the advisory fees the client pays. As such, IARs have incentive to sell commissionable products in addition to providing the client with advisory services when such commissionable products may not be suitable. Therefore, a conflict of interest exists between their interests and client interests. While MIN security sales are reviewed for suitability by an appointed supervisor, clients should be aware of the incentives the firm has to sell certain securities products and are encouraged to ask about any conflict presented. Please be aware that clients are under no obligation to purchase products or services recommended by MIN or its IARs in connection with providing any advisory service that the firm offers.

Information about IARs, their licenses, educational background, employment history, and if they have had any disciplinary issues or received serious complaints from investors through the FINRA BrokerCheck service available from FINRA at <http://www.finra.org>, or from the Securities and Exchange Commission at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

In addition, some of our IARs hold educational credentials, such as the Certified Financial Planner™ (CFP®) designation. Holding a professional designation typically indicates that the IAR has completed certain courses or continuing education. However, an IAR's professional designation does not change the obligations of MIN or the IAR in providing investment advisory or brokerage services to the client.

## **Registration as an NFA introducing broker dealer**

MIN is registered as an introducing broker and is member of the National Futures Association (“NFA”), which is the self-regulatory organization for the U.S. futures industry.

## **Review of Accounts**

Program services include periodic reviews and monitoring of client account by IAR. In addition, monthly and/or quarterly reviews are conducted by the ASG. MIN Client trading activity is reviewed on a daily basis by MIN supervision personnel. Other reviews, as deemed appropriate, are conducted by ASG and supervision staff. IARs conduct reviews on at least an annual basis, which provides an opportunity for the client to update MIN with any material changes in their financial condition and/or investment constraints.

## **Client Reports**

Clients receive written custodial account statements monthly if there is activity, or quarterly in the absence of activity. Trade confirmations are provided for all securities buy/sell transactions by the custodian. In addition, performance reports are available upon request. The Insurance Carrier will provide all statements and confirmations for the Destinations Program.

All Client reports for the Explorer Program will be provided by the TAM and/or their custodian.

## **Client Referrals and Other Compensation**

MIN pays referral fees to persons for referring advisory business to MIN pursuant to Rule 206(4)-3 of the Investment Advisers Act. Such fees are only paid to persons with whom MIN has entered into formal referral agreements. MIN also requires that a referral fee disclosure statement be given to clients (or prospective clients) that discloses, among other things, the amount of fee to be paid to the referring person and the fact that the payment of such referral fees has not increased the amount of the total advisory fee that the client (or prospective client) will pay.

## **Brokerage Practices – Best Execution**

MIN renders investment advice to its clients on a nondiscretionary and discretionary basis, pursuant to client's advisory agreement. In MIN's advisory programs the client will appoint one or more firms to serve as a broker-dealer and/or custodian. The following firms are used to provide brokerage and custodian services with respect to accounts managed by MIN.

### **HTS**

Clients generally appoint HTS as sole and exclusive broker for execution transactions, this relationship is referred to as directed brokerage. HTS will also be a clearing firm and custodian of client accounts. Through directed brokerage, MIN has benefits where it requires a client to utilize the services of an affiliated broker/custodian. The directed brokerage relationship can create a conflict of interest as programs implemented through the affiliated broker-dealers pay commissions and/or transaction charges that are higher or lower than at other broker-dealers. This directed brokerage agreement is reflected in clients advisory agreement. Not all investment advisers who are dually registered as broker-dealers or who have affiliated broker-dealers require their clients to use the adviser's broker-dealer to execute transactions.

In placing orders for purchase and sale of securities and directing brokerage to affect these transactions, HTS's primary objective is to seek prompt execution of orders at the most favorable prices reasonably obtainable. Sub-managers in the Passport Series/Momentum Pathways/Gateway FSP Programs have discretion to cause trades to be executed by broker-dealers other than with HTS if the investment manager reasonably determines in good faith that using another broker-dealer is likely to result in better execution than if the trades were executed by HTS. Occasionally, in order to seek best execution and minimize market impact, trades can be "stepped-out" in order to gain best execution and minimize market impact. In some instances, stepped-out trades are executed by the other firms without any additional commission or markup or markdown, but in other instances, the executing firm can impose a commission or a markup on the trade. If a client's investment manager steps-out trade orders for the client's account with a broker-dealer other than HTS, and the other broker-dealer imposes a commission or equivalent fee on the trade (including a commission embedded in the price of the investment), the client will incur trading costs in addition to the advisory fee. Neither MIN or HTS are a party to step-out trades and are not in a position to negotiate the price or transaction related cost(s) with the broker, dealer, or bank selected by the sub-manager for these trades.

Securities transactions in client accounts participating in the MIN Programs are generally affected on a "net" basis (i.e. without commissions), and a portion of the fee is generally paid for advisory services provided. Clients will generally pay an asset-based fee for the brokerage/custody/clearing services provided by HTS as the broker/custodian (as opposed to transaction-based fees such as commissions), and those fees are generally included in the Program Fee for a client. To the extent that such fees are not included in the Program Fee, the client will be so informed in writing. Please refer to Fees and Compensation section for details regarding fee arrangements.

MIN receives no soft-dollar compensation from HTS.

## **Schwab**

Certain clients' accounts participating in the Partner - TPC Program will utilize Charles Schwab for brokerage and custodial services associated with MIN's investment advice. MIN is not affiliated with Schwab. Schwab will hold client assets in a brokerage account and

buy and sell securities when MIN or the Adviser instructs them to do so. Client will open an account with Schwab by entering into account agreements directly with them. The client opens the accounts with Schwab. The account will always be held in the name of the client and never in MIN Advisers' name.

### **Client Brokerage and Custody Costs**

For MIN clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services. However, Schwab receives compensation by charging ticket charges or other fees on trades that it executes or that settle into clients' Schwab accounts. MIN has determined that having Schwab execute the Program trades is consistent with the firm's duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors. Please refer to the Schwab Best Execution Policy for more information.

### **Products and Services Available to MIN from Schwab**

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like MIN. They provide MIN Advisers and MIN clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help the firm manage or administer MIN clients' accounts. These services made available from Schwab are not any different than those provided by HTS and MIN to MIN Advisers. The firm believes that the selection of Schwab as custodian and Broker for the MIN Partner – TPC Program is in the client's best interest. MIN Advisers will always act in the best interest of their clients and act as a Fiduciary in carrying out services to clients. The Partner – TPC Program is only available to select group of approved Advisers.

Following are more detailed descriptions of Schwab's support services:

#### **Services that Benefit our clients**

Schwab's institutional brokerage services include access to a broad range on investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which clients may not otherwise have access to, or that would require a significantly higher minimum initial investment. Schwab's services described in this paragraph generally benefit our client and their accounts.

#### **Services that may not directly benefit our clients**

Schwab also makes available to MIN other products and services that benefit the firm but may not directly benefit the firm's clients or their accounts. These products and services assist MIN in managing and administering the client's accounts. They include investment research, both Schwab's own and that of third parties. This research be used to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients' accounts
5. Assist with back-office function, recordkeeping, and client reporting

#### **Services that Generally Benefit only MIN**

Schwab also offers other services intended to help manage and further develop MIN business enterprise.

These services include:

1. Educational conferences and events
2. Consulting on technology, compliance, legal and business needs
3. Publication and conferences on practice management and business succession
4. Access to employee benefit providers, human capital consultants and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to MIN. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide MIN with other benefits, such as occasional business entertainment of our personnel.

#### **MIN interest in Schwab's Services**

The availability of these services from Schwab benefits MIN because the firm does not have to produce or purchase them. These services are not contingent upon the firm committing any specific amount of business to Schwab in trading commissions. MIN believes that the selection of Schwab as custodian and broker is in the best interests of the firm's clients.

Some of the products, services and other benefits provided by Schwab benefit MIN IAR and may not benefit the client accounts. The recommendations or requirement that clients place assets in Schwab's custody may be based in part on benefits Schwab provides to the

firm, or MINs agreement to maintain certain assets under management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

MIN places trades for the firms clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Schwab's execution quality may be different than other custodians.

### **TAMs (Third-party asset managers)**

For the Explorer Program the client hereby designates the TAM as its broker-dealer for the Client's Program Account(s) to provide trade execution services. The client acknowledges and understands that the TAM will be providing both investment advisory and brokerage services, and expressly authorizes the TAM to execute transaction consistent with the TAM's duty of best execution. MIN encourages clients to carefully review the TAMs disclosure brochures relating to the brokerage services they provide and their best execution policy.

### **Payment for Order Flow**

MIN's clearing firm and affiliate HTS may receive remuneration in return for directing some customer orders for execution to particular exchanges or market centers. This remuneration, known as payment for order flow, is considered compensation to HTS and may include non-cash items such as reciprocal arrangements, discounts, rebates or reductions or credits against fees that would otherwise be payable in full by HTS as a clearing firm. This arrangement creates a conflict of interest for HTS to route orders to certain exchanges or market centers in exchange for such compensation. Order routing statistics required under SEC rules are available on our website at <https://www.hilltopsecurities.com/momentum-independent-network-inc-disclosures/order-routing-disclosure>.

### **Order Aggregation and Block Orders**

In order to seek a more advantageous net price, it is the firm's practice to aggregate, when feasible, orders for purchase or sale of a particular security for accounts of several program clients for execution as a single transaction. Any benefit to such aggregation generally is allocated pro-rata among the client accounts that participated in the aggregated transaction.

MIN, HTS or the sub-managers have the discretion to aggregate orders for client accounts with the orders of other clients, their own accounts, their employees, and their related persons. In such cases, the transactions, as well as the expenses incurred in the transactions are allocated according to MIN, HTS or the applicable sub-manager's policy in a manner believed by it to be equitable to the client. In such cases, each account will be charged with the average price per unit, and where applicable, with brokerage costs and other fees.

Sub-managers participating in the Passport Series, Momentum Pathways or Gateway FSP Program can determine that the purchase or sale of a particular security is appropriate for more than one client account. In such cases, the sub-manager has the discretion to decide to aggregate multiple client orders into one "block" order for execution purposes. This can have the advantage of avoiding an adverse effect on the price of a security which can result from simultaneously placing a number of separate competing orders. In the event a block transaction is affected by a sub-manager, the client will receive the average price of all transactions effected to satisfy the order.

As a result, the average price received by the client can be higher or lower than the price they would have received had the transaction been affected for the account independently from the block transaction. When aggregating orders, and in the process of allocating block purchases and block sales to individual client accounts, it is MIN's policy to treat all clients fairly and to achieve an equitable distribution of aggregated orders. Sub-managers participating in the MIN program also participate in other wrap fee programs sponsored by broker-dealers not affiliated with MIN. In addition, sub-manager typically manages institutional accounts not referred through a directed brokerage, wrap fee program. In the event a sub-manager wishes to buy or sell a security for all accounts within a particular discipline, the sub-manager can affect such transactions through a large number of broker-dealers. Depending on the liquidity of the security and the size of the transaction, among other factors, certain sub-managers utilize a trade rotation process where one group of clients (i.e. MIN Clients) has a transaction affected before or after another group of the sub-manager's clients so as to limit the market impact of the transaction. A sub-manager's trade rotation policies are at their discretion, typically utilize a random selection process and are intended to equitably allocate transactions over time across the sub-manager's entire client base so that each group of clients can expect to receive executions at the beginning, middle and the end of the rotation. Additional information regarding the sub-manager's trade rotation policies, if any, is available in the sub-manager's Form ADV Part 2.

### **Portfolio Managers and Strategist Trade Rotation**

Portfolio Managers and strategists participating in the Passport Series, Momentum Pathways and Gateway FSP Programs typically participate in other wrap fee programs sponsored by other advisory/broker-dealers, institutional accounts and even advise on mutual funds. When a manager/strategist directs a transaction (buy/sale) for a security for all accounts within a particular strategy, the manager/strategist may have to possibly direct similar transactions through a substantial number of firms. In this case the manager/strategists will employ a trade rotation process. This occurs when a group of clients may have a transaction executed before or after another group of the manager/strategist's clients in other wrap fee programs. This trade rotation seeks to limit the potential market impact of the transaction. The trade rotation process may result in MIN clients being the first accounts in which a trade is aggregated and executed. Once completed, the manager/strategist will "rotate" to the next set of clients or firm in the rotation; it is expected that MIN clients will eventually be last in the rotation. The rotation process is developed and administered at the manager/strategist's sole

discretion. The selection process is generally random and is intended to create a fair way allocate transactions to all participants. Over time, each group of participants should expect to receive executions at the beginning, middle and the end of the rotation. This can result in transactions being executed in their account near or at the end of the rotation. There can be a market price impact on trades executed later versus trades executed earlier in the rotation. Typically, the trade rotation process is also used to enable the manager/strategists to meet their best execution obligations. This can result in some of the manager/strategists to decide to employ a trade rotation process for all securities in their portfolio and trade only through the respective firm's sponsoring the wrap fee programs, while others may choose to employ a rotation process that includes making a determination to trade away from the sponsors frequently or on a majority basis. For additional information regarding each manager/strategist's trade rotation, please refer to the specific manager/strategist's Form ADV Part 2A.

Due to this rotation, MIN may not be able to process the trades on the same day that notice is received due to limitations of the market closing and receiving the trade late in the day. Best efforts are made to execute trades same day, but in some cases, it may be the next business day that the markets are open.

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

### **Code of Ethics**

MIN has adopted a Code of Ethics that governs a number of potential conflicts of interest when providing our advisory services to a client. The Code of Ethics is designed to ensure that the firm meets their fiduciary obligations to clients and to foster a culture of compliance throughout MIN.

The Code of Ethics is comprehensive and is designed to help detect and prevent violations of securities laws and to help ensure that client interests are first at all times. The firm distributes the Code of Ethics to each supervised person at MIN on an annual basis. It remains available to each supervised person for as long as they remains associated with MIN; and ensure that updates to the MIN Code of Ethics are communicated to each supervised person as changes are made. MIN Code of Ethics asserts that all supervised persons have a fiduciary responsibility to clients, and they must always adhere to federal securities laws. The Code also covers client confidentiality, gifts, undue influence in personal securities transactions and use of client or company assets to benefit one personally. Additionally, the Code mandates monitoring, review, reporting and sanctions for violations of the Code of Ethics. MIN will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **Participation or Interest in Client Transactions and Principal Trades**

MIN, as a broker-dealer, can act as an agent or, where permitted by law, principal (including instances wherein the firm is an underwriter or selling group member). Even though MIN is permitted by contract or by law to do so, as a matter of policy, MIN generally does not execute principal trades or agency cross transactions in MIN advisory programs. Although in some instances, a more favorable market price to clients if the firm participates in principal trade or an agency cross transaction with Client accounts, MIN does so only when consistent with the firms obligations to seek best execution, due to regulatory requirements when executing such transactions. Therefore, the client will not have access to new issues or syndicate offerings in these accounts. Clients may make such purchases in a retail brokerage account and should be aware that they will be subject to the customary fees and compensations charged in such accounts.

In case-by-case exceptions, in which MIN enters into principal trades or agency cross transactions ("Agency Cross-Transactions"), MIN will provide specific disclosures and obtain client consent. If the transaction is a principal transaction in which HTS is a market maker in the security, MIN will provide the client with disclosure regarding the capacity in which MIN is acting and obtain their consent before completing such transaction. MIN relies on codes and restrictions in the firms systems as well as additional software to prevent non-permissible principal trades. In some instances, MIN does not act as an investment advisor (according to Section 206(3) of the Investment Adviser Act of 1940) with respect to an advisory program transaction if the transaction is directed to us by a nonrelated portfolio manager, to whom the client has granted discretionary trading authority, and MIN does not recommend, select or play a role, direct or indirect, in the portfolio manager's selection of the particular securities to be purchased for, or on behalf of, program clients. The firm implemented systems and procedures that are designed to comply with the policy stated above and to monitor related activities.

MIN has the discretion to affect cross-transactions between client accounts, where one client purchases a security held by another client. Neither MIN nor any related party receives any compensation in connection with a cross-transaction. MIN effects these transactions only when the firm deems the transaction to be in best interests of both clients and at prices MIN has determined to reflect their value.

The client should understand that, to the extent permitted by applicable law, MIN can, in transactions involving a clients securities, act as agent while also representing another client on the other side of the transaction ("Agency Cross-Transaction") provided, however, that no such Agency Cross-Transaction will be affected for the Program Account(s) of any ERISA Plan or an individual retirement account.

If the transaction is an Agency Cross-Transaction, in which MIN acts as the clients broker or agent by purchasing or selling securities from or to one of the firms brokerage customers, written consent is obtained from the client and the client will be provided a written confirmation at or before the completion of the transaction. The confirmation will describe the nature of the transaction, plus information

about its date and time, and the remuneration that the IAR or another person may receive as a result. At least annually, the firm will provide clients a written disclosure statement identifying the total number of such Agency Cross-Transactions for the account during the period, and the total amount of all commissions or other remuneration received or will receive in connection with these transactions, if any.

MIN generally will not affect Agency Cross-Transactions between clients if a recommendation for the security was provided to both clients. Such Agency Cross-Transactions have a potential of conflicting division of loyalty and responsibility regarding, both parties to the Agency Cross-Transaction. Such transactions are generally limited to brokerage (non-advisory) clients only unless specific consent by the client has been granted to the transaction in accordance with regulatory requirements. MIN sometimes has a financial interest for securities or investment products that MIN's IARs recommend to advisory clients. In certain cases, the products may only be used with restrictions within the advisory programs.

Principal trades and agency cross transactions are also subject to additional restrictions, procedures and controls that are in place for the securities transactions in advisory accounts. As discussed more fully below, MIN seeks to obtain the best execution for each of the firms advisory clients.

### **Personal Trading**

MIN and its officers, directors, employees and affiliates can buy or sell securities for themselves that they also recommend to clients. The firm receives duplicate confirms for all trades conducted by MIN personnel and reviews them for potential conflicts of interests.

### **Custody**

Certain MIN accounts are custodied at HTS, an affiliate of MIN, or at another qualified custodian (i.e., Schwab, etc.) based on the programs utilized for the client. Each custodian utilized for MIN client accounts provides MIN clients with account statements at least quarterly. These statements identify the positions in the account at the end of the statement period, as well as all transactions in the account during the statement period. Clients should carefully review these documents and are urged to compare them against reports received from MIN. Further, each brokerage firm is expected to provide clients trade confirmations when security transactions take place. Questions about these documents should be directed to MIN, the Investment Adviser, or the custodial firm.

For accounts participating in the Explorer Program, MIN does not have custody of client funds and/or securities. Clients should carefully review the TAMs disclosures and advisory agreements to determine who the TAM names as custodian, and if the TAM has custody of those assets. MIN encourages its clients to carefully review all statements, confirms and performance reports provided to them, as statements from custodians may vary based on accounting procedures, reporting dates or valuation methodologies of certain securities.

MIN does not have custody of the assets in accounts participating in the Partner – TPC Program . Clients will have standing authorizations with Schwab to move money from their account to a third-party, and under that standing authorization, it authorizes MIN to designate the amount or timing of transfers with Schwab. Account statements and trade confirmations are delivered directly from Schwab to each client or the client's independent representative, at least monthly. Clients should carefully review these documents and are urged to compare them against reports received from MIN. Questions about these documents should be directed to MIN, the IAR, or Schwab.

For all accounts, MIN has the authority to have fees deducted directly from client accounts. The firm has established procedures to ensure all client funds and securities held at Schwab are in a separate account for each client under the client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware Schwab's address and manner in which the funds or securities are maintained. Finally, account statements are delivered directly from Schwab to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from MIN. Questions regarding account statements should be directed to MIN, the IAR or Schwab.

The Insurance Carrier will be the custodian of assets in the Destinations Program account. The Insurance Carrier will provide the client with account statements and confirmations of transactions.

### **Investment Discretion**

In the Passport Series and Momentum Pathways Programs, clients authorize and direct the platform manager to delegate discretionary authority to each manager selected. For Aviator, Co-Pilot and Partner - TPC discretionary accounts, the client delegates discretionary trading authority to their IAR. The Gateway FSP program is a discretionary program where the FSP determines the asset allocation and directs trades MIN.

## **Investment Policy Statements**

MIN or its IAR's will not monitor for compliance nor approve investment policy statements when provided in association with an account in one or more of the listed advisory programs described in this brochure. MIN does not provide investment policy statements. MIN will not be responsible for the ongoing monitoring of a clients investment policy statement and the assets allocation detailed within the statement. This is the clients responsibility, and the client should consult with their legal and tax advisors for matters regarding their investment policy statement.

## **Financial Information**

MIN has not been the subject of a bankruptcy petition at any time in its existence. Under no circumstance will MIN earn fees more than six months in advance of services rendered.