

# **MMLIS Wealth Management Services**

## **Strategist Select and Strategist Select Mutual Fund Only Programs**

### **Wrap Fee Brochure**

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

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

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

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

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

The following is a summary of certain changes made to this Brochure since the last annual update of this Brochure on March 31, 2023.

October 26, 2023 Update: Item 4 was updated to provide information about other advisory programs that MMLIS offers with different fee structures. Item 9 was updated to provide information regarding a Stipulation and Consent Order in Lieu of Cease and Desist Proceedings ("Order") MMLIS entered into with the State of Michigan, effective September 26, 2023. The Order stated that the Firm failed to properly submit necessary investment adviser representative registration application materials for an individual investment adviser representative from 2010 to 2023.

June 12, 2023 Update: Item 9 was updated to provide information regarding a Letter of Acceptance, Waiver, & Consent ("AWC") entered into by MMLIS and FINRA effective May 16, 2023. The AWC stated that the Firm failed to timely amend its associated persons' Forms U4 and U5 to report disclosable events, and that the Firm failed to establish, maintain and enforce reasonable supervisory procedures, including written supervisory procedures, to timely and accurately report regulatory events on Forms U4 and U5.

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

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

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

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

Some of these other investment advisory programs have different fee structures and lower maximum fees which can result in lower client fees. This creates an incentive for MMLIS and IA-Reps to recommend advisory programs with higher client fees and to recommend that you increase the amount you have invested in such programs. Advisory programs with lower client fees often offer a more limited selection of investment options and asset allocations and can also have different minimum investment requirements. In addition, MMLIS offers certain advisory programs with lower maximum fees and lower client fees that are available only to a limited group of investors who are associated with a specific organization, such as a labor union.

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

##### **The Strategist Select and Strategist Select Mutual Fund Only Programs**

MMLIS is the primary adviser for the Programs. Envestnet Asset Management, Inc. ("Envestnet") provides the services described herein in the capacity of a sub-adviser.

**The Strategist Select Program ("Strategist Select")** is a non-discretionary program that provides clients with access to asset allocation models ("Models") created by third-party investment managers ("Strategists") consisting of mutual funds and/or ETFs. Clients select one Model for their account. This program is a legacy MMLIS proprietary program and was previously named the Fund Strategist Provider – ETF Program. As described above, not all IA-Reps can offer the Strategist Select Program.

**The Strategist Select – Mutual Fund Only Program ("Strategist Select MF Only")** is a non-discretionary program that provides clients with access to Models created by Strategists consisting of mutual funds. Clients select one Model for their account. As described above, not all IA-Reps can offer the Strategist Select MF Only Program.

Each account in a Program ("Account") will be assigned one of five investment objective classifications ("Investment Objective") based on client's risk tolerance, time horizon and investment objectives. Each risk tolerance category has a different maximum equity allocation limit and no minimum equity allocation requirement. Each Account's assigned Investment Objective determines the maximum equity allocation for the Account. The equity exposure of a client's Account can decrease significantly and still be consistent with the Investment Objective assigned to that Account. Envestnet will monitor and designate a risk score for each Model based on instruction from MMLIS, which will determine which Models are assigned to each Investment Objective. There are multiple Models available for each Investment Objective. Please refer to Item 6 for information on how Models are selected for inclusion in the Programs.

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

The Programs may be appropriate for those clients seeking ongoing investment advice. These Programs are not appropriate for clients who prefer to manage their investment portfolio on their own, without the assistance of a financial professional, or who are not looking for ongoing investment advice. Clients should understand that where

MMLIS expressly agrees to act as an adviser, as it does under the Programs, the IA-Rep's primary role is to provide advice. Where MMLIS acts solely as a broker, its primary role is to execute trades based on client instruction. MMLIS's obligations are different when it acts as adviser and when it acts as broker. Clients should refer to the Firm's Form CRS for additional information regarding the differences between advisory and brokerage relationships and discuss further with their IA-Rep, as appropriate. Clients should understand that, over time, advisory accounts are typically more expensive than brokerage accounts due to the ongoing advisory fee and additional services provided (such as, account monitoring and investment advice).

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

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

For the limited purpose of implementing a tax loss harvesting strategy, the Firm will permit ETFs to be held in a client's Account in the Strategist Select MF Only program on a temporary basis.

### **Account Opening Process**

If a client wishes to participate in one of the Programs, the first thing the IA-Rep will do is assist the client in determining whether a Program is appropriate for the client. The IA-Rep will also provide the client account opening documents, disclosures and other documents necessary for the client to make an informed decision about participation in a Program. If the client determines that a Program is appropriate given the client's needs, the IA-Rep will collect information from the client about the client's present investment objectives, risk tolerance and time horizon and input such information into the Investment Questionnaire ("Questionnaire") which will determine a risk profile scoring (an "Investment Objective") for client's Account, and generate an investment proposal ("Proposal") and SIS. As described below, the Proposal and SIS recommend a Model for client's Account based on the client's Investment Objective.

The IA-Rep will review the information in the Proposal and the SIS with the client. The client is ultimately responsible for determining whether to participate in the Program, and whether to accept or reject the recommended Model. Client must approve a Proposal and SIS prior to implementation. By signing the SIS, the client is also agreeing to the MMLIS Wealth Management Services Terms and Conditions ("Program Agreement"), a separate agreement that governs the relationship between the client and MMLIS and sets forth the parties' responsibilities and obligations with respect to the client's Account.

The IA-Rep also assists the client in completing any other documents required to open an account with the Firm, including any documents related to the brokerage services provided by MMLIS in connection with a client's participation in a Program ("Brokerage Agreement"), accepts any inquiry from the client about the Program, coordinates the provision of responses to the client, and provides all Account opening documents, disclosures and other necessary documents.

In addition to this Brochure, you will receive from your IA-Rep Envestnet's Form ADV Disclosure Brochure ("Envestnet Brochure"). In addition, you should review the Form ADV Disclosure Brochure for the selected Strategist (the "Strategist Brochure") available on the SEC's website or from your IA-Rep. You should carefully review this Brochure, the Envestnet Brochure, and the Strategist Brochure, since they outline important information about the Firm's, Envestnet's and the Strategists' roles and responsibilities under your selected Program. You should also review the informational guide that you will receive from your IA-Rep entitled "Additional information about MML Investors Services Wealth Management Offerings" ("Informational Guide"). The Informational Guide contains important information and disclosures about the Firm. Your IA-Rep will also provide you with the IA-Rep's Form ADV2B Brochure Supplement, which you should also review.

## Information about ESG

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

The consideration of ESG-related information in the construction of your portfolio should not be viewed as a guarantee that your ESG-related goals or the ESG-related goals of the underlying investments in your portfolio will be met. Neither MMLIS nor your IA-Rep will manage or monitor your account on an ongoing basis from an ESG-related perspective. While certain holdings in the portfolio may seek ESG-specific outcomes, there is no guarantee such results will be achieved by the issuer or manager of the security. The investment objective identified for your account is the primary guiding factor for how your account will be managed. In addition, where your portfolio (or a portion of your portfolio) is invested in a Model or fund with an explicit ESG-related objective, the manager of the Model or fund (not MMLIS) is responsible for managing your account (or portion of your account) according to the ESG-related objective.

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

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

## Other Services

### *MMLIS Services:*

Envestnet's system will display the Models that correspond to the Investment Objective of the client's account, and the IA-Rep will assist the client in selecting an available Model. The Models may not be modified by either the IA-Rep or the client. The IA-Rep may discuss with the client various factors, including but not limited to client preferences, fees charged by the Strategists, information on Strategists, including their performance, forwarded by Envestnet, and the account minimum requirements of Models. The client is ultimately responsible for deciding which Model to choose.

MMLIS also has ongoing responsibility to advise clients regarding the appropriateness of the Model and the Strategist selected by the client for the Account in light of the client's objectives, assets, risk tolerance and investment experience as disclosed to MMLIS. When appropriate, the IA-Rep may also assist the client in determining whether the existing Model should be replaced. The IA-Rep may discuss some or all of the foregoing factors with the client in order to assist the client in making an appropriate decision.

Neither MMLIS nor the IA-Rep is responsible for the selection of the mutual funds and/or ETFs underlying the Models. The applicable Strategist has selected these mutual funds and ETFs by analyzing mutual funds and ETFs using its own quantitative analysis and screening techniques. Only those mutual funds and ETFs satisfying the applicable Strategist's criteria are included in the Programs. Only mutual funds and ETFs that are available on the custodian's platform may be selected. Please see Item 6 and the Envestnet Brochure or the applicable Strategist's Brochure for additional information regarding the Strategist's mutual fund and ETF screening and monitoring processes, as applicable.

MMLIS generally selects the Strategists and Models for the Programs from the universe of asset managers and Models that meet Envestnet's screening criteria. MMLIS may also select other Strategists and Models for the Programs. Please see Item 6 for a description of how the Strategists and Models are selected, monitored and, where applicable, replaced.

Except for the selection of the sweep option described below in its capacity as broker-dealer, the Firm (including the IA-Reps) will not make any individual security recommendations on behalf of clients.

When providing investment recommendations that are treated as fiduciary investment advice as defined by Department of Labor regulations, MMLIS and our IA-Reps will act as investment advice fiduciaries to you under

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

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

#### *Envestnet Services:*

Envestnet is responsible for conducting due diligence and ongoing monitoring of the Models for use in the Programs, as discussed further in Item 6. In many instances, Envestnet will provide MMLIS with research or performance information relating to a Model. MMLIS reviews the research and performance information for investment monitoring and ongoing due diligence purposes only. For historic information on performance other than for Envestnet's proprietary Models (as described below), Envestnet receives performance data from third-party Strategists and/or other sources, such as reporting service providers, but does not independently verify such performance information.

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

Envestnet is responsible for investing each client's assets in the mutual funds and/or ETFs that correspond to the applicable Model for client's Account. Each third-party Strategist actively manages the applicable Model and instructs Envestnet as to the transactions to be placed in client's Account in accordance with the selected Model. Envestnet is responsible for performing administrative and/or trading duties at the discretion of the Strategists via a licensing agreement between Envestnet and each Strategist.

In addition, Envestnet serves as a Strategist available under the Programs. In its role as Strategist, Envestnet may, in its discretion, remove a mutual fund from a Model that it manages, if such asset fails to meet its screening and monitoring criteria and replace it with another investment, as applicable. As explained further in the Envestnet Brochure, Envestnet does not employ the same diligence procedures in making the determination to act as Strategist under the Programs. Further, Envestnet has a financial incentive to include itself as a Strategist under the Programs, as it will receive additional compensation in the form of advisory fees if it is selected as a Strategist. Such fees are included in the client's Client Fee (as defined below under "Fees and Charges" of this Item 4). Please refer to Item 6 and the Envestnet Brochure for additional information. Please also refer to Item 9 for additional disclosure regarding the conflicts of interest associated with Envestnet serving as a Strategist available within the Programs.

#### **Envestnet Fund Strategist Tax Management Service**

The fund strategist tax management service offers clients a solution to (i) help limit long and short-term gains, and/or (ii) attempt to limit their potential tax liabilities.

If the fund strategist tax management service is selected by a client, Envestnet will provide discretionary investment advice by evaluating the tax impact of any trades recommended by the Strategist for the Account's Model. Envestnet may elect to prevent the transaction or make different trades if they would reduce the client's realized gains and are appropriate based on the client's indicated tax-sensitivity level.

The fund strategist tax management service is designed for taxable investors who are willing to allow a designated level of deviation from their selected portfolios. The use of this service may result in recommendations from Envestnet that differ from those made by MMLIS or the IA-Rep and/or may be inconsistent with the client's chosen investment model and strategy. This may cause trading, holdings and/or performance of the client's portfolio to deviate from a portfolio that does not apply this service. Additionally, the use of this service may cause the client's account risk to differ from the risk profile identified for the client during the proposal process.

The fund strategist tax management service is not suitable for all clients, and is not intended to be general tax planning services. It may be appropriate for clients who, for example, own "appreciated securities" (i.e., low cost basis) and want



to manage how gains may be realized for selling these securities, who may be subject to the Alternative Minimum Tax, or those clients who specifically accept a deviation from the model to reduce their tax cost.

Envestnet relies solely on the tax information provided by the client. To the extent such information is inaccurate or incomplete, the tax strategy developed for the client may be adversely affected. The provision of complete and accurate tax information is the sole responsibility of the client. Clients should consult with their tax and legal advisors regarding their specific situation prior to enrolling in the fund strategist tax management service. Neither MMLIS nor IA-Reps provide tax or legal advice.

The minimum Account size for the fund strategist tax management service is \$5,000. The annual fee for the fund strategist tax management service is 0.08% of the amount of assets in the Account (with a minimum fee of \$40 per year) and is paid to Envestnet. This fee is in addition to the Client Fee (as defined below under "Fees and Charges" of this Item 4). In connection with the fund strategist tax management service, the Firm will permit appreciated securities, including stocks (in Strategist Select), to be held in a client's Account if tracking error allows.

#### *NFS Services:*

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

NFS will act in its capacity as a clearing firm and perform centralized cashiering, bookkeeping and execution, clearing and settlement functions. NFS will handle the delivery and receipt of securities purchased or sold in clients' brokerage accounts, receive and distribute dividends and other distributions, and process exchange offers, rights offerings, warrants, tender offers and redemptions. NFS will send client statements of all activity in client's brokerage account on no less than a quarterly basis, and, if requested, written confirmations of trades executed through clients' brokerage accounts. Clients should review such statements carefully. NFS's address is 245 Summer Street; Boston, MA 02210.

#### *Strategist Services:*

Each third-party Strategist actively manages the applicable Model and instructs Envestnet as to the transactions to be placed in client's Account in accordance with each selected Model. If the value of the mutual funds and/or ETFs in a client's Account results in the client's Account deviating from the guidelines applicable to the Model selected for such Account, then the client's Account will be rebalanced to align the Account with the guidelines applicable to the Model selected for such Account within certain parameters. The Strategist will instruct Envestnet to purchase additional shares of certain mutual funds and/or ETFs and sell shares of other mutual funds and/or ETFs in order to achieve this objective. Redemptions and exchanges resulting from rebalancing a client's Account may have tax consequences.

In the Program Agreement, you authorize each Strategist that provides a Model, or implements its investment decisions directly for a Model selected for your Account, to exercise discretion by selecting the securities to be held by a Model, delivering such Model to Envestnet, which Envestnet will implement, and managing the Model on an ongoing basis by directing Envestnet to buy or sell securities for the Model.

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

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

### **Additional Information**

#### *MMLIS Sweep Program*

MMLIS provides "cash sweep" programs (each a "Sweep Program") where uninvested cash balances (such as from securities transactions, dividends, interest payments or deposits) in a client's Account are deposited into a selected Sweep Program each business day. In certain circumstances, including periods of volatile or uncertain market

conditions, any such Sweep Program may comprise all or a substantial portion of the Account assets based on, for example, concerns about the market, a decision to pursue a defensive investment strategy, or for cash management purposes. The Firm, in its capacity as broker-dealer, selects the Sweep Program for client's Account. Please review the Program Agreement, as well as other account opening documents or if applicable, communications provided by the Firm, for information about the Sweep Program utilized for your account.

The Firm provides two primary Sweep Programs for accounts in the Strategist Select Programs, the Advantage Cash Sweep Program ("ACS") and the Insight Cash Sweep Program ("ICS"). For the Strategist Select Programs, all non-retirement accounts utilize the ACS program and all individual retirement accounts (IRAs) utilize the ICS program. Accounts that are ineligible for the ACS or ICS programs will utilize a money market fund designated by the Firm as the sweep option for Client's Account. Clients utilizing a money market fund sweep option should review the fund prospectus provided for more information.

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

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

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

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

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

The more client deposits held in ACS program and the longer such deposits are held, the greater the compensation MMLIS, NFS and the Administrator receive. Different banks participating in the ACS program pay different all-in funding rates (and are subject to different contractual requirements), creating an incentive for the Administrator to direct ACS program deposits to banks (through how the ACS program bank priority list(s) are designed or changed from time to time) that result in the Firm receiving greater compensation. Both MMLIS and NFS receive more compensation with respect to amounts in the ACS and ICS programs than with respect to other sweep products. The fees MMLIS receives in connection with ACS and ICS programs create a conflict of interest and incentive for the Firm to offer and designate these programs as the cash sweep option for client accounts. In addition, the fees MMLIS receives in connection with the ACS and ICS program creates a conflict of interest and incentive for the Firm and your IA-Rep to recommend you maintain or maintain (if your IA-Rep has discretion), and/or increase cash balances in your Account, as cash balances in your Account increase compensation to MMLIS under the ACS and ICS programs. Please note your IA-Rep has an indirect conflict of interest due to their affiliation with MMLIS; the Firm does not share any compensation it receives from the ACS or ICS programs with your IA-Rep. The ACS and ICS programs are the only sweep options available for accounts in the Strategist Select programs, unless such accounts are ineligible for the ACS or ICS programs.

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

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

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

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

#### *Legacy Bank Sweep Program*

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

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

#### *Mutual Funds*

Clients should understand that mutual funds generally offer multiple share classes depending on certain eligibility and purchase requirements. For instance, in addition to the more commonly offered retail share classes (typically, Class A, B



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

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

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

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

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

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

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

These conflicts are mitigated in several ways. IA-Reps do not receive any of the revenue share payments that NFS pays to MMLIS, and IA-Reps do not receive any more or less compensation based on what mutual funds or mutual fund share classes they select or recommend to clients. Furthermore, the mutual funds and mutual fund share classes that are included in the Models are selected by the Strategists, not MMLIS or the IA-Reps.

#### *MMLIS Fee to NFS*

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

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

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

These conflicts are mitigated in several ways. IA-Reps do not receive any benefit if MMLIS pays lower fees to NFS and IA-Reps do not receive any more or less compensation based on what investments, including mutual funds or mutual fund share classes, are held in client Accounts. In addition, the mutual funds and mutual fund share classes that are included in the Models are selected by the Strategists, not MMLIS or the IA-Reps. MMLIS has also established parameters regarding

the amount of cash that can be allocated in client Accounts in the Programs and monitors for adherence to these parameters.

#### *Securities Backed Lending Programs*

The Firm contracts with third parties to make securities backed loans (each an "SBL") available to clients. Clients can use one of these third parties (a "Program Lender") or find an alternative SBL provider. In either case, clients apply for an SBL using their Account as collateral and must enter into an SBL agreement directly with the financial institution providing the SBL (the "Loan Provider"). Client should fully understand the following before using assets in an Account as collateral to obtain an SBL:

- Before selecting a Loan Provider, the client should consider the differences between each Loan Provider's product offering (including differences in interest rates) as well as the other options that may be available to meet the client's funding needs. There is an incentive for MMLIS and IA-Reps to recommend that a client obtain an SBL so that the client's assets remain invested in a Program.
- A Program Lender will compensate the Firm. This compensation is calculated as a percentage of the client's outstanding loan balance. The percentage amount will differ depending on the Program Lender, so the Firm's compensation will also vary depending on the Program Lender.
- The Firm will share a percentage of this compensation with its IA-Reps. IA-Reps' compensation will not vary by Program Lender because the Firm will pay them the same percentage of the client's outstanding loan balance regardless of the Program Lender.
- These compensation arrangements create incentives for MMLIS and its IA-Reps, resulting in material conflicts of interest. MMLIS and IA-Reps have an incentive to recommend that clients obtain an SBL from a Program Lender over an alternative SBL provider, maintain loan balances for longer periods of time and increase the draw down amount of a loan. MMLIS also has an incentive to make SBLs from Program Lenders available to clients and to recommend that clients obtain SBLs from Program Lenders that calculate the Firm's compensation based on a percentage of a client's outstanding loan balance that is greater than the percentage used by other Program Lenders.
- The client will not be permitted to withdraw any of the assets in the Account that is used as collateral to secure the SBL.
- The client will pay interest to the Loan Provider directly. These payments are in addition to the Client Fee and other fees charged to the client's Account for services provided under a Program.
- The Loan Provider can demand repayment at any time and may require liquidation of some or all of the collateral in the Account to meet the SBL requirements.
- The Loan Provider can sell (or direct the Firm to sell) a client's securities or other assets without contacting the client. Clients are not entitled to choose which securities or other assets in an Account are liquidated or sold to meet a call. Forced liquidation of assets in an Account can affect a client's long-term investment strategies, result in adverse tax consequences and impact the performance of the Account and the ability of the Firm to manage the Account, and depending on the magnitude of the impact, the Firm may choose to terminate its relationship with the client.
- Neither the Firm nor the Firm's IA-Reps will act as investment adviser to a client with respect to the liquidation of securities held in an Account to meet an SBL demand or call.

- Purchases of new issues (including initial public offerings, shares in most mutual funds of fund families not previously owned in an Account, and certain ETFs) that have not been held in an Account for at least 30 days (New Issue Positions) are not eligible to be used as collateral. New Issue Positions may not be considered by a Loan Provider in determining the client's compliance with any minimum collateral value requirements. The Firm will not consider the effects of holding New Issue Positions in managing the Account.

### *Cash Management Features*

MMLIS makes available three cash management features for client Accounts: Dollar-Cost Averaging (DCA), Protected Cash and Pending Distribution. If you or your IA-Rep designate cash in your Account to one of these features, such amount will be removed from your Account's asset allocation. Any amounts designated to DCA or Protected Cash will be charged a negotiable annual fee ranging from 0.06% to 0.36%. Any amounts designated to Pending Distributions will be charged the Client Fee. DCA is an investment technique in which a fixed dollar amount will be contributed to your Account's asset allocation on a periodic schedule. The Protected Cash feature may be used to remove an amount from your Account's allocation and hold such amount as cash for a certain period of time. The Pending Distribution feature is generally used to set aside cash for expected withdrawals. Any amount in client's Account designated for DCA, Protected Cash, or Pending Distribution will be included in the cash sweep option available within the applicable Program. Any amounts designated as DCA, Protected Cash or Pending Distribution will utilize the designated sweep option for your account. Since MMLIS earns revenue on sweep options, MMLIS and your IA-Rep have a conflict of interest to recommend use of the DCA, Protected Cash and Pending Distribution features. Please refer to the section titled "MMLIS Sweep Program" for more information regarding conflicts of interest associated with the designated sweep option for your account.

## **Fees and Charges**

### **Overview**

Clients will pay an annual fee to MMLIS, the "Client Fee," for the services provided under the selected Program. The services include the brokerage and advisory services provided by the Firm and the IA-Rep, the technology related services provided by Envestnet, the advisory related services provided by Envestnet, the advisory services provided by Strategists, the brokerage services involved in purchasing and selling the securities in a client's Account, and the custodial and clearing services provided by NFS. The Client Fee will be paid in advance, on a monthly basis.

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

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

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

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

### **Strategist Fees**

The Strategist charges an investment management fee for the cost of managing the Model within the account. The Strategist Fee is assessed to the overall percentage of assets managed by the Strategist within the account. In addition, a portion of the Strategist Fee includes additional compensation retained by Envestnet for providing support to the Strategist and/or for trading services. Strategist Fees range from 0.02% to 0.55%. Please note that for Accounts with fees negotiated prior to June 1, 2017 certain Strategist Fees were lower than 0.02%.

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

An IA-Rep will have a financial incentive to recommend Strategists with lower fees if the IA-Rep believes a lower Strategist Fee will allow the IA-Rep to negotiate a higher Advisory Fee.

### *Other Information about the Client Fee*

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

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

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

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

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

Fees associated with the Programs are assessed on all assets in the client's Account including any assets maintained in money market funds, cash or cash equivalents.

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

### **Breakpoints and Account Aggregation**

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

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

### **Additional Client Fees**

Each client Account is subject to an annual fee of \$10, which is charged at the end of June, unless the Account is registered to receive both account statements and confirmations electronically before a set date of each year (initially, June 24, 2022). Accounts opened between April 1 and June 30 will be exempt from this fee until the following year. Please see Item 9 – “Incentives Relating to Electronic Delivery” for additional information about electronic delivery. Under certain circumstances, your IA-Rep may elect to pay this fee on your behalf.

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

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

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

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

The amount of these fees (other than the annual fee for Self-Employed 401(k) Accounts and the Termination Fee for Retirement Accounts) are higher than the corresponding fee NFS charges MMLIS and therefore MMLIS receives additional revenue from charging these fees.

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

### **Additional Information about the Advisory Fee**

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

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

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

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



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

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

### **Other Fees and Expenses**

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

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

The Client Fee also does not include the internal management, operating or distribution fees or expenses imposed or incurred by a mutual fund or ETF held in a client's Account. If a client's assets are invested in any mutual funds, ETFs, or pooled investment vehicles, in addition to the Client Fee, client will incur the internal management and operating fees and expenses, which may include 12b-1 fees, mutual fund management fees, early termination fees (which include fees on whole or partial liquidations of client's assets) and other fees and expenses that may be assessed by the investment vehicle's sponsor, custodian, transfer agent, adviser, shareholder service provider or other service providers. These expenses generally include administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Further information regarding charges and fees assessed are discussed in the appropriate prospectus, annual report and/or custodial agreement applicable to the corresponding investment vehicle ("Fund Disclosure Documents"). Clients should review the Fund Disclosure Documents of the mutual funds and ETFs held in their Account.

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

In order to effectuate trades under the Programs, clients need to establish a brokerage account through the Firm with the Custodian, which will act as clearing firm and custodian for clients' assets under the selected Program. Accordingly, it is expected that Envestnet will place transactions for the purchase and/or sale of securities and other investments for client's Accounts through MMLIS which will be cleared by the Custodian. However, if Envestnet (or a Strategist, where applicable) reasonably believes in good faith, and consistent with applicable fiduciary standards, that another broker or dealer will provide better execution considering all factors including the net price, a broker other than the Custodian can be used for execution. In such instances, clients will be subject to transaction costs and fees that are in addition to the Client Fee. These additional costs are reflected in the net purchase or sale price shown on the trade confirmation clients receive for the particular trade but are not disclosed separately in the trade confirmation. Please see the Envestnet Brochure (or the Strategist Brochure, where applicable) for information on how trades are sent or directed to

the Custodian or other broker-dealers. Clients should also review MMLIS's Step-Out Trading Disclosure which includes additional information and a list of the Strategists that engage in step-out trading (available at <https://fieldnet.massmutual.com/public/mmlisi/pdfs/step-out-trade-disclosure.pdf>).

Trustees may also charge ERISA Accounts additional fees.

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

Upon acceptance of the Brokerage Agreement, the Program Agreement and the Account being funded at the "Required Account Opening Amount," which is the greater of (i) an amount at or above the Program minimum, unless waived by the Firm, or (ii) an amount at or near the investment amount identified in the Proposal which was agreed upon between the client and the IA-Rep, clients pay an initial Client Fee that is based on the initial market value of the Account. The first payment is prorated to cover the period from the date the Account is opened through the end of the current calendar month. Thereafter, the monthly Client Fee is paid at the beginning of each calendar month for such month. The monthly Client Fee is based on the fair market value of the assets in the Account on the last business day of the preceding calendar month as calculated in accordance with the Program Agreement and as described above. Please see Item 5 below for information about the Program minimums.

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

Clients may withdraw assets from their Account at any time, subject to the usual and customary settlement procedures. All withdrawals are first funded from the amount in the client's cash sweep option and other cash balances. If the amount maintained in the cash sweep option and other cash balances is not enough to meet a withdrawal request, the remaining amount of the withdrawal request will be satisfied by redeeming securities in the client's Account. Withdrawals may have tax consequences such as capital gains taxes, the sale of securities or other assets in or outside of the cash sweep option and other cash balances may trigger taxable event, to which capital gains (or other) taxes apply. Envestnet will rebalance the Account back toward the selected allocation, thus triggering a possible taxable event.

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

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

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

### **Fee Forgiveness**

When a client contributes assets to its Account from a previously established MMLIS brokerage account or contributes mutual funds for which MMLIS is the broker-dealer of record (either from the redemption of such assets and mutual funds or the assets and mutual funds themselves) such clients may be eligible for "Fee Forgiveness." The Advisory Fee may be reduced for a limited period of time to take into account the cost of certain sales charges previously paid by the client or to be paid upon redemption. Fee Forgiveness is not available for assets for which MMLIS is not the broker-dealer of

record. In addition, sales charges previously paid by the client will only be taken into account for Fee Forgiveness to the extent the client paid such sales charges in the previous two years (for A-share mutual funds) or previous 13 months (for C-share mutual funds, stocks, bonds, options and ETFs) and MMLIS was the broker-dealer of record for the mutual funds or applicable brokerage account at the time client paid the sales charges.

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

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

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

## **Termination**

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

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

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

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

The minimum initial contribution to open an Account in the Programs, unless the minimum is waived, is \$5,000. Particular Models may have higher minimum requirements which the Firm cannot waive. As a result, clients may not be able to invest in a particular Model if the amount to be invested in the Model would be less than the Model minimum. Clients should speak to their IA-Reps for a description of the Model investment minimums and should also refer to each Strategist Brochure for more information.

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

Clients may make additional contributions to their Accounts at any time subject to the above minimums. Clients may fund contributions to a Program with cash or securities. Additional contributions are allocated initially to the cash sweep option and will remain there until a client's Account is rebalanced or the cash allocation in client's Account exceeds certain parameters. Clients should be aware that it can take at least one business day for new or additional contributions to be available for investment. As a result, executions of trade orders can occur at prices that are significantly different from the market price at the time of a contribution. Please see the Envestnet Brochure for more information.

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

If a client contributes securities to an Account, the Firm and Envestnet have the right to liquidate those securities in their sole discretion. Clients should be aware that a reasonable amount of time is necessary for the Firm to execute such trades. Clients should consider the cost, if any, of sales charges previously paid or to be paid upon such redemption,

which are in addition to the Client Fee paid under the Program. Clients should be aware that such redemptions might have tax consequences that should be discussed with an independent tax advisor before making any redemptions.

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

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

### *Selection of Available Models*

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

When conducting due diligence on Models, MMLIS reviews reports produced by Envestnet on the Strategists and their Models including information relating to: investment philosophy, personnel, and performance. MMLIS also reviews additional information about the Strategists including their ADVs and websites, and information on their executives available on BrokerCheck. If a Strategist or Model does not have an approved research status from Envestnet, MMLIS will conduct further due diligence that typically includes direct contact with the investment managers. MMLIS considers a variety of factors including management, longevity, performance, compliance and operations.

All Strategists and Models (or the criteria used to select Strategists and Models) must be approved by the MMLIS IA Investment Committee.

Certain mutual funds or ETFs are managed or sponsored by Envestnet or an advisory firm that is an affiliate of Envestnet. In such instances, Envestnet may have an indirect financial incentive to include such mutual funds or ETFs in its Models. Clients should refer to the prospectus for each mutual fund and ETF for more information. Clients should also refer to the Envestnet Brochure for a description of its due diligence procedures.

The Models selected for inclusion in the Programs include Models for which Envestnet is a Strategist. Envestnet does not employ the same diligence procedures in evaluating itself or its own Models. This also presents a conflict of interest in that Envestnet has a financial incentive to recommend its Models for inclusion in a Program as it may receive additional compensation in the form of advisory fees if a client selects a Model provided by Envestnet. Such fees are included in the client's Client Fee. Please see the Envestnet Brochure for additional information.

Envestnet and MMLIS are responsible for monitoring the Models and their performance and they do so according to their individual screening criteria. A Strategist or Model will no longer be available for new clients if MMLIS determines that it should be removed based on Envestnet's recommendation, MMLIS's due diligence or other factors such as regulatory considerations. The Model for an existing Account may also be replaced. Detailed information about Envestnet's ongoing monitoring may be obtained by reviewing the Envestnet Brochure.

Notwithstanding Envestnet's and the Firm's review processes, clients should be aware that investing in the Models is subject to market risk and possible loss of principal. The purpose of each screening process is to identify Models that satisfy certain minimum investment criteria.

For information regarding the mutual funds and ETFs available under a Program, including any associated fees, please read the prospectus of each particular mutual fund and ETF. Envestnet creates a Manager Profile information sheet on each Strategist which includes information on the Models that each Strategist creates and/or manages for the Programs. Manager Profiles are available from the IA-Rep.

### *Selection of Model for a Client's Account*

Client's IA-Rep will assist client in selecting a Model and Strategist for client's Account. The IA-Rep will discuss with the client various factors, including but not limited to client preferences, fees charged by the Strategist, information on Strategists, including their performance, forwarded by Envestnet, and the account minimum requirements of Models. The client is ultimately responsible for deciding which Model to choose.

MMLIS also has ongoing responsibility to advise clients regarding the appropriateness of the Model and the Strategist selected by the client for the Account in light of the client's objectives, assets, risk tolerance and investment experience as disclosed to MMLIS. When appropriate, the IA-Rep may also assist the client in determining whether the existing Model should be replaced. The IA-Rep may discuss some or all of the foregoing factors with the client in order to assist the client in making an appropriate decision.

#### **Additional Information**

##### *IA-Rep Prerequisites*

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

##### *Due Diligence on Envestnet*

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

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

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

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

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

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

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

##### **Disciplinary Information**

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



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

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

MMLIS (and three other broker-dealers affiliated with MassMutual) entered into an AWC with FINRA for the resolution of a matter effective June 30, 2017. FINRA made findings that the Firm failed to maintain certain electronic books and records in a non-erasable and non-rewritable format known as the "Write Once, Read Many" (WORM) format that is intended to prevent the alteration or destruction of broker-dealer records stored electronically. The findings also stated that the Firm failed to (i) provide the required 90-day notice to FINRA prior to retaining a vendor to provide electronic storage, (ii) implement an audit system as required for such electronic books and records, (iii) provide letters of undertaking from independent third-parties with the ability to access and download information from the Firm's electronic storage media; and (iv) enforce written supervisory procedures concerning the Firm's storage of electronic brokerage records in WORM format. Without admitting or denying the findings, the Firm consented to a censure and agreed to a fine in the amount of \$750,000 (to be paid jointly and severally by the three other MassMutual affiliated broker-dealers). The Firm also agreed to certain undertakings, mainly to submit to FINRA within 60 days a written plan of how the Firm will conduct a comprehensive review of the adequacy of the relevant policies and procedures (written and otherwise), including a description of remedial measures leading to full compliance.

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

On September 10, 2021, MMLIS entered into an agreement and order ("Order") with the U.S. Securities and Exchange Commission ("SEC"). The Firm neither admitted nor denied the allegations in the Order. The Firm was censured and ordered to cease and desist from committing or causing violations or future violations of Section 206(2) or 206(4) of the Advisers Act and Rule 206(4)-7 thereunder. In connection with the Order, MMLIS agreed to pay disgorgement of \$1,150,505, prejudgment interest of \$258,952.29 and a penalty of \$700,000. The Order included allegations regarding

breaches of fiduciary duties by MMLIS and MSI Financial Services, Inc. ("MSI"), a formerly registered investment adviser and broker-dealer that was integrated with MMLIS in March 2017, in connection with third-party compensation that MMLIS and MSI received based on their advisory clients' investments without fully and fairly disclosing their conflicts of interest. In particular, the Order stated that during certain periods since at least March 2015, MMLIS and MSI invested clients in certain share classes of mutual funds that resulted in the firms receiving revenue sharing payments pursuant to agreements with their unaffiliated clearing broker. The SEC alleged that in spite of these financial arrangements, MMLIS and MSI provided no disclosure or inadequate disclosure of the conflicts of interest arising from this compensation. The SEC alleged that MMLIS and MSI also breached their duty to seek best execution by causing certain advisory clients to invest in share classes of mutual funds that paid revenue sharing when share classes of the same funds were available to the clients that presented a more favorable value under the particular circumstances in place at the time of the transactions. Furthermore, the Order stated that MMLIS and MSI failed to adopt and implement written compliance policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder in connection with its mutual fund share class selection practices and disclosure of conflicts of interest arising out of its revenue sharing practices. As a result of the conduct described herein, the SEC alleged that MMLIS willfully violated sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.

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

MMLIS entered into an agreement and consent order ("Order") with the Massachusetts Securities Division for the resolution of a matter effective September 15, 2021. The Firm neither admitted, nor denied the allegations. The allegations stated that MMLIS employed three hundred four (304) individuals who transacted securities business in Massachusetts, sixty-three (63) individuals who supervised MMLIS agents transacting securities business in Massachusetts, and one hundred eleven (111) agency supervisor officers who assisted in supervising agents while not registered as agents. In connection with the Order, MMLIS was censured and agreed to pay a fine of \$750,000. MMLIS was ordered to cease and desist from future violations of Massachusetts securities law and conduct a review of policies and procedures.

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

MMLIS entered into an agreement and consent order ("Order") with the Massachusetts Securities Division for the resolution of a matter effective August 16, 2022. The Firm neither admitted, nor denied the allegations and MMLIS was ordered to cease and desist from future violations of Massachusetts securities law. The allegations stated that MMLIS

failed to: (1) reasonably supervise a representative's variable annuity sales practices, (2) ensure that its representative properly informed clients of the general terms of variable annuities recommended, and (3) ensure that its representative properly disclosed commissions received in connection with clients' purchases of variable annuities and their premium payments. In connection with the Order, MMLIS was censured and the Firm agreed to: (1) pay a fine of \$250,000, (2) make certain remediation payments to clients, and (3) conduct a review of related policies and procedures.

MMLIS entered into an AWC with FINRA for the resolution of a matter effective May 16, 2023. Without admitting or denying the findings, the Firm consented to a censure and agreed to pay a fine of \$250,000. The AWC stated that the Firm had failed to timely amend its associated persons' Forms U4 and U5 to report disclosable events, including but not limited to customer complaints and arbitrations, the disposition of complaints, criminal charges, bankruptcies, internal review and investigations, and regulatory actions. The AWC also stated that the Firm failed to establish, maintain and enforce reasonable supervisory procedures, including written supervisory procedures, to timely and accurately report regulatory events on Forms U4 and U5, the Firm's procedures were not reasonable to ensure effective communications among the Firm's departments concerning events that may warrant disclosure. In addition, the AWC stated that the Firm's system for updating previously reported customer complaints and arbitrations led to over a dozen late filings. The AWC also stated that the Firm has since recognized these deficiencies and subsequently revised its supervisory system; the Firm also implemented a new system provided by a third-party vendor designed to improve interdepartmental communication of reportable events.

MMLIS entered into a Stipulation and Consent Order in Lieu of Cease and Desist Proceedings with the State of Michigan, Department of Licensing and Regulatory Affairs, Corporations, Securities, and Commercial Licensing Bureau, effective September 26, 2023. MMLIS self-reported to the State of Michigan that it failed to properly submit necessary investment adviser representative registration application materials for an individual investment adviser representative from 2010 to 2023. The individual was registered as a broker-dealer agent during this period of time, and became registered as an investment adviser representative on or around August 6, 2023. The State alleged that MMLIS' inadvertent failure to properly submit registration materials resulted in it materially aiding violations of MCL 451.2404 by the individual. MMLIS neither admitted or denied the allegation and was ordered and agreed to: (1) pay a fine of \$10,000, (2) conduct a review of related policies and procedures, and (3) send a notification letter to impacted advisory clients notifying them of the Consent Order.

## **MATERIAL RISKS**

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

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

Given the wide range of investments in which a client's Account may be invested, there is similarly a very wide range of risks to which a client's assets may be exposed. This Brochure does not include every potential risk associated with an investment strategy, or all of the risks applicable to a particular Account. Rather, it is a general description of the nature

and the risks of the strategies and securities and other financial instruments in which Accounts may invest. The client should refer to the prospectus or other offering materials that it receives in conjunction with certain investments made in their Account for a complete list of risks associated with that investment.

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

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

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

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

Tactical asset allocation is a strategy that actively adjusts a portfolio's asset allocation based upon short-term trends that could include financial market trends, economic cycles and asset class valuations. Based upon short-term assumptions, the portfolio allocations to certain asset classes are increased, while the portfolio allocations to other asset classes are decreased. There are risks associated with tactical asset allocation. Clients with a tactical asset allocation may not achieve their investment objectives and may lose money. Tactical asset allocation is a market timing strategy, but its risk lies more in asset categories rather than individual securities. At different points in time, the tactical asset allocation and structure of the client's portfolio vary significantly and is likely to vary from the Investment Objective selected for the Account. There is no guaranty a tactical asset allocation will correctly predict or track market movements or that it will provide comparable returns or decreased volatility relative to traditional strategic asset allocation programs. Clients in tactical asset allocations are relying significantly on the skills and experience of the manager's ability to correctly judge changes in market behavior and construct a portfolio that predicts market behavior. In addition, even if the portfolio is correctly positioned, there is no guaranty that the client will not experience substantial losses. The tactical asset allocation results in a portfolio may experience frequent trading in order to take advantage of anticipated changes in market conditions. A high level of portfolio turnover may negatively impact performance by generating greater tax liabilities and brokerage and other transaction costs.

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

For specific information about the asset allocation associated with each Model, please refer to each Strategist Brochure and other information provided about each Model.

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

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

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

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

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

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

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



investment purchased with borrowed funds as it pays for the use of those funds. The use of leverage will in this way magnify the volatility of changes in the value of an investment in the pooled investment vehicle, especially in times of a "credit crunch" or during general market turmoil.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MassMutual, directly and/or through one or more of its affiliates, owns common shares (approximately 17% of outstanding common shares) and preference shares of, and has certain shareholder rights with respect to, Invesco Ltd. ("Invesco") as a result of the sale of MassMutual's formerly affiliated asset management business, OppenheimerFunds, to Invesco. MMLIS, in its broker-dealer or investment adviser capacity, may recommend that a client invest in an investment product advised and/or distributed by one or more Invesco entities. MMLIS addresses this conflict of interest by disclosing it to clients. In addition, MMLIS generally relies on third parties to provide the underlying analysis to determine whether a mutual fund is eligible to be recommended in an advisory program.

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

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

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

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

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

### **Relationship with NFS**

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

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

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

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

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

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

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

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

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

### **Relationship with Envestnet**

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

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

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

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

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

The Code requires that all IA-Reps and certain other affiliated personnel (together, "Access Persons") acknowledge receipt and report violations of the Code. The Code sets forth standards with regard to an Access Person's personal trading and establishes general prohibitions, including but not limited to, the observance of personal trade blackout periods for certain persons. The Code places additional obligations on Access Persons including the obligation to obtain pre-approval prior to opening new investment accounts and to only hold investment accounts with certain companies that must provide the Firm with electronic feeds of account transactions. SEC rules and guidance exempt certain types of securities and transactions from Code of Ethics reporting.

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

- The duty at all times to place the interest of advisory clients first;

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

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

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

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

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

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

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

## **Review of Accounts**

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

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

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



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

### **Services provided by Envestnet**

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

### **Cash Administration**

**Cash Allocation.** The Models are designed to maintain a minimum cash allocation to facilitate administration of the investment portfolio, including, but not limited to, trading and fee collection. There may be instances when the cash allocation temporarily exceeds the target due to standard operational processing, such as the changing of underlying investments, processing of client contributions or withdrawals, or during the initial investment of a client Account. If the amount of a client's Account invested in cash varies beyond a determined maximum cash allocation, then the excess cash balance will be allocated to other holdings within the Account.

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

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

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

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

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

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

### **Client Referrals and Other Compensation**

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

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

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

create targeted marketing campaigns for Representatives. You should be aware that the Strategic Partners pay MMLIS to be a part of the Strategic Partner Program, as discussed further below.

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

In 2022, the following investment companies made cash payments to MMLIS to participate as a Strategic Partner: American Funds, BlackRock, Brinker Capital, Invesco, Fidelity and BNY Mellon, in order of largest contribution to smallest contribution. American Funds paid more than \$4 million, BlackRock and Brinker Capital each paid more than \$1.4 million, and Invesco, BNY Mellon and Fidelity each paid less than \$1 million. These Strategic Partners are expected to make similar payments in 2023.

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

Strategic Partners make payments to MMLIS based on one, or a combination, of the following: 1) a percentage of initial and/or additional investment amount made by MMLIS customers, 2) a percentage of total assets sold by MMLIS, 3) a flat fee, 4) fee(s) for attending MMLIS conferences or events, and/or 5) other formula agreed upon between a Strategic Partner and MMLIS as permitted by applicable law.

MMLIS also has a Conference Partner Program with other investment companies that offer mutual funds and/or ETFs that are underlying investments in a Model. Certain Strategists are also part of the Conference Partner Program. These investment companies ("Conference Partners") contribute to and/or participate in MMLIS conferences and/or training meetings attended by Representatives. They also receive increased access to Representatives. The Conference Partner tier they select and the fee that they pay determines which conferences and training programs Conference Partners participate in and the level of access they receive.

In 2022, MMLIS received payments from each of the following Conference Partners, listed in order of largest contribution to smallest contribution (if Conference Partners contributed the same amount, they are listed in alphabetical order): City National Rochdale, Morningstar, American Century, Donoghue Forlines, Franklin Templeton, LMCG, Northern Trust Asset Management, PIMCO, Russell Investments, SEI, Symmetry, Vanguard and Frontier Asset Management. The amount of payments from these Conference Partners ranged from \$25,000 to \$75,000. Each payment was used to offset some of the expenses of the applicable conference or training meeting. These Conference Partners are expected to make payments ranging from \$75,000 to \$200,000 in 2023 due to the return of in-person conferences. MMLIS also receives access to free educational services from Northern Trust Asset Management as a result of reaching a certain threshold of assets under management by Northern Trust Asset Management belonging to MMLIS clients.

We expect JP Morgan to participate in the Partnership Program in 2023.

MMLIS has other marketing support arrangements similar to but separate from the Strategic Partner Program described above. In 2022, MMLIS received between \$30,000 and \$500,000 from each of Franklin Templeton, Lord Abbett and JP Morgan (in order of largest contribution to smallest contribution). These payments are based on a percentage of assets under management belonging to MMLIS clients held by each investment company. These investment companies are expected to make similar payments in 2023.

MMLIS also received an annual conference credit of \$150,000 from NFS and expects to receive a similar payment in 2023.

MMLIS also has similar strategic partner and conference partner programs with the following variable annuity issuers, in order of largest contribution to smallest contribution: Brighthouse, Jackson National, Lincoln Financial, Equitable, Prudential, Allianz, Corebridge Financial (formerly known as AIG), Nationwide, Pacific Life, and Transamerica. In 2022, each of Brighthouse, Jackson National, Lincoln Financial and Equitable paid more than \$1 million to MMLIS in connection with these strategic partner and conference partner programs. These variable annuity issuers are expected to make similar or larger payments in 2023. While these strategic partner and conference partner programs are unrelated to

MMLIS's investment advisory business, some of the variable annuity issuers offer mutual funds and/or ETFs that are (a) available investment options in the Programs and/or (b) underlying investments in a Model. Certain of the variable annuity issuers or their affiliates could become Strategists.

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

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

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

From time to time, the Firm and its IA-Reps receive other compensation from (i) mutual fund companies that may issue mutual funds that are underlying investments in a Model, and (ii) Strategists of Models that are investment options in a Program. Such mutual fund companies and Strategists may sponsor their own conferences for training and educational purposes, which certain of the Firm's IA-Reps are invited to attend. In addition to the Firm's IA-Reps attending these conferences without charge, these mutual fund companies and Strategists also reimburse or pay for the travel and other related expenses incurred by the Firm's IA-Reps or reimburse a Firm's branch office for expenses related to dinners or events for clients and other miscellaneous business-related expenses incurred by IA-Reps. Some mutual fund companies and Strategists provide free investment tools to IA-Reps. These conferences, reimbursements and access to free investment tools create an incentive for the Firm and the IA-Reps to make available and recommend (or select on a client's behalf) the mutual funds provided by the sponsoring mutual fund companies and the Models managed by the sponsoring Strategists. These mutual fund companies and Strategists may also provide nominal gifts to the Firm's IA-Reps.

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

The Firm enters into marketing arrangements with third parties ("Solicitors") who will receive compensation from the Firm for referring prospective investment advisory clients to the Firm. Where required by federal or state law, each marketing arrangement will be governed by a written agreement between the Firm and the Solicitor. Clients who are referred to MMLIS through a Solicitor will be provided with a separate solicitor disclosure statement by the Solicitor that describes the material terms of the compensation arrangement between the Firm and the Solicitor, any material conflicts of interest resulting from the relationship between the Firm and the Solicitor, and whether the Solicitor is a client of the Firm, and any other document required to be provided under applicable law. The fees and expenses that the Firm pays to a Solicitor under these referral arrangements are not passed on to referred clients, but depending on the circumstances, the existence of such marketing or referral arrangements may affect the amount of the Firm's overall fees or its willingness to negotiate fee reductions in particular instances.

Under these marketing arrangements, a Solicitor introduces prospective clients to the Firm or an IA-Rep to further discuss whether the Firm's investment advisory services, including a Program, may be appropriate for the prospective clients. The Solicitor's sole responsibility under the marketing arrangement is to refer prospective clients to the Firm or an IA-Rep and may not provide investment advice to prospective clients or the Firm's clients on behalf of the Firm or the IA-Reps.

Additional information about this arrangement, including the relationship between the Solicitor and the Firm, the role of the Solicitor and any compensation that the Firm pays to the Solicitor for introducing prospective clients, is outlined in a separate solicitor disclosure statement, which the Solicitor will provide to prospective clients before they are introduced to the Firm or an IA-Rep.

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

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

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

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

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

This loan program creates an incentive for IA-Reps (existing and new) to recommend the Programs over (i) advisory programs that are not NFS Custodied Programs, and (ii) other types of accounts and services offered by MMLIS and, because the amount of the loan available increases as the amount of assets in NFS Custodied Programs increases, to

recommend larger investments in the Programs. This incentive applies to both the initial recommendation to open an account in a Program and recommendations to make subsequent contributions to such account. The loan program also creates an incentive for new IA-Reps to recommend clients transfer assets into the Programs rather than leaving the assets with the IA-Rep's previous investment adviser.

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

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

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

#### **Donor Advised Fund Services**

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

*Administrative Fee.* The Administrative Fee charged by Fidelity Charitable for this service ranges from 0.115% to 0.60% depending on the amount of assets donated to Fidelity Charitable. The Administrative Fee charged by the American Endowment Foundation for this service ranges from 0.10% to 0.70% (subject to a minimum of \$125 per quarter) depending on the amount of assets donated to the American Endowment Foundation.

#### **Other Disclosures**

##### *Trade Errors*

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

##### *MMLIS Sweep Program*



MMLIS provides "cash sweep" programs (each a "Sweep Program") where uninvested cash balances (such as from securities transactions, dividends, interest payments, or deposits) in a client's Account are deposited into a selected Sweep Program each business day. In certain circumstances, including periods of volatile or uncertain market conditions, any such Sweep Program may comprise all or a substantial portion of the Account assets based on, for example, concerns about the market, a decision to pursue a defensive investment strategy, or for cash management purposes. The Firm, in its capacity as broker-dealer, selects the Sweep Program for client's Account. Please review the Program Agreement, as well as other account opening documents or if applicable, communications provided by the Firm, for information about the Sweep Program utilized for your account. The Firm provides two primary Sweep Programs for accounts in the Strategist Select Programs, the Advantage Cash Sweep Program ("ACS") and the Insight Cash Sweep Program ("ICS"). For the Strategist Select Programs, all non-retirement accounts utilize the ACS program and all individual retirement accounts (IRAs) utilized the ICS program. Accounts that are ineligible for the ACS or ICS programs will utilize a money market fund designated by the Firm as the sweep option for Client's Account. Clients utilizing a money market fund sweep option should review the fund prospectus provided for more information.

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

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

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

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

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

The more client deposits held in ACS program and the longer such deposits are held, the greater the compensation MMLIS, NFS and the Administrator receive. Different banks participating in the ACS program pay different all-in funding rates (and are subject to different contractual requirements), creating an incentive for the Administrator to direct ACS program deposits to banks (through how the ACS program bank priority list(s) are designed or changed from time to time) that result in the Firm receiving greater compensation. Both MMLIS and NFS receive more compensation with respect to amounts in the ACS and ICS programs than with respect to other sweep products. The fees MMLIS receives in connection with ACS and ICS programs create a conflict of interest and incentive for the Firm to offer and designate these programs as the cash sweep option for client accounts. In addition, the fees MMLIS receives in connection with the ACS and ICS program creates a conflict of interest and incentive for the Firm and your IA-Rep to recommend you maintain or maintain (if your IA-Rep has discretion), and/or increase cash balances in your Account, as cash balances in your Account increase compensation to MMLIS under the ACS and ICS programs. Please note your IA-Rep has an indirect conflict of interest due to their affiliation with MMLIS; the Firm does not share any compensation it receives from the ACS or ICS programs with your IA-Rep. The ACS and ICS programs are the only sweep options available for accounts in the Strategist Select programs, unless such accounts are ineligible for the ACS or ICS programs.

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

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

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

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

#### *Legacy Bank Sweep Program*

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

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

#### *NFS Excess Trading Fee*

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

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

#### *Incentives Relating to Electronic Delivery*

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

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

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

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

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

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

#### *Additional Information about Envestnet*

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

#### *Corporate Actions*

The Firm and its IA-Reps' responsibility under the Programs do not include taking any action or rendering any advice with respect to proxies, consents, waivers or other documents regarding any securities held in client's Account. Except with respect to voluntary corporate action notices, the client has the responsibility for responding to proxies, consents, waivers and other documents with respect to any securities held in a client's Account. Such notices may be received from NFS or the issuer's corporate communications service provider. Provided that Envestnet timely receives voluntary corporate action notices, Envestnet will determine on behalf of the client whether the client's Account will participate in particular voluntary corporate actions. Envestnet will make such determinations in its full discretion, consistent with its policies and procedures. Client should refer to the Envestnet Brochure for additional details on its policies and procedures in this regard.

#### *Making an Informed Decision*

The Firm wants its clients to make an informed decision when they purchase products or receive services from the Firm's RR or IA-Rep. Therefore, the Firm is disclosing material arrangements and any potential conflicts of interest that clients

may find informative when making their decisions. In addition to providing disclosures to its clients, the Firm, on an ongoing basis, communicates, trains and/or supervises its RRs and IA-Reps on its policies and procedures regarding conflicts of interest.

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

#### *Financial Information*

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

## Important Notices to Clients

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

### PRIVACY POLICY

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

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

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

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

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

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

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

- Registered representatives who provide our products and services to you;
- Our affiliated companies, such as insurance or investment companies, insurance agencies or broker-dealers that market our products and services to you;
- Companies that perform marketing or administrative services for us;
- Nonaffiliated companies in order to perform standard business functions on our behalf including those related to processing transactions you request or authorize, or maintaining your account;



- Courts and government agencies in response to court orders or legal investigations;
- Credit bureaus; and
- Other financial institutions with whom we may jointly market products, if permitted in your state.

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

### **Important Privacy Choices**

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

- Call us at (855) 520-7715.

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

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

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

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

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