

## **Park Avenue Securities LLC**

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October 19, 2023

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# **Park Avenue SMA Select<sup>SM</sup> and UMA Select<sup>SM</sup>, Park Avenue Strategist Select<sup>SM</sup> and Strategist Select Plus<sup>SM</sup>, Quantitative Innovations<sup>SM</sup> and Foundations<sup>SM</sup> Wrap Fee Program Brochure**

This wrap fee program brochure ("Brochure") provides information about the qualifications and business practices of Park Avenue Securities LLC ("PAS"). If you have any questions about the contents of this Brochure or would like to obtain a free copy of this Brochure, please contact us at (888) 600-4667. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about PAS is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

PAS is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

PAS017975 (10/23)



## 2. Material Changes

Pursuant to SEC rules, this item summarizes the specific material changes, if any, that have been made to this Park Avenue Securities LLC (“PAS,” “the Firm,” “we,” “our,” or “us”) Form ADV Strategist Wrap Fee Program disclosure brochure since the last annual update of this Brochure on March 15, 2023.

When required or appropriate, we will also provide clients interim summary updates of material changes to this Brochure. Clients may ask for a copy of our current Brochure, which includes all material changes since the previous Brochure, or a summary of material changes to the previous Brochure at any time, without charge, by contacting us at (888) 600-4667.

The following is a summary of material changes to this Brochure since the last annual update on March 15, 2023.

### **October 19, 2023 Update**

Item 9. Additional Information has been updated as follows:

- Additional details related to the Dreyfus Insured Deposits Program, inclusive of an increase of the Program’s maximum fee received by PAS, Pershing, and the third party administrator from 400 to 600 basis points, are provided. Please see section *Dreyfus Insured Deposits Program* for more information.

### **September 13, 2023 Update**

Item 4. Services, Fees and Compensation has been amended as follows:

- Introduction to the Envestnet Impact-Overlay services.
- Introduction of Securities Backed Lines of Credit offered by Tri-State Capital Bank. Details can be found under section *Lending Services*.
- Additional description related to Margin Lending found under section *Lending Services*.

Item 5. Account Requirements and Types of Clients has been amended as follows:

- The Park Avenue UMA Select Program minimum initial investment is updated to be subject individual Strategist account minimums with the lowest minimum at \$50,000

Item 9. Additional Information has been updated as follows:

- Introduction of alternative investment funds issued by HPS Investment Partners, LLC (“HPS”). PAS’ parent company, The Guardian Life Insurance Company of America (“GLIC”), owns a minority stake in HPS.

### **June 29, 2023 Update**

Item 9. Additional Information has been amended as follows:

- In connection with an undisclosed outside business activity of a PAS Registered Representative, PAS, admitting or denying the findings, agreed to a Letter of Acceptance, Waiver, and Consent with FINRA for the purpose of settling alleged FINRA rule violations. PAS was censured and fined \$30,000 by FINRA for violating FINRA Rule 3110 by failing to investigate red flags that the Representative was engaged in an undisclosed outside business activity, unapproved private securities transactions and FINRA Rule 2010.

## **March 15, 2023 Annual Amendment**

Item 4. Services, Fees and Compensation has been amended as follows:

- Additional details related to the Client and Financial Professionals ability to recommend and select model portfolios that are different from the Client's Investor Risk Rating.

Item 9. Additional Information has been amended as follows:

- Introduction of the Park Avenue Securities Peak Council which is a PAS award program that certain PASIARs are eligible to qualify for.

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## 4. Services, Fees and Compensation

### Services

PAS sponsors the following wrap fee programs: Park Avenue Separately Managed Account Select<sup>SM</sup> (“SMA Select”), Park Avenue Unified Managed Account Select<sup>SM</sup> (“UMA Select”), Park Avenue Strategist Select<sup>SM</sup> (“Strategist Select”), Park Avenue Strategist Select Plus<sup>SM</sup> (“Strategist Select Plus”), Foundations<sup>SM</sup> and Quantitative Innovations<sup>SM</sup>, (together the “Programs”). In addition, PAS sponsors the VestWise<sup>TM</sup> wrap fee program, which is an automated or digital (i.e., internet/web-based) investment advisory solution. Information about VestWise<sup>TM</sup> is available in a separate brochure. You can request a copy of that brochure by asking your PAS IAR or by calling PAS directly at (888) 600-4667. Wrap fee programs bundle together several service providers: an investment adviser, a broker-dealer, a clearing firm, and a custodian, and offer most of these services for a single Total Client Fee. There are no individual ticket charges assessed to the client for trades within a wrap fee program. Some clients prefer to have the various services “packaged” together within a wrap fee program; others prefer to select their own providers for the various services needed to manage their investment portfolios. Similarly, some clients prefer a fee structure that converts trading costs into an asset-based fee calculated on the same basis as the Total Client Fee; others prefer trading costs to be assessed on a per trade basis. Depending on a number of factors, such as the number of transactions, number of shares, and nature of the securities transactions in an advisory account, the overall fees and charges borne by the client over time could be more or less than what these fees and charges would be if the same services were provided on a separate basis.

### Understanding your Relationship with PAS

PAS is subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and as a registered investment adviser, PAS, along with its IARs, have a fiduciary duty to you. This generally means that PAS and its IARs will act in your best interest when providing investment advice under the Advisers Act and will disclose or avoid material conflicts of interest. **Throughout the various sections of this Brochure PAS has identified material conflicts of interest where you see such language bolded or within specific sections identified as discussing material conflict of interest.** Within the advisory programs described in this Brochure, PAS provides services as an investment adviser under the Advisers Act.

In providing investment advice, your PAS Investment Adviser Representative (“IAR”) can select from different products and programs. This includes advisory programs described in this brochure and other advisory programs described in PAS Firm Brochure. Your IAR can also act in his or her capacity as a registered representative of PAS providing securities recommendations in a PAS brokerage account. This includes the recommendations and sales of products such as mutual funds, variable annuities, variable life, or individual stocks and bonds, if appropriately licensed. In each of these scenarios, your IAR provides different services and will be paid differently depending on the account type, product or program selected. There are important differences within these types of accounts/products in terms of ongoing services provided, costs and the obligations of your IAR and PAS.

You should discuss with your IAR the benefits and costs associated with the different advisory programs available at PAS as well as what relationship may be best for you. This should include a discussion about the benefits and costs associated with a brokerage versus an advisory relationship, the products offered within each relationship and the IARs ongoing obligations when acting as an IAR versus a registered representative.

An advisory account may not be appropriate for low trade volume activity, if you have a long term buy-and-hold investment strategy, or if you direct PAS to execute a significant amount of trades on your behalf. In these instances, a transaction-based brokerage account may be more appropriate. Trading activity and the costs and expenses

associated with an investment product, among other things, should be considered when deciding whether an advisory account is appropriate for you.

Based on the following scenarios, a brokerage relationship may be right for you, if:

- You want an adviser to provide occasional advice and recommendations on certain investments and execute on your investment decisions;
- You plan to buy only a few securities and follow a buy-and-hold strategy over a long-time period without the need for ongoing advice from an adviser; and/or
- You wish to pay fees based on each transaction that you place and not for ongoing advice.

As a broker-dealer, PAS offers a variety of financial products and services and can render advice as to the value and/or advisability of purchasing or selling securities without receiving special compensation where such advice is solely incidental to the conduct of its business as a broker-dealer. In certain situations, PAS offers general, impersonal investment advice in the form of publications and certain other services. PAS will not be deemed to be providing investment advisory services unless it has entered into a contract with the client for that purpose.

If you are seeking one or more of the following scenarios, an investment advisory relationship may be right for you:

- Discretionary management of your investment portfolio;
- Ongoing advice and investment services;
- Trading and rebalancing of your portfolio on an aperiodic basis; and
- An annual fee that is based on the amount of assets managed and is not tied to the number or type of transactions in the account.

In some cases, an investment advisory relationship may cost you more than a brokerage relationship and vice versa. You should periodically discuss the various options with your IAR.

PAS IARs are compensated for servicing and providing investment advice for the Programs. The compensation paid to IARs for each of the Programs is generally comparable, except for VestWise<sup>TM</sup>, the digital advisory program offered by PAS, which has a lower fee structure. This compensation may be more than what the IAR would receive if you pay separately for investment advice, brokerage, and other services.

To invest in the Programs, you must establish an account(s) through PAS with Pershing LLC ("Pershing"). Pershing acts as the clearing firm and custodian for your assets under the Programs. Accordingly, all trading activity in connection with the Programs will be processed through your accounts with Pershing. In its capacity as a clearing and custodial firm Pershing performs centralized custody, bookkeeping, and execution functions. Pershing handles the delivery and receipt of securities purchased or sold on your behalf, receives, and distributes dividends and other distributions, and processes exchange offers, rights offerings, warrants, tender offers, and redemptions. Pershing sends statements of all activity in clients' accounts no less frequently than quarterly.

## **Rollovers and Fiduciary Acknowledgement**

When PAS and its IARs recommend to a) participants in ERISA-covered retirement plans to roll over assets into an IRA or b) owners of IRAs to roll over or transfer assets to another IRA, PAS and its IARs are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act of 1974 and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. Fiduciary status for this purpose does not necessarily mean PAS and its IARs are acting as fiduciaries for purposes of other applicable laws. This acknowledgement of fiduciary status does not confer contractual rights or obligations on you, PAS, or the IARs.

With respect to rollover transactions, certain portions of this Brochure disclosure are intended to comply with requirements under the U.S. Department of Labor's Prohibited Transaction Exemption 2020-02, specifically; (i) information regarding the scope of services provided by PAS and its IARs, (ii) the fiduciary acknowledgement above, and (iii) the description of the material conflicts of interest under which PAS and your IARs are operating.

### **Rollovers**

**PAS and your IAR get paid when you engage in a rollover transaction. PAS can recommend that you rollover assets from your workplace retirement plan or from an existing IRA into an IRA account with PAS. When you engage in a rollover to an IRA, PAS and your IAR will receive compensation in connection with the investments you will acquire for your IRA account and hold in the account. This compensation incentivizes PAS and your IAR to make a rollover recommendation.**

### **Transferring an Existing Account to PAS Programs**

There may be instances in which you have chosen to open a Program account that requires you to liquidate existing investment assets or accounts and transfer the proceeds to the Program in which you wish to participate. In making the request to liquidate assets and transfer your proceeds, you may experience costs due to the requested liquidation. These costs can include, but are not limited to, account termination charges, contingent deferred sales charges, surrender charges, and commissions on the sale of stocks, bonds, exchange traded funds, closed end mutual funds, limited partnership shares or any other securities you hold in these accounts. If you redeem, surrender, or sell existing assets to fund an account you should carefully consider the costs and benefits of the transaction including any tax liability, the previously described charges.

**You should also ask your IAR if the sale of the assets used to fund your Program account will benefit your IAR in the form of a commission or fee payable to them and take that into consideration before you initiate the liquidation of any assets to fund your Program account.** The liquidation of any investment may trigger taxable gains or losses, could trigger the Alternative Minimum Tax (AMT), and may require additional quarterly estimated tax payments. Neither PAS nor your IAR provide tax advice or tax management services. You are responsible for any taxable events. You should always consult with your tax advisor for specific tax advice.

### **Investing in a PAS Program**

If you choose to invest your assets in a Program account, you will sign a client agreement, which consists of the Statement of Investment Selection and Terms and Conditions (the "Client Agreement"), which will detail all of the important terms and conditions pertaining to your account, including the management fee and termination provisions. You are encouraged to read all of the terms of the Client Agreement. Pursuant to the Client Agreement, you direct PAS to invest your funds in the account in accordance with your Statement of Investment Selection and the strategy chosen by you. It should be noted that the securities utilized to implement the strategic asset allocation policy will depend on the specific advisory program selected by the client and their IAR.

PAS believes investors are best served by constructing well diversified portfolios that are consistent with their risk tolerance and investment objectives. A PAS IAR will assist you in selecting the Program as well as the Investment Manager/Strategist suited to your investment objectives and Investor Risk Rating, as reflected by your client questionnaire and Statement of Investment Selection. The Investor Risk Rating is calculated based upon your answers to the client questionnaire ("Client Questionnaire") and is used to help map to a risk-based strategic asset allocation strategy. The base strategic asset allocation strategy will be outlined within your Statement of Investment

Selection. The base strategic asset allocation policies are designed around exposures to broad asset classes such as stocks and bonds. The Investor Risk Rating is the level of risk a client is willing to take with their investments based upon questions asked within the Client Questionnaire. Your IAR will provide you with recommendations in the form of a proposal ("Proposal") based on the information you provide. Additional information about the Investor Risk Rating and its impact on your IAR's recommendations is below. You may impose any reasonable restrictions or modify any existing restrictions in a reasonable manner on the management of your accounts. Your information is not shared with any mutual fund or ETF sponsors.

Your Investor Risk Rating is the level of risk you are willing to take with your account. During the account opening process, your IAR will use the Investor Risk Rating to recommend an asset allocation model that will have a risk level up to but not exceeding your Investor Risk Ratings. In the PAS UMA Select program. After account opening and during the life of your account, your IAR, using their discretionary authority, may elect to move you into another asset allocation that will not have a risk level exceeding your Investor Risk Rating. To if your Investor Risk Rating is calculated as *Moderate* risk, your IAR may recommended an asset allocation with a lower risk score, such as a *Conservative* allocation or, an allocation with a *Moderate* risk score, but not one that contains a higher risk score such as a *Growth* allocation..

There is no guarantee that the objectives of any portfolio will be realized. In addition, a client may lose money by having their assets managed in accordance with any portfolio or strategy offered through the Programs. The IAR will periodically review performance and other periodic reports provided to you and will offer to meet with you at least annually to review your financial situation and investment objectives and to determine whether you wish to impose any reasonable restrictions on the management of your account. Additionally, you are required to notify PAS or your IAR of any material changes to your financial situation or investment objectives.

For all PAS Proprietary Programs, your IAR is available on an ongoing basis to assist you in evaluating your portfolio strategy and asset allocation. Your IAR will provide you with advice and guidance that is based on the information you provide at the time you open your PAS Proprietary Program account and as you update or amend it from time to time. To assist you in managing your account assets, PAS will provide youwith:

- Periodic performance reports showing the performance of your PAS Proprietary Program account assets; and
- Opportunities for you to engage in periodic account reviews with your IAR to address progress toward asset allocation and your investmentobjectives.

You may transfer securities from outside accounts into your PAS Proprietary Program account; however, your IAR may recommend that you sell some or all of the securities if he or she believes that holding such securities is not appropriate for the current recommended investment strategy. Any securities held in your account that are classified as Unsupervised Assets are not managed by PAS or your IAR. These may include securities transferred into your PAS Proprietary Program account from outside accounts that your IAR has identified to you as not appropriate for your current investment strategy for the account. These assets may remain in the account at your discretion but shall be classified as Unsupervised.

Unsupervised Assets are not included in the periodic performance reports for your PAS Proprietary Program account. PAS and your IAR do not provide investment advisory services of any kind with regard to Unsupervised Assets, do not charge the Total Client Fee on such assets and do not have any responsibility with respect to the management of any holdings classified as Unsupervised Assets. PAS, your IAR, Strategist or Investment Manager do not consider Unsupervised Assets when providing investment advice for your PAS Proprietary Program account.

Your account can be managed in a tax-sensitive manner; however, neither PAS nor your IAR may provide tax advice



or tax management services. You are responsible for any taxable events in all instances. You should always consult with your tax advisor for specific tax advice.

Wrap fee program portfolio managers may employ “trading away” practices, in which they use a broker other than PAS to execute trades for which a commission or other transaction-based fee is charged, in addition to the wrap fee. Although transaction fees are usually included in the wrap program fee, sometimes you will pay an additional transaction fee for investments bought and sold outside the wrap fee program. For more information regarding trade away practices, please go to [www.parkavenuesecurities.com](http://www.parkavenuesecurities.com).

### **Investnet Asset Management, Inc.**

PAS has contracted with Investnet Asset Management, Inc. (“Investnet”), an SEC registered investment adviser, to provide a technology structure for PAS and its clients to efficiently connect with third-party asset managers referred to as Investment Managers or Strategists, and to act in some Programs as co-adviser to clients. In these Programs, Investnet provides ongoing investment management services on a discretionary basis administering the Investment Manager or Strategist-developed model portfolios and taking directions from the third-party Investment Manager or Strategist to adjust asset allocations, add, remove, or replace securities in the account, and rebalance the account as it deems necessary. Investnet also provides advice related to program design and support, including the structure and design of asset allocation portfolios and underlying investment research on Separately Managed Accounts (“SMAs”) which are portfolios of individually owned securities managed by an asset manager), mutual funds, and Exchange-Traded Funds (“ETFs”) that may be available within certain of these Programs. However, Investnet is not responsible for the specific investment choices made with respect to the portfolios developed and maintained by the Strategist or Investment Manager. The IAR in consultation with their client is required to fill out a client questionnaire. Once the client questionnaire is completed, Investnet will be responsible for determining the suggested target asset mix.

### **Program Descriptions**

#### **Park Avenue Separately Managed Account Select<sup>SM</sup> (SMA Select)**

The SMA Select Program is a discretionary investment advisory program sponsored by PAS that provides clients with access to the investment strategies of third-party investment managers and advisory firms referred to as Investment Managers that have been retained by Investnet. Investnet provides SMA Select Program clients with the ability to access one or more Investment Managers, either directly using a separately managed account for each Investment Manager where the Investment Manager trades directly for the account, or indirectly through the use of an investment strategy model created and maintained by the selected Investment Manager but administered by Investnet providing overlay management of the investment models through the performance of administrative and trading services. Based upon your investment objectives and Investor Risk Rating, your IAR will recommend Investment Manager(s) to fulfill the risk/return strategy. An SMA Select Program account will contain one Investment Managers’ strategies held in a separate custodial account. By executing a Statement of Investment Selection (“SIS”), you grant Investnet the authority to buy and sell securities and investments for the SMA Select account and to perform rebalancing or other such discretionary authorities you agree upon. Investnet shall be authorized to delegate the investment discretion described above to the Investment Manager who may trade the securities themselves and not through Investnet. Each Investment Manager is responsible for selecting the securities for investment in the investment strategy of such Investment Manager, including the share class if the investment strategy contains mutual funds. You also grant PAS authority to open multiple custodial accounts based upon the initial account application for each Investment Manager strategy you select. You can impose any reasonable restrictions on the management of your account. Investnet and/or PAS may remove an Investment Manager from

the list of approved Investment Managers at its discretion, at which point you shall be notified and asked to move those account assets to a similar but approved Investment Manager. PAS may, at its sole discretion and upon prior written notice, convert your SMA Select Program account assets or a portion of those assets to a brokerage account, under the same name and title, if your SMA Select Program account assets remain with an unapproved Investment Manager.

### **Park Avenue Unified Managed Account Select<sup>SM</sup> (UMA Select)**

The UMA Select Program is a discretionary investment advisory program sponsored by PAS that provides clients with access to the investment strategies of third-party investment managers and advisory firms referred to as Investment Managers that have been retained by Envestnet. A UMA Program account will contain one or multiple Investment Managers or Fund Strategist Portfolio strategies, and may also contain mutual funds and/or ETFs to fill model portfolio allocations, and will be held in one single custodial account. The UMA Select Program provides recommended asset allocation models which consist of asset allocation targets or sleeves across various asset classes and investment strategies. Based upon your investment objectives and Investor Risk Rating, your IAR will recommend Investment Manager(s) who may invest in a variety of investment vehicles to fulfill your asset allocation targets based on the risk/return strategy. You will complete the UMA Select Program account by selecting which Investment Manager strategies and/or mutual fund and ETFs to populate within each asset allocation sleeve. Envestnet acts as the overlay manager and administers the UMA Select Program by implementing the model portfolios provided and maintained by the individual Investment Manager(s) selected (an "Investment Model") by you. Your IAR can make changes to the Program Account within your Investor Risk Rating and upon your approval by removing or replacing one Investment Manager with another. By executing the SIS, you grant Envestnet the authority to buy and sell securities and investments for the account pursuant to the direction of the Investment Manager and perform rebalancing or other such discretionary authorities you agree upon. In certain cases, the Investment Manager may directly trade client assets within the UMA Select Program instead of providing an Investment Model to Envestnet. In those instances, Envestnet shall be authorized to delegate the investment discretion described above to the Investment Manager.

PAS has an ongoing responsibility to advise you regarding the appropriateness of the Investment Model(s) and the Investment Manager you selected by taking into account your objectives, risk tolerance and assets. However, neither PAS nor your IAR is responsible for selecting the underlying securities. The Investment Manager is responsible for selecting the securities for client investment, including the share class if the investment is mutual funds. Your IAR may provide investment advice to you on a non-discretionary basis only, subject to your approval, in a manner consistent with your investment objectives.

You have the ability to impose any reasonable restrictions on the management of your account by requesting them through the SIS. Clients may impose new, or change any existing, investment restrictions at any time by contacting their IAR.

There are no transaction fees charged to you in the UMA Select Program. Envestnet and/or PAS may remove an Investment Manager from the list of approved Investment Managers at its discretion at which point you shall be notified and asked to move those account assets to a similar but approved Investment Manager. PAS may, at its sole discretion and upon prior written notice, convert your UMA Select Program account assets or a portion of those assets to a brokerage account, under the same name and title, if your UMA Select Program Account assets remain with an unapproved Investment Manager.

## **Park Avenue Strategist Select<sup>SM</sup> and Park Avenue Strategist Select Plus<sup>SM</sup>**

The Park Avenue Strategist Select and Park Avenue Strategist Select Plus programs are discretionary investment advisory programs sponsored by PAS that provide clients with access to third-party investment advisory firms referred to as Strategists that have been retained by Envestnet. These programs offer single asset allocation portfolios created and managed by the Strategist. Envestnet provides overlay management of the investment models developed and maintained by the Strategist by performing administrative and trading services, such as directing the rebalance of the portfolios invested in the models. You grant Envestnet discretionary authority to invest, reinvest, and otherwise rebalance Program assets at their discretion. The portfolios created and maintained by the applicable Strategist are held in a single account and offer various asset allocation portfolios that invest in a variety of investment vehicles within the Strategist Select and Strategist Select Plus Programs. The Strategist allocates the portfolio across investment asset classes to create a blend that fits your investment objectives and Investor Risk Rating. To give PAS and Envestnet the requisite authority to perform the foregoing functions, you grant discretionary authority to PAS solely for the purpose of allowing PAS to delegate such authority to Envestnet for the management and administration of your account(s), and further grant to Envestnet discretionary authority, consistent with the investment strategy selected, to buy, sell, exchange, convert, or otherwise trade in securities, without prior consultation. PAS may periodically provide investment advice to you, including recommendations related to the management of your assets by your selected Strategist, subject to approval by you, in a manner consistent with your investment objectives. The investment advice may include recommending a different portfolio with your selected Strategist or recommending a new Strategist. You can impose any reasonable restrictions or modify any existing restrictions on the management of your account.

## **Foundations and Quantitative Innovations**

The Foundations and Quantitative Innovations Programs are discretionary investment advisory programs sponsored by PAS that provide clients with access to model portfolios managed by Integrated Capital Management, Inc. ("iCM" or "Strategist"), a third-party asset manager that has been retained by Envestnet. Envestnet provides overlay management of the iCM investment models by performing administrative and trading services, such as directing the rebalance of the portfolios invested in the models. By executing the SIS, you grant Envestnet the discretionary authority to invest, reinvest, and otherwise rebalance Program Assets at Envestnet's discretion. Model portfolios are created and managed by iCM which allocates the portfolios across investment asset classes to create a blend that fits your investment objectives and Investor Risk Rating. Envestnet performs administrative and/or trading duties at the direction of iCM via a licensing agreement between Envestnet and iCM. The portfolios are managed pursuant to one of the model portfolios created and maintained by iCM in a single account allocated among different mutual funds and/or ETFs. iCM provides ongoing management that includes the ability to adjust asset allocations, add, remove, or replace securities in the account, and rebalance the account as it deems necessary. The Foundations program consists of mutual fund only portfolios (both standard and tax-sensitive), representing various investment styles and asset classes. The Quantitative Innovations program utilizes diversified model portfolios (both standard and tax-sensitive), composed of selected mutual funds and ETFs representing various investment styles and asset classes. iCM will continually monitor the portfolios, and at times will adjust the asset class percentages of the models as well as to the mutual fund and ETF allocations within each asset class in each model portfolio. The programs employ twenty (ten standard and ten tax-sensitive) model portfolios for Foundations and thirty (ten standard, ten tax-sensitive and ten ETF-only standard) model portfolios for Quantitative Innovations. These models are designed to reflect risk and volatility levels that range from conservative to ultra-aggressive.

## **ManagedPlan<sup>TM</sup> Program**

The ManagedPlan<sup>TM</sup> program is available on the Envestnet Wealth Management Technology platform and is a comprehensive retirement plan solution whereby Envestnet Retirement Solutions, LLC ("ERS") will perform implementation services with the retirement plan record-keeper, PCS Retirement, LLC ("PCS"). ERS provides

investment related services to qualified plans such as 401(k), 403(b) and 401(a) plans, profit sharing plans, defined benefit pension plans and cash balance plans, and acts in the capacity as a fiduciary within the meaning of Rule 3(38) of ERISA. When acting as a fiduciary, ERS acts in accordance with the Investment Advisers Act of 1940, as amended (“Advisers Act”) and for Plans subject to the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), in accordance with ERISA Title I rules. In providing Plan Sponsor Services, ERS acts with the care, skill, prudence, and diligence that a prudent person, acting in the same capacity and with the same information, in a similar situation would utilize.

ERS provides an investment strategy (“Strategist Model”) of a non-affiliated third-party investment manager (“Third Party Strategist”), whereby the Third-Party Strategist, acting as an investment model provider, constructs an asset allocation and selects the underlying investments for each portfolio. The Strategists are American Funds, Blackrock, and Brinker.

The Plan Sponsor is responsible for selecting the Third-Party Strategist that it wishes to make available to its Plan. Acting as the “investment manager” (as defined in Section 3(38) of ERISA), ERS performs overlay management of the Strategist Model by monitoring the investment strategy and, in certain cases, facilitating the routing of trade orders to the recordkeepers for execution, and periodically updating and rebalancing each Strategist Model pursuant to the direction of the Third-Party Strategist. ERS may, from time-to-time, replace existing Third-Party Strategists and cannot guarantee the continued availability of Strategist Models.

ERS retains final decision-making authority with respect to removing and/or replacing investments in the core lineup, and communicates instructions to the appropriate third-party, including the Plan’s record keeper, custodian, and/or third-party administrator to facilitate investment changes.

PAS IARs may refer qualified plan assets to ERS to invest in the ManagedPlan™ program and may provide the following services to the plan sponsor:

- Assisting plan sponsor with completing all appropriate documentation to support plan implementation.
- Conducting enrollment meetings with participants and providing investment education services to plan participants.

The annual fee for the referral and ongoing services provided by your PAS IAR ranges from 50bps to 175bps, a portion of which is retained by PAS. The fee does not include any recordkeeping or individual participant fees, all of which are fully disclosed in the client agreement and proposal. The fee also excludes other related charges such as custody and clearing, Third Party Administrator (TPA) fee, and 3(38) services provided by ERS.

## **ERISA Section 408(b)(2) Disclosure to Responsible Fiduciaries of ERISA-Covered Qualified Retirement Plans**

The federal law that regulates the administration and operation of retirement and other benefit plans, called the Employee Retirement Income Security Act of 1974 or ERISA, requires “fiduciaries” of ERISA-covered plans (“Plans”) to act solely in the interest, and for the exclusive benefit, of plan participants and beneficiaries. As part of this obligation, the “administrator” of each plan, or another responsible fiduciary named by the plan document, must make informed decisions in selecting plan services and investments. Regulations adopted by the U.S. Department of Labor (“DOL”), called the “section 408(b)(2) regulations,” require service providers to ERISA- covered retirement plans to describe in writing information about their services and compensation (“Disclosure”). This Disclosure is provided in connection with the section 408(b)(2) regulations and is intended to assist you, as the responsible fiduciary of your Plan (“you”), in reviewing the services and compensation of PAS and your IAR. Services we provide

to your Plan

### **Advisory Services: Proprietary Advisory Program**

Together with your IAR, PAS provides advisory services to you and to your Plan as described in our Statement of Investment Selection, Terms and Conditions, Advisory Account Application, and this Brochure (together, the "Investment Advisory Agreement") relating to your Plan. Please review those documents. Pershing LLC ("Pershing") provides custody and clearing services in connection with your advisory account and therefore acts as a subcontractor for PAS. Please review the Pershing Subcontractor Compensation Disclosure provided at account opening for information related to Pershing's compensation for providing these subcontracted clearing and custody services. If you do not have copies of any of the documents mentioned in this paragraph, please contact your IAR or PAS directly at 888-600-4667.

PAS acknowledges and agrees that, to the extent the advisory services provided to your Plan may include recommendations made by PAS or your PAS IAR with respect to investments that involve "investment advice" as defined under regulations issued under ERISA, we will be a "fiduciary" for ERISA purposes.

Please note that PAS does not and cannot provide legal, accounting, or tax advice to you or to the Plan. You are responsible to maintain the Plan in compliance with requirements applicable to tax-qualified plans under the Internal Revenue Code including, where applicable, receipt of a favorable determination letter, and PAS does not have any responsibility for such matters. PAS does not accept any responsibility for the administration of your Plan, including (without limitation) the timely transmission of required contributions, filing required governmental reports, preparing, or providing notices and communications to your Plan's participants as required by applicable law and regulation, or notifying you that any such notices or communications are required. You should seek the advice of the appropriate legal and other advisors with respect to these and other matters that might arise relating to the operation and administration of the Plan.

### **Our Compensation for Services**

The fees charged to your Plan for providing services are as described by either the Investment Advisory Agreement or the Third-Party Investment Advisory Agreement, whichever is applicable, relating to your Plan. We may pay between 35% and 85.5% of the Adviser Fee received in connection with the services provided for your account to your IAR. If you have questions about the compensation that is paid to PAS and the IAR, please ask your IAR or contact PAS at 888-600-4667.

### **Other Matters**

If your Plan is a participant-directed Plan, your Plan's record-keeper and/or the investment provider that offers the investment platform through which your Plan's investments are processed, is required to provide to you information to comply with DOL regulations that require the delivery of information to your Plan's participants about the Plan's designated investment alternatives. If requested, your IAR may assist you in coordinating with the recordkeeper and/or investment provider to obtain these materials. Your investment providers are responsible for ensuring that these materials are complete and accurate, and PAS does not make any representation as to the completeness and accuracy of these materials.

In providing services to your Plan, PAS relies on information provided by you and, if there is any material change in information pertaining to the Plan, you must promptly notify PAS in writing and provide relevant updated information. You are responsible for the exercise of proxy voting and other shareholder rights pertaining to investments held by the Plan. In addition, neither PAS nor your IAR may provide any investment or other advice with respect to assets of the Plan that may be invested in stock issued by the plan sponsor and/or a self-directed

brokerage option that permits participants the opportunity to allocate some or all of their participant accounts to other investments, or with respect to continuing such investments as a part of the Plan.

All investments fluctuate in value and the value of the investments, when sold, may be greater or lesser than the original cost. PAS does not and cannot warrant or guarantee any level of performance by any of the investments or that any investment will be profitable over time. The Plan and its participants are assuming the market risk involved in the investment of Plan assets. Past investment performance does not guarantee any level of future investment performance.

PAS provides advisory services for other clients and may give those clients advice and perform duties (including those with similar retirement plan arrangements), which differ from advice given, or in the timing and nature of action taken, with respect to your Plan. PAS has no obligation to advise you or the Plan in the same manner as we may advise any other clients of PAS. In addition, if PAS learns confidential information in providing services to another client, PAS cannot divulge any confidential information to you or act upon such confidential information in providing services to you and your Plan.

Some IARs engage in outside business activities that PAS does not supervise, such as (without limitation) providing retirement plan consulting, administration, recordkeeping, or similar services, with respect to retirement plans. PAS does not endorse or recommend any IAR or any other person to provide services to you or to the Plan that are not within the scope of services described by this Disclosure and the Investment Advisory Agreement with you relating to your Plan, and PAS will not supervise any IAR with respect to any such outside business activities. Therefore, if you engage your IAR to provide services other than the services described by this Disclosure and the Investment Advisory Agreement, it will be your responsibility to determine whether the services are appropriate for your Plan and to monitor the services. If you have any questions relating to this Disclosure, please contact your IAR or PAS directly at 888-600-4667.

## **Program Fees**

The Program fees are negotiable by mutual agreement between you and PAS. Subject to negotiation and upon approval of PAS, the maximum annual Total Client Fee is 3%.

Please refer to the Statement of Investment Selection within the Proposal as well as the Investment Manager's or Strategist's ADV Part 2A for the specific Investment Manager and Strategist fees, which are encompassed in the overall client fee. Fees do not include underlying expense ratios of any mutual funds and/or ETFs selected by an Investment Manager or Strategist. These expense ratios may be found in the Model Portfolio Fact Sheet contained within the Proposal. In addition, IRA and certain Employer Sponsored Qualified Plan accounts will be assessed a \$125 termination fee upon account termination.

Strategists or Investment Managers in the UMA/SMA Select or Strategist Select/Strategist Select Plus programs may execute trades in fixed income, thinly traded, or illiquid securities. To obtain best execution and minimize market impact, these trades may be executed outside of Envestnet's trading process in order to gain best execution and minimize market impact. In some instances, trades under these circumstances are executed by the Investment Manager or Strategist without any additional commission or markup or markdown. However, in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If trades are placed with an executing firm that imposes a commission or equivalent fee on the trade, including a commission that may be imbedded in the price of the security, you will incur additional costs to the wrap fee that is paid to PAS.

## Annual Platform Fee - PAS Proprietary Program Accounts

The annual Platform Fee is a component of the Total Client Fee as described in your Statement of Investment Selection. The annual Platform Fee ranges in the aggregate from .05% to .30% of assets under management with a minimum annual fee of \$90.00.

Customers enrolled in the PMC Private Wealth Consulting Service will be charged an additional fee ranging in the aggregate from .10% to .15% of assets under management.

Should your account's balance during a quarter be below the point at which at least \$22.50 in Platform Fees, on average, are generated, your client fee shall be increased incrementally to satisfy the minimum. Using the example from above, if an account with a balance of \$50,000 during a quarter generated a Platform Fee of \$24.00, the \$22.50 minimum quarterly fee would have been satisfied and no additional expense would be incurred. However, if an account with a balance of \$45,000 during a quarter generated a Platform Fee of \$22.20, the \$22.50 minimum quarterly fee would not have been satisfied, resulting in the incremental increase of your client fee to make up for the additional \$0.30.

On average, account balances greater than \$45,000 will not see any impact from this minimum fee. For accounts with balances less than this amount, the Platform Fee portion of your Total Client Fee shall be increased incrementally to satisfy the minimum quarterly Platform Fee. This may cause your Total Client Fee percentage to be greater than the percentage indicated on the SIS, may fluctuate from quarter-to-quarter, and is dependent on the value of your account's assets during the prior quarter. Fluctuations in the account value during some quarters may cause the annual Platform Fee to be higher or lower than if the Platform Fee were calculated annually on the average account value.

For the Foundations and Quantitative Innovations programs the following fee schedule applies with breakpoints available based on total assets under management for the account.

### *Householding for Annual Platform Fee*

PAS shall allow householding for multiple PAS Proprietary Program accounts among family members that share the same mailing address and/or social security number and will consider the total assets held across the full relationship versus each account individually when determining the minimum annual platform fee applicable to each individual account. PAS may consider other accounts to be in your household if the account holder is in the same family and there is a dependent or immediate family relationship. For family relationships that do not share an address or social security number, you are responsible for identifying these accounts and working with your PAS IAR to include them in the correct household for billing purposes.

	Advisory Account Balance	Current Annual Platform Fee <sup>[1]</sup>	Future Annual Platform Fee (As of Oct. 1)	Adjustment to Annual Platform Fee to Reach \$90 Minimum
<b>Family Relationship</b>	2 separate accounts, \$25,000 each (Total = \$50,000)	\$55 each (Total = \$110)	\$55 each (Total = \$110)	None
<b>Accounts or Family Relationships with less than \$45,000 in aggregate assets</b>	\$35,000	\$77	\$90	+\$13 to meet the minimum

<sup>[1]</sup> Assumes Strategist Select account(s); your individual account platform fee may differ from this example; please contact your financial advisor if you would like more information

For Individual Retirement Accounts ("IRAs") being added to a household it is the client's responsibility to consider the

balances and activities of that account in a household and determine if it's appropriate to household such account. A client should contact their legal or tax advisor to understand any possible unanticipated tax consequences of householding such accounts. If a client determines that they wish to exclude an IRA account from a billing group, the client is required to contact Park Avenue Securities or their financial advisor to request that the account not be included in the household.

### Foundations and Quantitative Innovations Fees

Assets Under Management	Maximum Client Fee
\$0 - \$499,999.99	2.15%
\$500,000.00 - \$999,999.99	2.10%
\$1,000,000.00 - \$1,999,999.99	2.05%
\$2,000,000.00 - over	2.00%

The Total Client Fee is based on the average daily balance of assets in a client's account during the previous calendar quarter (or if the account is opened mid-quarter on a pro rata-basis) and is payable in advance for the following quarter. You will pay one total fee, for the services provided in the program you have selected. The services include the brokerage and advisory services provided by PAS and your IAR, the technology related services provided by Envestnet, the advisory related services provided by Envestnet, the advisory services provided by any Sub-Managers and SMA Sub-Managers (as applicable), the brokerage services involved in purchasing and selling the securities in your account, and the custodial and clearing services provided by Pershing. Your fee is separated into different components, which vary depending on the program you have selected.

- An Adviser Fee for the advisory services provided by your IAR which ranges from .50% to 1.75% of assets under management
- A Platform Fee for the technology related services and/or the advisory related services provided by PAS and Envestnet, and the brokerage services involved in purchasing and selling the securities in your account. Please see section Annual Platform Fee - PAS Proprietary Program Accounts for additional information.
- A Manager Fee for the advisory services provided by Strategists and Investment Managers (as applicable) which ranges from .02% to .65% of assets under management.

The Total Client Fee is located in your Statement of Investment Selection. The fee is calculated at the end of each quarter and is debited from the account between the 5<sup>th</sup> and 7<sup>th</sup> business day of the following quarter.

If you choose a standard fee schedule rather than a negotiated fee, and your assets exceed a fee breakpoint or fall below a fee breakpoint, your Total Client Fee will be adjusted to the appropriate fee schedule in the subsequent quarter. **IARs have an incentive to select a manager with a lower manager fee to enable them to charge a higher Adviser Fee without increasing your Total Client Fee. Similarly, advisors have an incentive to negotiate their Adviser Fee to a higher level when the platform portion of the fee decreases so your Total Client Fee remains level rather than decreasing at certain breakpoints.**

If cash or cash-equivalent funds in your account are not sufficient to pay the fee, or any of the other fees charged in connection with your account, investments in your account may be liquidated in order to pay the outstanding fees. If your account is managed for only a portion of the quarter, the fee will be prorated accordingly.

The Total Client Fee does not include costs or charges associated with liquidation of a client's account and related



charges, including but not limited to, express postage and handling charges, returned check charges, wire or transfer fees, transfer taxes or exchange fees, fees for paper statements and paper confirmations or other fees mandated by law, or non-brokerage related fees such as Individual Retirement Account (“IRA”) trustee or custodian fees and tax qualified retirement plan account fees, each of which is charged separately. These related charges are collected by Pershing; however, PAS marks up the noted charges by as much as 150% and retains the markup. For example, to process a Federal Funds Wire, Pershing charges PAS \$10, you will be charged \$25 (Pershing collects \$10, PAS collects \$15). **The markup on these charges helps defray our costs associated with maintaining and servicing client accounts. The additional compensation due to the markup presents a conflict of interest because PAS receives a financial benefit when it provides services in connection with maintaining and servicing your account. However, because your IAR does not share in these other account fees, your IAR does not have a financial incentive to recommend certain transactions or recommend that PAS provide such additional services.**

A full listing of charges is listed in the Client Fee Schedule which can be found in your account opening documents, or you may obtain a current version of the Client Fee Schedule by calling PAS at (888)-600-4667. Upon termination of your account, you will receive a pro-rata refund representing the period from terminated date to the end of the quarter. No refunds are made in the case of a partial withdrawal from the account.

### **Envestnet Tax-Overlay Management Services**

If selected by you, Envestnet will also provide tax overlay management services to accounts invested in the UMA Select, Strategist Select, and Strategist Select Plus programs. The tax overlay and management services seek to consider tax implications that may detract from your after-tax returns. The end goal of tax overlay management services is to improve the after-tax return for you while staying as consistent as possible with the risk/return characteristics provided by the model portfolios. PAS or Envestnet does not provide tax planning advice or services. You should consult your accountant or tax advisor if you have question related to your tax situation. The typical additional fee for overlay management (which is charged on the total assets of your account) is listed in the table below:

#### Account Assets Overlay Service Fee - Park Avenue UMA Select

First \$10,000,000	.10%
Next \$15,000,000	.08%
Over \$25,000,000	.05%

#### Account Assets Overlay Service Fee - Park Avenue Strategist Select and Strategist Select Plus

.08% with a minimum yearly fee of \$40

### **Envestnet Impact-Overlay Management Services**

If selected by you, Envestnet will also provide impact overlay management services to accounts invested in the Park Avenue UMA Select program. The impact overlay services seek to reflect a Client’s own personal values by excluding investments linked to companies that derive revenues from controversial business activities (e.g., negative environmental impacts) or have a history of engaging in certain bad acts (e.g., human rights violations, corruption) while staying as consistent as possible with the risk/return characteristics provided by the model portfolios. If you select Impact-Overlay Services, your account’s composition and performance may vary significantly from those of accounts without an overlay. You should review the Envestnet Form ADV for additional and potential limitations related to the service. The typical additional fee for Impact Overlay management (which is charged on the total assets of your account) is .10%. The selection of these services reflects your personal values and desires to invest in a way

that reflects such values alone and is not based on any recommendation or personal values of your IAR.

### **PMC Private Wealth Consulting Services**

Envestnet and PAS have entered into an agreement for Envestnet to provide PAS with a fully outsourced portfolio design and implementation assistance for large UMA Select client accounts (which are greater than \$1 million in household assets). Envestnet will provide the initial custom case consulting services along with ongoing portfolio management responsibilities as described below.

#### **(a) Initial Scope of Services –**

- Discussion to understand IAR or client biases towards investment allocation techniques.
- Consultation with IAR and client to understand required return, risk tolerance, unique investment objectives and circumstances.
- Current portfolio analysis across asset allocation and manager selection.
- Portfolio recommendations based on Envestnet | PMC's asset allocation and manager research output, with the ability to incorporate client specific tax and IMPACT (i.e., social) considerations.
- In-person (for a \$10 million or greater client or prospective client) or online assistance for positioning the proposal recommendations.

#### **(b) Ongoing Scope of Services –**

- Annual changes to portfolio level asset allocation
- Ongoing investment manager selection based on Envestnet | PMC's Investment Manager Research

### **PMC Private Wealth Consulting Services Fees**

First \$5,000,000	.15%
Next \$5,000,000	.12%
Over \$10,000,000	.10%

### **Mutual Funds, Close Ends Funds and ETFs in Proprietary Advisory Programs**

In addition to the Total Client Fee, you pay the fees and expenses of the mutual funds, closed-end funds and ETFs (mutual funds, closed-end funds and ETFs collectively, "Fund(s)") in which your account is invested. Fund fees and expenses are charged directly to the pool of assets the Fund invests in and are reflected in each Fund's net asset value. These fees and expenses are an additional cost to you and are not included in the fee amount in your account statements. Each Fund expense ratio (the total amount of fees and expenses charged by the Fund) is stated in its prospectus. The expense ratio generally reflects the costs incurred by shareholders during the Fund's most recent fiscal reporting period. Current and future expenses may differ from those stated in the prospectus.

You do not pay any sales charges for purchases of Funds in the programs described in this Brochure. However, some Funds may charge, and not waive, a redemption fee on certain transaction activity in accordance with their prospectuses. Please refer to the applicable prospectus for more information. If you have authorized prospectus redirection to PAS in a discretionary Proprietary Program, you may contact your IAR or PAS to review or obtain a copy of the prospectus for Funds used within the PAS Proprietary Programs.

You should be aware that, in addition to the Total Client Fee paid by you for advisory services under a Program, each investment company (i.e., mutual fund) in the Program also has its own separate investment management fees and other expenses. These mutual funds may include assets managed by Park Avenue Institutional Advisers LLC ("PAIA"), an affiliate of PAS, as a sub-adviser to certain mutual funds offered by Victory Capital. Further, certain

mutual funds with a front-end sales charge may be purchased in a client's account at net asset value ("NAV") without a sales charge to a client ("NAV" Funds). Certain mutual funds available through the PAS Proprietary Programs make payments to broker-dealers, including PAS, with respect to sales of fund shares pursuant to Rule 12b-1 under the Investment Company Act of 1940 ("Rule 12b-1 Service/Distribution Fees") or otherwise as administrative service fees. These fees are described in the prospectus for the respective mutual fund. Such payments are made from mutual fund assets and have the effect of reducing fund performance. PAS does not negotiate these payments, which are made solely at the discretion of the fund. PAS credits any Rule 12b-1 Service/Distribution Fees it receives to client accounts (with the exception of certain money market mutual funds and FDIC sweep vehicles).

**PAS shall not be responsible for any misstatement or omission or for any loss attributable to such misstatement or omission contained in any Fund prospectus, fact sheet or any other disclosure document provided to us for distribution to you. PAS has the following conflicts of interest as it relates to Funds in Proprietary Advisory Programs.**

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

When negotiating and discussing your Total Client Fee, you should understand that mutual fund companies offer a variety of share classes with different expense levels. You should not assume that you will be invested in the share class with the lowest expense ratio for a mutual fund because certain share classes have minimum account sizes for which you are not eligible, or a particular mutual fund company may not allow all share classes to be available in PAS Proprietary Programs. An investor who holds a more expensive share class of a mutual fund will pay higher fees over time and earn lower investment returns than an investor who holds a less expensive share class of the same mutual fund. When evaluating the reasonability of fees, you should consider not just the fees that you pay for investment advisory services through PAS, but also the additional fees and expenses charged by the mutual funds in your account.

In many instances, PAS makes available mutual funds in our advisory programs that offer shares designated as Class A Shares and Class I Shares. In other instances, a mutual fund may offer only Class A Shares, but another similar mutual fund may be available that offers Class I Shares. When an account purchases Class A Shares, PAS receives from the mutual fund 12b-1 Service/Distribution fees that are charged to you by the mutual fund. Class I Shares generally are not subject to 12b-1 Service/Distribution fees. Because of the different expenses of the mutual fund share classes, it is generally more expensive for you to own Class A Shares than Class I Shares. **Because PAS earns additional revenue in connection with the purchase of Class A Shares in your Account, we have a financial incentive to recommend Class A Shares for your account even where Class I Shares are available in the same or a comparable mutual fund. However, to mitigate this conflict of interest, in instances when a 12b-1 Service/Distribution fee is charged to your account (with the exception of certain money market mutual funds purchased as a part of the cash management sweep program as described below), PAS will credit back such fee on either a monthly or quarterly basis depending on when the charge occurs from the mutual fund company.** You should review the mutual fund prospectus and contact your IAR for questions and additional information.

Your IAR's assessment of the appropriate share class is based on many factors, including but not limited to: minimum investment requirements, the Adviser Fee that is charged, whether transaction charges are applied to the purchase or sale of mutual funds, limitations on share class eligibility contained within the mutual fund prospectus, whether PAS has selling agreements with the mutual fund sponsors, the ability of PAS to access particular share classes through the custodian, and the availability of revenue sharing, distribution fees, shareholder servicing fees or other compensation associated with offering a particular class of shares.

## **Cash Management Sweep Program**

A Cash Management Sweep Program (“Sweep Program”) is a service PAS makes available to clients which allows clients to automatically transfer free credit balances to either a money market fund product (the “Money Market Sweep”) or an account at a bank whose deposits are insured by the Federal Deposit Insurance Corporation (“Bank Sweep”). PAS Proprietary Program Accounts (“Accounts”) are eligible to participate in the Sweep Program. The PAS Sweep Program is comprised of a Bank Sweep product, which all clients shall be defaulted to at account opening, as well as specific money market funds which serve as overflow funds for accounts whose Bank Sweep product balance exceeds certain Federal Deposit Insurance (“FDIC”) limits.

At the time you open your Account, you shall be defaulted to one of two Bank Sweeps. All Accounts, except for IRA and Retirement Plan Accounts, will be defaulted to the Dreyfus Insured Deposits Program (DIDV). The default DIDV Bank Sweep product is an FDIC insured multi-bank deposit sweep program. Additionally, balances in DIDV within the same account which are in excess of the \$2.5 million FDIC insured limit will be automatically redirected to the Dreyfus Government Money Fund (DGUXX). IRA and Retirement Plan Accounts will default to DIDM—a design of the Dreyfus Insured Deposit Program specifically for IRA/Retirement Accounts. Any balances within the same IRA/Retirement Plan Account over the \$2.5 million in FDIC coverage will be diverted to the Dreyfus Government Money Fund (DGVXX).

**PAS has a conflict of interest by offering the DIDV and DGUXX Sweep Programs. PAS receives an economic benefit when cash balances are swept into these Sweep Programs, rather than being reinvested in other investment funds or securities. For the DIDV Bank Sweep, PAS receives a share in the earned income based on the amount of assets placed within the Bank Sweep. PAS also receives a distribution from the DGUXX Money Market Sweeps used for overflow balances pursuant to the Fully Disclosed Clearing Agreement with its clearing firm, Pershing, LLC. The receipt of the earned income from the DIDV Bank Sweep and distribution from DGUXX deposits is used to reduce the cost of custodial services provided by Pershing. This conflict gives us an incentive to recommend a Sweep Program option based on the compensation we receive instead of your needs. As a result, if you are invested in a Sweep Program option that pays PAS a fee, the cost to you will be more than if you are invested in a Sweep Program that does not pay PAS a fee or if you opt out of the Sweep Program altogether. You may choose to opt out of the Sweep program by contacting your IAR.**

**For additional information regarding payments received by PAS regarding the DIDV Bank Sweep and Money Market alternative option, please review Item 9, Additional Information, specifically *Dreyfus Insured Deposits Program*.**

For more information on the Bank Sweep and Money Market overflow options as well as current yields and available bank lists please go to the following pages: <https://www.parkavenuesecurities.com/cash-management> and <http://www.pershing.com/rates>. Please note that PAS does not offer all of the sweep options listed on the Pershing website.

Assets held in any of the Sweep Programs will be included in the calculation of the client’s Total Client Fee, (i.e., they are considered “billable assets”). Your Account may require a certain amount of cash to remain in the Sweep Program to cover for certain costs associated with your Account. Different Sweep Program vehicles may have different rates of return, may pay PAS a distribution fee, have different costs, and have different terms and conditions, such as FDIC insurance or SIPC protection, depending on the sweep vehicle. The sweep vehicle is reflected on your account opening documents and on your statements. The selection of a more expensive share class of a Money Market Fund will negatively impact your overall investment returns.

Sweep Program vehicles are not intended for use as a long-term investment option and are best used for short periods of time. You may be able to earn a higher yield through a different investment, and you should consult with your IAR about the available sweep options.

Federal Deposit Insurance Corporation insured bank deposits are not protected by Securities Investor Protection Corporation. Although a money market mutual fund seeks to preserve the value of your investment at \$1 per share, it may be possible to lose money by investing in a money market mutual fund. Shares of a money market mutual fund or the balance of a bank deposit product held in your account may be liquidated upon request with the proceeds credited to your account. Please see the money market fund's prospectus or the bank deposit product's disclosure document or contact your financial professional for additional information. Pursuant to SEC Rule 10b-10b(1) confirmations are not sent for purchases into money market mutual funds processed on the Sweep Program. Over any given period, the interest rates on cash balances in the Bank Sweep product may be lower than the rate of return on money market vehicles which are not FDIC insured or on bank account deposits offered outside the Sweep Program.

If any sweep vehicles designated within the Sweep Program becomes unavailable at any time for any reason, PAS will select an alternative in its discretion provided PAS gives you 30 days advance written notice of such change and you do not object. In this event, the free credit balances in your Account will be placed into the alternative Sweep Program option.

**As noted earlier, all accounts will be automatically invested in a Bank Sweep vehicle. However, PAS realizes an economic benefit from the DIDV Bank Sweep by sharing in the earned income based on the amount of assets placed within the Bank Sweep. For Accounts which hold a sweep vehicle charging a distribution fee retained by PAS, PAS does not share the distribution fee with your IAR. Therefore, your IAR does not have a financial incentive to recommend a Sweep Program option based on whether it pays a distribution fee or not.**

For additional information on money market funds and FDIC-Insured Deposit Sweeps, including applicable distribution fees, please see the fund prospectuses which are available on the following pages: <https://www.parkavenuesecurities.com/cash-management> and <http://www.pershing.com/rates>.

## **Lending Services**

### *Non-Purpose Loan Program*

You may apply for a non-purpose loan from Pershing LLC through the PAS Non-Purpose Loan Program using an eligible securities account as collateral. These eligible securities accounts may include one or more of your PAS Proprietary Program accounts. In order for PAS Proprietary Program accounts to be eligible to serve as collateral for a non-purpose loan, the account may not serve as collateral for any margin lending or reinvestment into any securities or insurance products. You will be required to open a brokerage account to support the loan and will receive a separate statement for this account.

If you participate in the Non-Purpose Loan Program, you will pay interest to Pershing LLC and PAS on the loan value in addition to the Total Client Fees charged in the PAS Proprietary Program account being used as collateral. PAS IARs do not receive any portion of the interest paid by clients for non-purpose loans.

### *Securities Based Line of Credit ("SBLOC") through Tri-State Capital Bank ("Tri-State")*

You may apply for a Securities Based Line of Credit ("SBLOC") from Tri-State using an eligible securities account

as collateral. These eligible securities accounts may include one or more of your PAS Proprietary Program accounts. In order for PAS Proprietary Program accounts to be eligible to serve as collateral for a non-purpose loan, the account may not serve as collateral for any margin lending or reinvestment into any securities or insurance products.

If you participate in SBLOC, you will pay interest to Tri-State and PAS on the loan value in addition to any Program advisory fees charged in the PAS Proprietary Program account being used as collateral. PAS IARs do not receive any portion of the interest paid by clients for non-purpose loans.

### *Investment Credit Line*

High net worth investors may apply for the BNY Mellon, N.A. Investment Credit Line program (ICL), a flexible line of credit that provides liquidity for personal or business needs. The ICL is secured by qualifying liquid assets held in your investment account(s) custodied at Pershing, LLC. Many forms of collateral are accepted, such as bonds, domestic equities, mutual funds, and government securities. The minimum credit line size is \$1,000,000 requiring assets valued at least \$1,500,000 in Pershing accounts. Interest is paid only on the funds borrowed. For additional information about this program speak with your IAR.

### *Mortgage Program*

High net worth clients may apply for mortgage programs provided by BNY Mellon, N.A. The minimum loan amount is \$500,000. Qualified borrowers may borrow up to 100% of the home's value by pledging qualifying assets held in accounts at Pershing, LLC in lieu of a cash down payment. Financing may be used for the purchase of single-family, primary and vacation homes, condos, and co-ops but not investment properties. For additional information about this program speak with your IAR.

### *Important Considerations relating to Lending Services*

**In certain circumstances, your IAR may recommend, and PAS may approve Lending Services in your advisory account. Your IAR will benefit from recommending Lending Services because you do not have to liquidate assets in your account to pay for items with cash, which would diminish the assets held in the account and the potential fees and commissions that could be earned by your IAR from holding or engaging in future transactions with those assets. For example, with a fee-based account, by recommending a Non-Purpose loan to fund some purchase or financial need rather than liquidate securities, PAS and your IAR continue to earn fees on the full account value. PAS will also receive a portion of the loan interest when you participate in the Pershing Non-Purpose and / or the Tri-State SBLOC Loan Programs. Furthermore, there are conflicts of interest associated with the various lending programs as PAS does not earn interest on the Investment Credit Line, therefore creating an incentive to recommend the Pershing and/or Tri-State lending programs in which PAS does share in the interest payments with the lender but which may have higher interest rates than the Investment Credit Line program. You may also seek lending services using your advisory account as collateral through third-party banks which do not have a relationship with PAS and which may offer more competitive interest rates.**

You must meet certain eligibility requirements and complete loan documentation prior to applying for Lending Services. Specifically, you will be required to execute loan documents with Tri-State, Pershing and/or BNY Mellon depending on the Lending Services being sought.

Funds borrowed and proceeds from any recommended Lending Service may not be used to purchase securities or fund brokerage accounts.

The decision to use Program account assets as collateral rests with you and should only be made if you understand:

- the risks of borrowing and the impact of the use of borrowed funds on advisory accounts;
- how the use of loans may affect your ability to achieve investment objectives;
- the risk that you may lose more than your original investment; and
- the possibility you may not benefit from collateralizing your account for a non-purpose loan in a Program account if the performance of your account does not exceed the interest expense being charged on the loan.

Due to the fact your PAS Proprietary Program account will be pledged to support any loans extended under the lending services program; you will not be permitted to withdraw any of the assets from the account unless there is a sufficient amount of collateral otherwise supporting the loan (as determined by PAS, Tri-State, or Pershing in their sole discretion).

If the market value of the collateralized account depreciates, you may be required to deposit additional funds. Failure to promptly meet a request for additional collateral or repayment or other circumstances (e.g., a rapidly declining market) could cause PAS, in our discretion, to liquidate some or all of the collateral account(s) to meet the loan requirements. Depending on market circumstances, the prices obtained for the securities may be less than favorable. Any required liquidations may disrupt your long-term investment strategies and may result in adverse tax consequences. PAS does not provide legal or tax advice; you should consult your legal and tax advisors regarding the legal and tax implications of borrowing and using securities as collateral for a loan. You are personally responsible for repaying the loan in full, even if the value of the collateral is insufficient.

Neither PAS nor its IARs will act as an investment adviser to you with respect to the liquidation of securities held in a PAS Proprietary Program account to meet a loan demand. Those liquidations will be executed in PAS' capacity as broker-dealer and creditor and may, as permitted by law, result in executions on a principal basis in your account. In addition, as a creditor PAS may have interests that are adverse to your interests. Additional limitations and availability may vary by state.

*Defaults* – Non-purpose loans, SBLOC, investment credit lines and the 100% financing mortgage option are full recourse, demand loans and clients with collateralized loan accounts may need to deposit additional cash or collateral or repay part or all of the loan if the value of the portfolio declines below the required loan-to-value ratio. Repayment may be demanded at any time.

There are substantial risks associated with the use of securities as collateral for a loan. For further information, clients should carefully read the application and disclosure information provided for the program selected.

## **Margin Loans**

A margin loan is created when you borrow funds from your account using your security investments as collateral to purchase additional securities or withdraw funds.

Not all securities are eligible to be used for collateral (considered "marginable") and not all customers are eligible for a margin loan.

When a margin loan is created, accounts are charged interest on the loan amount in addition to other fees in your account. The interest is charged by PAS' clearing firm Pershing LLC with rates based upon the Federal Funds Target Rate, plus an additional percentage charge depending on the size of the loan. The additional percentage charge above the Federal Funds Target Rate may be as high as 8%. PAS will retain a portion of the additional percentage rate charged above the Federal Funds Target Rate.

Margin loans can increase potential losses. As previously stated, marginable investments in a portfolio provide the collateral for a margin loan. While the value of that collateral fluctuates according to the market, the amount borrowed stays the same or, will increase due to interest charged. If the value of the margined securities decline to the point where they no longer meet the minimum equity requirements for the margin loan, there will be a margin call. When this happens, PAS or Pershing LLC will request that more cash or marginable securities be deposited into the account to meet the minimum equity requirement and satisfy the margin call. Failure to meet a request for additional cash or securities deposit could cause PAS or Pershing, at their discretion, to liquidate some or all of the securities in your account to satisfy the margin call.

Various risks are associated with margin loans. Clients should carefully review disclosures regarding risks, fees, and other considerations appearing in margin account agreements prior to establishing a margin loan.

#### *Important Considerations relating to Margin Loans*

**PAS will earn revenue on margin loan interest. This revenue, which increases based on the amount of the margin loan held in your account, represents a conflict of interest as PAS has a financial incentive to recommend or maintain a margin loan. This compensation is retained by PAS and is not shared with your IAR however, your IAR has a conflict when recommending a margin loan as it will maintain or increase the assets under management within the account which is the basis of the overall advisory fee paid to your advisor. This conflict occurs because your advisory fee is based on the total market value of the securities and cash balances in your account. When initially creating a margin loan, the total market value of your account will either increase if additional securities are purchased to create the loan or, be retained if a withdrawal is taken to create the loan.**

#### **Donor-Advised Funds**

A donor-advised fund (DAF) works like a charitable investment account, for the sole purpose of supporting charitable organizations you care about. The DAF is a separately identified account that is maintained and operated by a sponsoring 501c(3) charitable organization. When you contribute cash, securities, or other assets to a DAF you are generally eligible to take an immediate tax deduction. Then those funds can be invested for tax-free growth and you can recommend grants to virtually any IRS-qualified public charity. Once the donor makes the contribution, the sponsoring organization has legal control over it. However, the donor retains privileges with respect to the distribution of funds and the investment of assets in the account.

Through Pershing, PAS makes available three DAF options. American Endowment Foundation and Renaissance Charitable Foundation both allow clients to select their IARs to manage their charitable assets in accounts custodied at Pershing. The BNY Mellon Charitable Gift Fund offers various investment strategies through the fund's investment manager, BNY Mellon, N.A. Each DAF sponsor provides donor support services and a portal that enables clients to recommend grants and view fund activity history.

The American Endowment Foundation and Renaissance Charitable Foundation Funds are for clients who wish to make a charitable contribution but continue working with their PAS IAR to manage contributed assets in accounts held at Pershing. These accounts will be invested in either the Park Avenue Strategist Select Program or Strategist Select Plus Program. PAS and the IAR will receive the Adviser Fee from accounts invested these Program as described within the Statement of Investment Selection.

If the donor selects the BNY Mellon Charitable Gift Fund, the donor can choose from several investment options using BNY Mellon N.A. as investment manager and the assets are custodied away from Pershing. The Gift Fund offers five diversified investment strategies and a cash reserve option. The PAS IAR will not act in the capacity of Authorized Representative on the account and neither PAS nor the IAR will receive any compensation from this arrangement.



The donor advised fund options pose a conflict of interest in that IARs have an incentive to recommend the DAF which pays Adviser Fees to the IAR over the option with no compensation.

## **Tax Harvesting**

Subject to meeting minimum balance requirements, you may direct PAS to employ a tax harvesting strategy in managing taxable accounts. This means that, once the tax harvesting threshold is met, PAS will sell securities in your account at a gain or loss to offset potential capital gains, although the type and amount of capital gains will not be monitored by PAS for this purpose. By authorizing tax harvesting, PAS will sell one or more securities in the account and will hold proceeds in cash to avoid the 30-day wash rule. Once 30 days have passed, the funds will be reinvested in the model. Within the Park Avenue SMA Select/UMA Select and Strategist Select/Strategist Select Plus programs, the Investment Manager or Strategist may select another ETF not substantially comparable to the security harvested to replace the securities that have been purchased or sold in your account.

You should consult with your professional tax advisors or review the Internal Revenue Service (“IRS”) website at [www.irs.gov](http://www.irs.gov) regarding the consequences of tax harvesting in light of your particular circumstances and its impact on your tax return. If your IAR recommends a tax harvesting strategy for your account, that advice is not intended as tax advice. Neither PAS nor your IAR represent that any particular tax results will be obtained.

You are responsible for monitoring any accounts in your household, or accounts for which you maintain control (at PAS or with another firm) to ensure that transactions in the same security or a substantially similar security do not create a “wash sale.” A wash sale is the sale at a loss and repurchase of the same security, or substantially similar security, within 30 days. If a wash-sale transaction occurs, the IRS may disallow or defer the loss for current tax reporting purposes. More specifically, the wash-sale period for any sale at a loss consists of 61 days: the day of the sale, the 30 days before the sale, and the 30 days after the sale (these are calendar days, not trading days). The wash-sale rule postpones losses on a sale if replacement shares are bought around the same time. The effectiveness of the tax harvesting strategy to reduce your tax liability will depend on your entire tax and investment profile, investments (e.g., taxable, or non-taxable) or holding period (e.g., short-term, or long-term).

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

PAS provides investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations, and corporations.

Accounts that fall below the minimum balance are subject to closure by PAS or the Strategist (as applicable), in its sole discretion. The programs’ minimum initial investment requirements are as follows:

**Park Avenue UMA Select** - Subject to individual Strategist account minimums with the lowest minimum at \$50,000.

**Park Avenue SMA Select** - Subject to individual Investment Manager Account minimum.

**Strategist Select and Strategist Select Plus** - Subject to individual Strategist account minimums with the lowest minimum at \$10,000. Strategists reserve the right to reject an account below their stated minimum. Strategist minimums are indicated in the Model Portfolio Fact Sheet located within your Proposal.

**Foundations/Quantitative Innovations** - \$10,000

Clients will be notified of any changes in Program account minimums. The minimums for the Programs may be modified or waived by PAS on a case-by-case basis.

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

PAS IARs are responsible for assisting clients in the selection of advisory Programs based on clients' investment objectives and Investor Risk Rating. PAS IARs are also responsible for assisting you in the selection of a Strategist/Investment Manager (which includes the Quantitative Innovations and Foundations programs where iCM is considered to be a Strategist on the Envestnet platform), based on your investment objectives and Investor Risk Rating.

Envestnet is compensated by Strategists and Investment Managers on an ongoing basis once they have been approved to be on the platform. This poses a conflict of interest.

PAS utilizes an available list of Investment Managers/Strategists and investment strategies which are eligible for the programs. The available list of Investment Managers and strategies are based on a list provided by PMC, a subsidiary of Envestnet. All Investment Managers on the Envestnet platform are required to complete a PMC based annual compliance questionnaire which includes a full review on the following elements:

- Compliance program(s), code of ethics, investigations and reviews by regulators, material changes to the programs, ADV review, proxy voting procedures, personnel changes, trading practices, and material trading errors.

The performance of the investment vehicles offered through the Quantitative Innovations, Foundations, Strategist Select/Strategist Select Plus, Park Avenue SMA Select and UMA Select Programs are determined based upon standard performance calculations used in the industry. Performance data is calculated by Envestnet and sent to clients by PAS.

### **Performance Based Fees and Side by Side Management**

PAS does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

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

Your IAR will assist you in selecting an Investment Manager/Strategy or Strategist. When making a recommendation, your IAR will discuss with you various factors including, but not limited to, your personal financial preferences, fees charged by the Investment Manager/Strategist, information on the Investment Manager/Strategist, including their performance, and account minimum requirement. You are ultimately responsible for deciding which Investment Manager(s) to choose. When appropriate, your IAR may also assist you with determining whether an existing Strategist or Investment Manager should be replaced.

As described in the section Portfolio Manager Selection and Evaluation, PAS offers an approved list of Investment Managers and Strategies which provide a variety of investment strategies and corresponding risk levels. You should understand that all investments involve risk (the amount of which may vary significantly), that investment performance can never be predicted or guaranteed and that the value of your account will fluctuate due to market conditions and other factors.

Investing in securities involves risk of loss that clients should be prepared to bear. Clients may experience loss in

the value of their account due to market fluctuations. There is no guarantee that a client's investment objectives will be achieved by participating in any of the Programs described in this brochure. Prior to investing, clients should carefully read a copy of the current prospectus for each security, where a prospectus is available, or other offering documents associated with the particular investment. The prospectus or offering documents contain information regarding the fees, expenses, investment objectives, investment techniques, and risks of each particular investment. 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 PAS or IARs concerning the benefits of participating in the Programs described in this brochure.

PAS and IARs do not provide legal or tax advice. Clients with tax or legal questions should seek a qualified independent expert.

Depending on the types of securities you invest in, you may be subject to the following investment risks including, but not limited to:

***Interest-rate Risk:*** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

***Market Risk:*** The price of a security, bond or mutual fund may drop in reaction to 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 risks.

***Credit Risk:*** also known as default risk, is the possibility that a bond issuer will not pay interest as scheduled or repay the principal at maturity. Credit risk may also be a problem with insurance companies that sell annuity contracts, where your ability to collect the interest and income you expect is dependent on the claims-paying ability of the issuing insurance company.

***Sociopolitical Risk:*** The possibility that instability or unrest in one or more regions of the world will affect investment markets. Terrorist attacks, war and pandemics are examples of events, whether actual or anticipated, that impact investor attitudes toward the market in general and result in system wide fluctuations in stock prices.

***Inflation Risk:*** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

***Currency Risk:*** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

***Reinvestment Risk:*** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

***Business Risk:*** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on discoveries of oil and then refining it, a lengthy process, before they can generate a profit. These companies carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

***Financial Risk:*** Excessive borrowing to finance a business' operations increases the risk of loss if the company is unable to meet the terms of its loan obligations. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

***Liquidity Risk:*** When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, client portfolios may be invested in illiquid securities, subject to applicable investment standards. Investing in an illiquid (i.e., difficult to trade) security may restrict the ability to dispose of investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities. Accounts may hold securities which are partnerships. Some partnerships are relatively liquid and may be either exchange listed or traded over the counter. However, most partnership securities are often illiquid and are subject to significantly less regulation than public investments.

***Fixed Income Risks:*** Portfolios that invest in bonds and other fixed income securities are subject to certain risks, including but not limited to, interest rate risk, credit risk, prepayment risk and market risk, which could reduce the yield that an investor receives from his or her portfolio.

***Foreign and Emerging Markets Risk:*** Investments in securities of foreign and emerging markets issuers involve different investment risks than those affecting obligations of U.S. issuers. Public information may be limited with respect to foreign and emerging markets issuers, and they may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. Additional risks include future political and economic developments, the possibility that a foreign jurisdiction might impose or charge withholding taxes on income payable with respect to foreign and emerging markets securities, and the possible adoption of foreign governmental restrictions such as exchange controls. In addition, foreign currency exchange rates may affect the value of securities in the portfolio.

***High-yield Bond Risk:*** Investments in high-yielding, non-investment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these securities.

***Structured Products Risk:*** These products often involve a significant amount of risk and should only be offered to clients who have carefully read and considered the product's offering documents, as their structure may be based on derivatives or other types of securities, which may be volatile. Structured products are intended to be "buy and hold" investments and are not liquid instruments.

***Derivatives Risk:*** Derivatives are securities whose price is dependent upon or derived from one or more underlying assets. The derivative itself is a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. Derivatives may involve significant risks and are not suitable for everyone. Derivatives trading can be speculative in nature and carry substantial risk of loss, including the loss of principal.

***Small/Mid Cap Risk:*** Stocks of small or mid-sized, emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

***Diversification Risk:*** Investments that are concentrated in one or few industries or sectors may involve more risk than more diversified investments, including the potential for greater volatility.

***Security Selection and Asset Allocation Risk:*** Securities selected from a particular asset class (e.g., stocks, bonds, money market instruments) may experience unusual market volatility or may not perform as expected. An asset allocation program does not guarantee achievement of a client's investment objective nor protect against loss.

***ETF Risk:*** ETFs are subject to the following risks: (i) the market price of an ETF's shares may trade above or below the net asset value; (ii) there may be an inactive trading market for an ETF; (iii) the ETF may employ an investment strategy that utilizes high leverage ratios; (iv) trading of an ETF's shares may be halted, delisted, or suspended on the listing exchange; and (v) the ETF may fail to achieve close correlation with the index that it tracks.

**Real Estate Risk:** Investment in real estate and real estate related assets is subject to the risk of adverse changes in national, state, or local real estate conditions (resulting from, for example, oversupply of or reduced demand for space and changes in market rental rates); obsolescence of properties; changes in the availability, cost, and terms of mortgage funds; and the impact of tax, environmental and other laws.

### **Directed Brokerage**

Clients in the Programs must establish an account through PAS with Pershing, which clears trades and acts as custodian for clients' assets under the Programs. Accordingly, all trading activity in connection with the Programs will be processed through clients' accounts with Pershing. Pershing acts in the capacity of a clearing firm and performs centralized custody, bookkeeping and execution functions. Pershing handles the delivery and receipt of securities purchased or sold on behalf of PAS' clients who are part of the Programs, receives and distributes dividends and other distributions, and processes exchange offers, rights offerings, warrants, tender offers, and redemptions. Not all investment advisory firms will require their clients to direct brokerage. By directing brokerage, PAS may be unable to achieve most favorable execution of your transactions, and this practice may cost you more money.

### **Best Execution**

Investment advisers are obligated to provide "best execution" of customer orders where the adviser has the responsibility to select broker-dealers to execute client trades. "Best execution" refers to using reasonable diligence to seek to obtain the best price to buy or sell a security under prevailing market conditions. PAS does not select other broker-dealers for processing of client transactions. PAS must transmit all trades to Pershing for execution. PAS's objective in executing client trades is to obtain the most favorable execution and to aggregate and allocate trades fairly and equitably across all its clients. PAS has adopted policies and procedures that are designed so that trading practices do not unfairly or systematically favor one client, group, or strategy over another. PAS regularly receives reports from Pershing which contain information regarding the trade order execution experience of Pershing for all of its customers. PAS undertakes an on-going review of its relationship with Pershing, including a quarterly review of trade order flows.

Investment Managers in the SMA and UMA Select programs may not utilize Envestnet to facilitate certain trades within their strategies and consequently the use of these strategies may result in the additional trade-away fees that are not included in the Program fee, or that may be in addition to the PAS wrap fee. Clients should consult with their IARs and review the Investment Manager's Form ADV Part 2A for information related to any additional fees. Clients should carefully consider any additional trading costs the Client may incur before selecting an Investment Manager.

Client understands that if trades are not executed by Pershing, which may occur if Envestnet or an executing Investment Manager where applicable reasonably believes in good faith, and consistent with applicable fiduciary standards that another broker dealer will provide better execution considering all factors including but not limited to net price, client may be subject to fees and charges that are in addition to the total 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. For more information regarding trade away practices, please go to [www.parkavenuesecurities.com](http://www.parkavenuesecurities.com).

### **Soft Dollars**

Soft dollars are defined as arrangements under which products or services other than the execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction of securities trades to the broker-dealer. PAS does not have any soft dollar arrangements.

## **Order Aggregation**

PAS IARs generally manage their client's accounts independently of one another based on each client's specific needs and objectives, and transactions for each client account are often executed independently. Although each account is individually managed, PAS may buy and sell the same securities for many advisory accounts simultaneously when it is appropriate or beneficial to do so. IARs will often aggregate the purchase or sale of multiple clients' securities together to help facilitate best execution and provide each client with the same execution price. Aggregating multiple client orders together is particularly useful when PAS or your IAR is utilizing model portfolio management strategies (multiple client accounts in the same model).

Your IAR may determine not to aggregate transactions, for example, based on the size of the trades, the number of client accounts, the timing of the trades, and the liquidity of the securities purchased or sold. If IARs do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.

PAS may aggregate transactions in the same security for many clients for whom PAS has discretion to trade.

If different prices are paid for securities in an aggregated transaction, each client in the transaction will receive the average price paid for the block of securities in the same aggregated transaction. If the client trade is aggregated with other client accounts and are executed at the same price, the client will receive the same price per unit. If we are not able to completely fill an aggregated transaction, we will normally allocate the filled portion of the transaction to our clients on a pro-rata basis.

## **Park Avenue SMA and UMA Select Trade Allocations**

Some Investment Managers will not place Envestnet Strategies in the same trade rotation as their non-Envestnet models or proprietary accounts. If Envestnet determines that such trade rotation policy does not provide equitable investment performance between the models and is creating a disadvantage to the client, Envestnet may restrict the availability of the Investment Manager or impose additional requirements, as necessary.

Certain trade orders are created by the Investment Manager and sent directly to the appropriate custodian according to their own trade rotation policies. If the Investment Manager directs Envestnet to allocate orders within each custodian, the partial fill will be allocated pro-rata among the individual Client accounts. Investment Managers may aggregate Client trades with their own directed trades or trades for other Clients. Please refer to each Investment Manager's Form ADV and Envestnet's ADV for any policies they may have regarding aggregation of trades.

## **Voting Client Securities**

As a matter of firm policy and practice, PAS does not have any authority to vote and does not vote proxies on behalf of advisory clients. Envestnet generally delegates proxy voting to the Sub-Managers to whom it allocates client assets. However, for Programs in which Envestnet is providing overlay management services, Envestnet is responsible for voting proxies relating to securities held by clients. Clients have the option of informing Envestnet that they wish to have the responsibility for receiving and voting proxies for any and all securities maintained in their portfolios. For additional information, refer to Envestnet Asset Management, Inc.'s Form ADV Part 2A.

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

Investment Managers and Strategists will have access to your risk tolerance and any client-imposed restrictions on management of assets.

PAS and its IARs will have access to your (i) account opening documents, which include, among other things, your investment objective, risk tolerance and any client-imposed restrictions on management of assets; (ii) online access to the account; (iii) confirmations; (iv) account statements; and (v) each client's quarterly performance reports.

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

There are no restrictions placed on clients' ability to contact and consult with their PAS IARs regarding the Programs.

## **9. Additional Information**

### **Disciplinary Information**

The following is a chronological summary of material disciplinary events relating to PAS and its management personnel in the last 10 years.

6/10/2009 – In an Order to Show Cause (the "Order"), the Alabama Securities Commission alleged that PAS failed to reasonably supervise one of its registered representatives in Alabama in that the business activity performed under his "doing business as" ("DBA") license, which was listed as a branch office of PAS, required proper registration of the representative in Alabama as an investment adviser representative and investment advisor. At an informal meeting with the staff of the Alabama Securities Commission on September 30, 2009, the Commission staff indicated that it would consider revising the Order in light of information provided by PAS showing that it did not fail to supervise the representative. The matter is still pending.

10/20/2015 – FINRA censured and fined PAS \$300,000 in its capacity as a broker-dealer and ordered restitution of clients in the amount of \$443,255, for failing to: (1) apply rollover sales charge discounts to certain customers' eligible purchases of unit investment trusts ("UITs") in violation of FINRA Rule 2010 (2) establish, maintain and enforce a supervisory system and written supervisory procedures ("WSPs") reasonably designed to ensure that customers received rollover sales charge discounts on all eligible UIT purchases in violation of NASD Conduct Rule 3010 and FINRA Rule 2010.

11/18/2016 – In connection with the misappropriation of funds from two customers by an unregistered sales assistant, FINRA censured and fined PAS \$195,000 in its capacity as a broker-dealer for failing to enforce its written supervisory procedures regarding the monitoring of customer trades and for failing to establish and maintain a supervisory system reasonably designed to follow up on the performance of its supervisors with regard to monitoring trade executions, in violation of NASD Rules 3010(a), 3010(b) and FINRA Rule 2010. FINRA noted, PAS also failed to establish, maintain, and enforce a supervisory system reasonably designed to review and monitor the transmittal of funds from the accounts of its customers to third party accounts and outside entities, in violation of NASD Rules 3010, 3012(a)(2)(B)(i) and FINRA Rule 2010.

4/11/2018 – FINRA censured and fined PAS \$300,000 in its capacity as a broker-dealer for failing to implement a supervisory system and written supervisory procedures reasonably designed to train and supervise Registered Representatives' recommendations regarding the sale of multi-share class variable annuities, including L-Share contracts, to ensure their suitability. FINRA also found that PAS had no surveillance procedures to determine rates of variable annuity exchanges. FINRA found the foregoing to be in violation of NASD Rule 3010 and FINRA Rules 2330, 3110 and 2010.

3/11/2019 - PAS without admitting or denying the findings, consented to the entry of an Order Instituting Administrative and Cease and-Desist Proceedings ("Order") by the U.S. Securities and Exchange Commission



("SEC"). Pursuant to the Order, the SEC found that from January 1, 2014 through October 31, 2018 certain PAS clients participating in proprietary advisory programs were invested in mutual fund share classes with higher costs (in the form of Rule 12b-1 fees) without adequately disclosing that lower-cost share classes (without Rule 12b-1 fees) of those funds were available. Specifically, PAS did not adequately disclose conflicts of interest related to its receipt of Rule 12b-1 fees, and the availability of mutual fund share classes that did not pay such fees. PAS consented to the entry of the Order that it violated Sections 206(2) and 207 of the Investment Advisers Act of 1940 and agreed to cease and desist from committing or causing any violations and any future violations of Sections 206(2) and 207. PAS agreed to pay disgorgement of \$508,083 and prejudgment interest of \$56,184 to affected clients. Additionally, as part of the Order, PAS has enhanced its disclosure regarding mutual fund share class selection, considered whether existing clients should be moved to a lower-cost share class, and updated its policies and procedures regarding mutual fund share class selection.

7/16/2019 – PAS without admitting or denying the findings, was censured by the Financial Industry Regulatory Authority ("FINRA") in its capacity as a broker-dealer for failing to reasonably supervise the application of sales charge waivers for mutual fund purchases made by certain retirement plan and charitable organization customers. By failing to reasonably supervise such mutual fund sales to ensure that eligible purchasers received the benefit of applicable sales charge waivers, FINRA found that PAS violated NASD Conduct Rule 3010 (for misconduct before December 1, 2014), FINRA Rule 3110 (for misconduct on or after December 1, 2014 and FINRA Rule 2010. As part of this settlement, PAS agreed to pay restitution to eligible customers on the terms specified below, in the amount of \$640,552 (i.e., the amount eligible customers were overcharged, inclusive of interest). PAS also agreed to ensure that waivers are appropriately applied to all future purchase transactions made by retirement plan and charitable organization customers. FINRA recognized the extraordinary cooperation of PAS for initiating an investigation prior to detection or intervention by FINRA to identify whether applicable customers received sales charge waivers, for promptly establishing a plan of remediation to customers and taking action to correct the violative conduct.

5/31/2023 – In connection with an undisclosed outside business activity of a PAS Registered Representative, PAS, without admitting or denying the findings, agreed to a Letter of Acceptance, Waiver, and Consent with FINRA for the purpose of settling alleged FINRA rule violations. PAS was censured and fined \$30,000 by FINRA for violating FINRA Rule 3110 by failing to investigate red flags that the Representative was engaged in an undisclosed outside business activity, unapproved private securities transactions and FINRA Rule 2010.

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

PAS is a wholly owned subsidiary of The Guardian Life Insurance Company of America ("GLIC"), a New York mutual life insurance company. GLIC and its affiliates sell their products through a system of insurance agents, most of whom are also registered representatives and IARs of PAS. PAS is an affiliate of The Guardian Insurance & Annuity Company, Inc. ("GIAC"), a Delaware insurance company and Park Avenue Investment Advisory, LLC, doing business as Park Avenue Investment Advisory, an SEC registered investment adviser. Park Avenue

Investment Advisory is an indirect wholly owned subsidiary of GLIC and directly owned by Guardian Investor Services LLC.

**PAS or its IARs may recommend mutual funds whose investment adviser is a PAS affiliate, such as Park Avenue Institutional Advisers LLC ("PAIA"), a Delaware limited liability company, which is an indirect wholly owned subsidiary of GLIC. PAIA is the sub-adviser to certain mutual funds offered by Victory Capital. Therefore, we have an incentive and conflict to recommend certain products which are managed by PAIA due to the additional compensation earned by such affiliate. In addition, PAS makes available alternative investment funds issued by HPS Investment Partners, LLC ("HPS"). PAS' parent company, GLIC, owns a**



**minority stake in HPS. While not considered a proprietary investment, this minority ownership creates a similar conflict.** GLIC also wholly owns Guardian LEIM, LLC, a Delaware limited liability company that owns 85% of Broadshore Capital Partners, LLC ("Broadshore"), a Delaware limited liability company. PAIA and Broadshore are registered investment advisers. PAIA may earn mutual fund management fees.

Many IARs of PAS are also agents of GLIC and GIAC and may sell a wide range of products issued by those entities, such as life insurance and variable annuities. IARs receive no additional compensation for recommending insurance products issued by affiliates or mutual funds managed by affiliates than they would if they recommend insurance products or mutual funds issued by or managed by non-affiliates.

**An IAR may have an incentive to recommend a particular PAS Proprietary Investment Advisory Program or Third-Party Investment Advisory Program in favor of another because of the receipt of higher fees or non-cash benefits such as additional services which include marketing support and training provided by the sponsor of the Third-Party Advisory Program.**

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

PAS has adopted a code of ethics ("Code of Ethics") for all supervised persons of the firm, which governs the ethical standards of conduct and securities trading by supervised persons. The Code of Ethics includes provisions relating to, among other things, a prohibition on trading on the basis of material non-public information or confidential information, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All supervised persons of PAS must acknowledge the terms of the Code of Ethics annually. PAS will provide a copy of the Code of Ethics to any client or prospective client upon request.

It is PAS policy that the firm generally will not affect any principal or agency cross transactions for 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 from or sells any security to an advisory client. PAS may engage in principal transactions only in limited circumstances where it elects to buy "worthless securities" out of client accounts in order to facilitate the liquidation of such positions.

PAS also will not permit agency cross transactions between client accounts. 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 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.

### **Review of Accounts**

PAS, through its IARs, gathers information from a client about that client's financial situation, risk tolerance, investment objectives, and any reasonable restrictions that the client wishes to impose upon the management of the account. Each IAR periodically reviews reports and otherwise consults with the client and contacts the client at least annually to review the client's financial situation and investment objectives. You should notify your IAR of any changes in your financial situation, risk tolerance, investment objectives or account restrictions.

PAS employs individuals who are registered with the Financial Industry Regulatory Authority ("FINRA") as principals (the "Registered Principals"), who review all accounts for suitability. Accounts are reviewed by the Registered Principals prior to being opened. PAS Proprietary Program accounts are monitored on an ongoing basis by Registered Principals.

PAS monitors and tracks all financial planning and consulting. All financial plans must be submitted to PAS for review and approval prior to presentation to a client. If the plan or consultation is approved, the plan or consultations may be presented to the client.

PAS provides each client with a quarterly written performance report. Performance information is calculated for all portfolios custodied at Pershing. The quarterly analysis measures performance of the account by comparing such performance against relevant market indices.

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

PAS and/or its IARs may receive compensation pursuant to promoter agreements for introducing clients to the Third-Party Investment Adviser and for providing certain ongoing services. This compensation is typically equal to a percentage of the investment advisory fee charged by that investment adviser. Because IARs receive compensation from these investment advisers for referring clients and because such compensation may differ depending on the individual agreement with each investment adviser, the IAR may have an incentive to recommend one of these Third-Party Investment Advisers over another with which PAS has a less favorable compensation arrangement or alternative investment advisory programs. Full disclosure of all promoter arrangements, including Part 2 of Form ADV and a promoter's disclosure statement, will be given to the client at the time of referral in accordance with Rule 206(4)-1 of the Investment Advisers Act of 1940.

PAS has arrangements with a number of individuals ("Promoters") under which the Promoters introduce potential advisory clients to PAS in exchange for a referral fee. All such arrangements comply with the provisions of Rule 206(4)-1 under the Investment Advisers Act of 1940. Whenever PAS pays a referral fee, we require the prospective client to receive a copy of this Brochure and a separate disclosure statement that includes the following information: (1) the Promoter's name and relationship with PAS; (2) the fact that the Promoter is being paid a fee; (3) the amount of the fee; and (4) whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Promoter. In general, the advisory fees paid to us by clients referred by Promoters are not increased because of a referral.

## **Other Compensation and Conflicts**

### **How PAS Addresses Certain Compensation Related Conflicts of Interest**

- PAS discloses potential conflicts of interest to clients through documents such as this disclosure document, disclosures on the PAS website and other materials discussing the products and services offered.
- PAS credits 12b-1 fees and service fees from mutual funds and all FundVest® program fee payments to client accounts within PAS Proprietary Programs.
- PAS IARs do not receive any portion of the payments PAS receives under the agreement between PAS and Pershing.
- PAS IARs do not receive any portion of the revenue received from mutual fund compensation arrangements, or mutual 12b-1 fees/service fees. PAS does not include within these revenue sharing arrangements assets held within plans covered by Title I of ERISA, or a plan described in Section 4975(e)(1) of the Internal Revenue Code.

**Listed below are potential additional payments that PAS may receive and the potential conflicts of interest they create. You should consider these potential conflicts of interest prior to investing in the PAS Proprietary Programs as the receipt of such payments provides a financial incentive for PAS to recommend PAS Proprietary Programs over Third-Party Advisory Programs.**

## Pershing Additional Payments

Through an agreement with Pershing, PAS earns the following payments from Pershing. These payments are not applicable to clients of Third-Party Advisory programs.

- 1) PAS receives a recurring fixed payment from Pershing annually on the total dollar value of legacy assets transferred from PAS' previous custodian.
- 2) PAS receives payments from Pershing on the total amount of assets in client accounts placed on the Pershing custodial platform annually, and for asset growth year over year, which shall also include assets of PAS' affiliate, Park Avenue Investment Advisory. This payment excludes the total dollar value of legacy assets transferred from PAS' previous custodian. The receipt of such payments from Pershing provides a financial incentive for PAS to recommend PAS Proprietary Programs over Third-Party Advisory Programs.
- 3) PAS earns interest payments on non-purpose loans that have interest rates above the Federal Funds Rate +1.75%. For example, if the interest rate on a non-purpose loan is 5% and the Federal Funds is 3%, PAS will earn .25% of what a client pays (5%-4.5%). The receipt of such payments provides a financial incentive for PAS to recommend and approve non-purpose loans.
- 4) Pershing agrees to share certain service fees received by Pershing from mutual funds that participate in the FundVest® program. The FundVest® program is an open architecture platform of mutual funds and no-transaction fee mutual funds offered by Pershing. These mutual funds are offered within PAS Proprietary programs. The percentage of service fees Pershing shares with PAS is based on the level of assets held by PAS clients within the FundVest® program and generally ranges between 50-55% of such services fees received by Pershing from participating mutual funds. Furthermore, PAS addresses this conflict by crediting back all FundVest® program fee payments that it receives to clients invested in the PAS Proprietary Programs. For additional details about Pershing's mutual fund no-transaction-fee program, or a listing of funds that pay Pershing networking or omnibus fees, please refer to [www.pershing.com/mutual\\_fund.htm](http://www.pershing.com/mutual_fund.htm).
- 5) PAS has an incentive to have IARs recruited to us transfer their client accounts to PAS because Pershing provides us with rebates for such account transfers. Pershing will reimburse us for out-of-pocket expenses associated with transfer and termination fees upon the successful onboarding of a newly hired IAR who transitions their client accounts from a financial services firm that does not clear through our clearing firm.

## Dreyfus Insured Deposits Program

For the DIDV Bank Sweep each month, depository institutions pay a fee ("Deposit Fee") equal to a percentage of the average daily deposit balance in your deposit account(s) at the banks participating in the program ("Program Banks"). PAS, Pershing, and the third-party administrator will receive a portion of this fee, which may be as much as 6%, or 600 basis points, on the average daily balances held in these deposit accounts over a 12 month rolling period. PAS has discretion in determining the size of the portion of the fee it receives. This directly negatively impacts the interest rate yield client deposits will receive. PAS may waive any portion or the entirety of its share of the fee received from Program Banks. Your IAR will not receive any portion of the fees paid to Program Banks. The amount of fee received by Pershing, PAS, and any other service provider, will affect the interest rate paid in your deposit account(s). Other than applicable fee imposed by PAS on your account (including fees charged on your Pershing, LLC IRAs) there will be no additional charges, fees, or commissions imposed on your account with respect to the DIDV Bank Deposit Sweep.

In order to illustrate the effect of the interest retained by Pershing, PAS and the administrator of the program please consider the following example. If the DIDV sweep is earning a gross interest rate yield of 2% and PAS, Pershing, and the administrator retains 1.65% for administration, then the client rate would be .35%.

**The receipt of this fee creates an incentive for PAS to select DIDV as the default cash sweep vehicle for the clients who do not select a Money Market Sweep vehicle or have an account which is automatically defaulted**

to DIDV, as it will result in additional compensation to PAS. In addition, PAS' discretionary authority in determining its share of the fee creates a conflict of interest due to PAS' receipt of the fee, which in turn, negatively impacts the interest rate yield client deposits will receive.

As disclosed in the Cash Management Sweep Program section, the overflow Money Market Sweep products pay a distribution to PAS which will not be credited to your account. PAS IARs do not receive any portion of the distribution fee and therefore do not have a conflict in recommending a Cash Management Sweep product which pays a distribution. You are encouraged to speak to your IAR regarding the Cash Management Sweep Program vehicle used for your account.

### **Payments from Mutual Funds**

- PAS receives Rule 12b-1 fees based on client investments in certain mutual funds. Rule 12b-1 fees are annual marketing or distribution fees on a mutual fund. The 12b-1 fee is considered an operational expense and, as such, is included in a fund's expense ratio.

PAS has revenue sharing arrangements with American Funds. This arrangement is based on PAS' total assets placed with this organization. PAS receives annual compensation of up to 0.008 percent on sales. Accepting this type of compensation presents a conflict of interest because PAS has an incentive to recommend this investment company based on the compensation it receives, rather than client needs.

- PAS has entered into a marketing and sponsorship agreement with Fidelity and will receive a flat payment of \$50,000 per quarter for providing Fidelity marketing and educational opportunities, and a level of access to PAS Financial Professionals.
- PAS has entered into a marketing and sponsorship agreement with First Trust Advisors, L.P. ("First Trust"), a Strategist in the Strategist Select and Strategist Select Plus programs and PAS approved mutual fund and ETF sponsor in the Park Avenue Signature Portfolio and Portfolio Select programs. PAS will receive a flat payment of \$50,000 per quarter for providing First Trust with opportunities to attend conferences with its IARs for training and education, marketing opportunities, and attendance at seminars involving PAS IARs and clients.

### **Guardian Club Credits**

Certain IARs may receive "Club Credits" for the recommendation of PAS Proprietary Programs, Third-Party Investment Advisory Programs or Financial Planning/Consulting. These "Club Credits" are based upon sales production and count towards the attainment of various GLIC club memberships. Attainment of various club memberships may entitle IARs to attend GLIC-sponsored conferences.

### **Park Avenue Securities VIP Program**

Certain IARs will qualify to receive service and financial support, as described in more detail below, based upon their overall sales production. The top 100 PAS sales agents qualify for the VIP program. The qualifications to achieve VIP status are based upon total sales production or Gross Dealer Concession ("GDC"). GDC is the revenue generated via agent sales of brokerage products (i.e., stocks, bonds, mutual funds) and advisory services (i.e., Proprietary Programs, Third Party Investment Advisory Programs and Financial Planning/Consulting). The attainment of this VIP status entitles an IAR to receive a dedicated support person called a Relationship Manager, full or partial waiver of state registration fees and PAS affiliation fees, and "Select Rewards Points." The "Select Rewards Points" can be used to cover the cost of client account maintenance fees, termination fees, and/or service fees such as fed wire or overnight check fee. The decision to cover certain client costs is at the discretion of your PAS IAR and not all clients will receive this benefit.

### **Park Avenue Securities Pinnacle Council**

IARs are also eligible to qualify for a club award program called Pinnacle Council. To qualify for Pinnacle Council, an agent must be in the top 20 for total sales production based on the prior year GDC. The benefits of this club award include attendance at an annual recognition conference with paid travel accommodations (i.e., flight and hotel) and meals for the PAS Pinnacle Council qualifier and one guest. These programs could create a conflict of interest by an IAR recommending certain products in attempt to qualify for these additional clubs and awards.

### **Park Avenue Securities Peak Council**

IARs are also eligible to qualify for a club award program called Peak Council. To qualify for Peak Council, an agent must be in the top 40 (21-40) for total sales production based on the prior year GDC. The benefits of this club award include attendance at an annual recognition conference with paid travel accommodations (i.e., flight and hotel) and meals for the PAS Peak Council qualifier and one guest.

### **Transitional Assistance Program (TAP)**

PAS may offer some recruits the opportunity to obtain bonuses and loans that are dependent upon meeting sales targets. These transition assistance loans may also be forgiven based on years of service with PAS, or its affiliates, assets under management, the amount of production with PAS or its affiliates or the number of clients brought over to PAS. This practice creates a conflict of interest as it provides a financial incentive for an RR or IAR to recommend that a client engage PAS for advisory or brokerage services, and to recommend additional products from PAS or its affiliates.

Moreover, some recruits may obtain “early asset bonuses” if they transfer certain percentages of assets to our Firm.

If an RR or IAR has received a transition loan, they are incentivized to encourage the transfer of your account to our Firm so that bonuses can be earned. This conflict is especially acute as your IAR approaches his or her milestone date.

The Park Avenue Transition Team will work with an RR or IAR to ensure a successful transition by providing everything from a customized transition plan, tailored training, account opening and account transfer support. The level of support and service received is dependent upon the RR or IARs trailing twelve-month GDC with their prior firm. In addition, if the prior firm does not clear through Pershing, Pershing will reimburse transfer and termination fees up to \$125.00 to each client account.

**Transitional assistance presents a conflict of interest because of the incentive to affiliate with and recommend PAS to clients.**

### **Payments Related to PAS Educational/Practice Management Conferences**

Certain product sponsors (“Participating Sponsors”), pay PAS a fee ranging from \$8,000 to \$75,000 to participate in PAS sponsored educational/practice management conferences for PAS IARs. In 2023 PAS anticipates it will receive fees from the following Participating Sponsors:

- BlackRock
- BNY Mellon
- Brinker
- Envestnet
- iCM

- PIMCO
- SEI

You should also be aware that marketing or educational activities paid for with these payments may lead to greater exposure of Participating Sponsors' products and services with PAS IARs. Therefore, these payments may create an incentive, or lead to a greater likelihood, for PAS or its IARs to recommend a product of a Participating Sponsor over the products or services of a firm which does not pay PAS a fee.

### **Third Party Payments**

**For some investments you purchase based on our recommendation, we receive payments from a third- party that are in addition to the advisory fee payments described in this document. For example, certain mutual fund issuers make ongoing payments based on invested assets (and not just new investments), such as 12b-1 fees, shareholder servicing fees or trail compensation. These third-party payments are described in further detail in the prospectus or offering materials for the investment, which will be made available to you in connection with any purchase. These third-party payments incentivize us and your IAR to sell you or recommend you hold investments that bring about such payments rather than investments that do not or result in comparatively lower payments. To mitigate this conflict and as discussed more within this Brochure, PAS credits back to clients 12b-1 and other service fees it would otherwise receive from mutual fund products.**

There may be instances where the portfolio managers our IARs recommend periodically pay us based on the total amount of customer assets we direct to them. These payments are sometimes called "revenue sharing" payments and incentivize us to recommend you hold investments that entail such payments rather than investments that do not entail these payments or entail comparatively lower payments. Some third-party portfolio managers may also make payments to us to cover the costs associated with certain educational conferences or training seminars we host for our IARs and to be allowed to present their products during such conferences and seminars. These payments are typically for fixed amounts and are not tied to total sales or customer assets. **Even so, these payments incentivize us to recommend you hold investments by these managers that make these flat payments rather than managers that do not make these payments or make comparatively lower payments.**

### **Other IAR Conflicts**

The individual office managers/supervisors are paid based on the performance of the branches or regions they supervise. Our managers and supervisors oversee the sales and marketing activities of our Firm. The compensation of our managers and supervisors is tied to the production levels of branches or regions over which they have managerial or supervisory responsibility. The tying of managers' and supervisors' compensation to the production of the branches or regions they supervise incentivizes them to spend more time on increasing production levels in each branch or region than on their supervisory responsibilities.

Some of our IARs receive additional training and support from certain Strategist and Third Party Investment Advisers ("Managers"). Certain Managers and their affiliates provide some of our IARs or their branches with more training and administrative support services than others. If your IAR receives this additional training and support, his or her use of these Managers' higher level of training and administrative support services incentivizes your IAR to recommend Managers that provide such training and services over issuers that do not.

Some of our IARs receive compensation in the form of cash compensation or other gifts from vendors or product sponsors to assist with, and defray the expenses associated with educational seminars and client events held by the IAR or a branch office. At times, the amount of compensation provided to a IAR or branch may be dependent on

volume of business that individual or branch has attained. IARs may also receive business entertainment from vendors or product sponsors with whom they interact or are authorized to do business. Entertainment engagement may be based on the amount of business placed with the vendors or product sponsors and may incentivize the IAR to place business with that vendor or product sponsor.

IARs who are also representatives of the Firm's parent company, Guardian Life Insurance Company of America, receive employee benefits (i.e., health and pension benefits) that are subsidized by Guardian if the IAR reaches certain sales targets. This subsidization program creates a conflict of interest as it encourages more sales that result in your Financial Professional meeting these sales targets to obtain additional subsidies.

We have an incentive to recommend the product or account type that results in additional fees and revenues for us. We can recommend that you invest through different account type arrangements, such as through a brokerage account, an account directly held with the issuer of the investment (or its transfer agent), or an advisory account. Depending on factors such as the type and level of services you require as well as the frequency of trading in your account, one of these account types may be more cost-effective for you than the others. In addition, we receive miscellaneous account and service fees and other compensation (which are in addition to advisory fees) in connection with brokerage accounts or advisory accounts that we do not receive with a directly held account. We can also recommend that you invest in products that have higher up-front compensation along with ongoing trail payments. The availability of different products and account types incentivizes us and our IARs to recommend the product or account type that results in additional fees and revenues for us and your IAR even though another type of account may be more cost-effective for you.

### **Financial Information**

PAS does not have any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. PAS has never been the subject of a bankruptcy petition.

## **STEP***forward* with **Park Avenue Securities**

Park Avenue Securities LLC (PAS) is a wholly owned subsidiary of The Guardian Life Insurance Company of America (Guardian). PAS is a registered broker-dealer offering competitive investment products, as well as a registered investment adviser offering financial planning and investment advisory services. PAS is a member of FINRA and SIPC.

Variable insurance products, their underlying investment options, mutual funds, and exchange traded funds are sold by prospectus only. Prospectuses contain important information, including fees and expenses. Please read the prospectus carefully before investing or sending money. You should consider the investment objectives, risks, fees, and charges of the investment company carefully before investing. Please contact your investment professional or call 888-600-4667 for a prospectus, which contains this and other important information.

PAS is located at 10 Hudson Yards, New York, NY 10001.

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