

**Automated Investor  
Wrap Fee Program Brochure  
(Part 2A Appendix 1 of Form ADV)**

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**<https://www.usbank.com/wealth-management.html>**

This Wrap Fee Program Brochure (this “Brochure”) provides information about the qualifications and business practices of U.S. Bancorp Investments, Inc. (referred to as “we”, “us” or, “USBI” throughout the document). If you have any questions about this brochure’s contents, please contact us at the above phone number. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about USBI also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. USBI’s CRD number is 17868.

USBI is a registered investment adviser. However, that registration does not imply a certain level of skill or training.

This Brochure is for informational purposes only. It does not convey an offer of any type and is not intended to be, and should not be construed as, an offer to sell, or the solicitation of an offer to buy, any interest in any entity, investment, or investment vehicle.

**March 31, 2021**

## Item 2      Material Changes

This section describes the material changes to our wrap-fee programs since the last annual amendment of our Form ADV on March 30, 2020.

- Quasar Distributors, LLC – Quasar Distributors, LLC is no longer an affiliate of U.S. Bancorp Investments, Inc., as the entity was sold by our parent company, U.S. Bancorp.
- Disciplinary Information Update – On June 1, 2020, the SEC issued an Order against USBI related to our mutual fund share class practices from October 2012 through November 2017 in our capacity as an investment adviser. Details of the Order can be found in the ‘Disciplinary Information’ section of this brochure. (See Item 9, “Additional Information”.)
- Class Actions – U.S. Bancorp Investments does not participate in any class action on a client’s behalf. This updated information can be found in the ‘Voting Client Securities’ section. (See Item 6, “Portfolios Manager Selection and Evaluation”.)

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## Item 4 Services, Fees and Compensation

U.S. Bancorp Investments, Inc. (USBI) is owned by U.S. Bancorp and has been incorporated since 1974. We acquired an entity with an investment adviser that was state registered in 1996 and became SEC registered in 2007.

We are an investment adviser as well as a broker-dealer registered with the SEC. We are a member of the Financial Industry Regulatory Authority, known as FINRA, and also a member of the Securities Investor Protection Corporation, known as SIPC.

In addition to providing investment management services through the USBI Personal Portfolios Wrap Program, we serve as the investment adviser for USBI Automated Investor (the "Service"), which on the basis of your financial information and by use of a proprietary, automated computer algorithm, provides discretionary, ongoing management of your personal investment portfolio, for an all-inclusive "wrap" fee. The Service is available to current and prospective clients. This Brochure provides important information and disclosure regarding the Service. You should carefully read it in its entirety before opening an advisory account and beginning to invest through the Service, to ensure that the Service is suitable and appropriate for your investment needs. Information on the USBI Personal Portfolios Wrap Program can be found in a separate brochure that is available upon request.

We provide a Client Relationship Summary ("Form CRS", or Part 3 of Form ADV) to retail investors to assist with the process of deciding whether to engage us or our financial professionals, and whether to establish an investment advisory or brokerage relationship. It allows you to gain a better understanding of the nature of the relationship and services you can expect from us in each type of relationship and to compare us to other broker-dealers and investment advisers. Our Form CRS is available upon request and contains information about the types of client relationships and services we offer; our fees, costs, conflicts of interest, and standard of conduct; any reportable legal or disciplinary history for us; and how to obtain additional information about us and our financial professionals.

### **The Service**

The Service is an online service that is primarily maintained through one or more websites or mobile applications (the "Site"), on which you will have a personal account. It utilizes information that you communicate to us directly or aggregate to provide financial and/or retirement goal projections and to manage a diversified investment portfolio generally comprised of liquid asset classes. The Service generates projections and makes investment decisions using a proprietary, automated computer algorithm ("Algorithm") developed by FutureAdvisor, Inc., the Service's sub-adviser ("FutureAdvisor" or "Sub-Adviser"), relying on capital markets assumptions, risk categories, asset allocation targets for those categories, and eligible securities for each asset class (collectively, "Investment Programs") that we provide. FutureAdvisor also serves as the Service's technology services provider, in which capacity it maintains the proprietary platform on which the Service operates, including the Site. FutureAdvisor, a wholly-owned subsidiary of Blackrock, Inc. ("BlackRock"), is a registered investment adviser and provider of digital investment advisory and other related technology and consulting services.

Through the Service, Sub-Adviser provides regular, ongoing investment management of an advisory account held at USBI (the "Advisory Account"), by directing trades to our broker-dealer division for execution. We have discretion over your Advisory Account with respect to suitability, selection and oversight of the Service's service providers (including the sub-adviser and broker-dealer), and proxy voting. In the event you have selected multiple goals to be managed through the Service, the Sub-Adviser will manage each goal within a separate Advisory Account based on your investment profile for that goal, including your risk tolerance, time horizon and investment objective. For retirement goals, the Service generally assumes a long-term time horizon while other financial goals are designed to accommodate both short-term and long-term time horizons. The Service is guided by other financial and /or retirement best practices. Advisory Account investments include, but are not limited to, equities, emerging markets, fixed income, and real estate, exposure to which is obtained through broad market index exchange-traded funds ("ETFs"), exchange traded notes, mutual fund shares, securities issued by real estate investment trusts ("REITs"), or other securities. Sub-Adviser will cause your Advisory Account to invest in mutual fund shares or ETFs, including U.S. iShares ETFs or mutual funds, which are advised or sub-advised by BlackRock Fund Advisors or Sub-Adviser's other affiliates. The use of such mutual fund shares or ETFs presents a

potential conflict of interest discussed below under “Participation or Interest in Client Transactions, Margin and Lending, Personal Trading, and Trade Errors.” By contacting us using the contact information specified on the Site, you may impose restrictions on the sale of certain equity securities held in your Advisory Account, but you may not specify securities in which your Advisory Account may not invest. For mutual funds held in your Advisory Account and advised by us, we generally utilize an advisory share class, if available. In certain circumstances, we will utilize a different mutual fund share class if no equivalent advisory share class is available to us. Additionally, on a periodic basis, we will review your Advisory Account for any mutual fund positions and convert existing mutual fund shares to advisory class shares, when available, without further notification to you.

As a condition of opening an Advisory Account and beginning to invest through the Service, you are required to enter into an investment advisory agreement with us and FutureAdvisor (the “IAA”), transfer at least \$5,000 of eligible assets into that account (including cash) (the “Service Minimum”), and open a new, designated USBI brokerage account (or multiple accounts) if you do not have one (the “Brokerage Account”). Among other things, in the IAA and related agreements you acknowledge your ability and willingness to conduct your advisory and brokerage relationship with us on an electronic basis, receiving all Advisory Account and Brokerage Account information and documents, including this Brochure, and any updates or changes to the same, through the Site and/or the Service’s electronic communications, and signing all agreements related to the Service, including the IAA, electronically. This is a requirement both now and in the future irrespective of any other agreement with us or our affiliates to the contrary.

We act as your Brokerage Account’s broker-dealer and custodian, performing the execution of purchase and sale orders directed to us by Sub-Advisor, including orders that rebalance your investment portfolio, as dictated by the Algorithm. Your opening an Advisory Account also enrolls you in our sweep program, which automatically sweeps uninvested cash balances in your Brokerage Account into one or more money market mutual funds (“Money Market Funds”) managed by third parties unaffiliated with USBI or FutureAdvisor. The terms and conditions of this program, which is a required part of the Service, are provided in the IAA.

At all times, you have sole authority to liquidate and withdraw securities and cash from your Advisory Account, except as otherwise permitted for payment of fees and expenses (as described below). You may also, at any time, transfer additional eligible assets into your Advisory Account, cancel existing or enroll additional Brokerage Accounts to the Service, or terminate your Advisory Account. We may terminate your Advisory Account under a variety of circumstances described in the IAA.

We also send all Service clients periodic e-mails containing financial and/or retirement best practices, market commentary, alerts, evaluations, and other relevant content. Some of these communications can be customized, modified, or de-activated, while others cannot, and if you refuse to accept them or are otherwise unable to or become unable to receive them, we will terminate your Advisory Account. You must therefore maintain an accurate and up-to-date e-mail address with USBI.

Before opening an Advisory Account and beginning to invest through the Service, you must carefully read the IAA and understand the consequences of entering into a discretionary, automated advisory relationship with us and FutureAdvisor. The IAA contains various terms, conditions, rights, limitations, and obligations, including fee payment obligations, to which you are subject when you have an active advisory account and are investing through the Service. We may change the IAA from time to time according to its terms. Other important disclosures concerning the Service are provided on the Site and we encourage you to review them.

## **Fees and Expenses**

### *General Information about Advisory Fees*

For the services provided in connection with the Service, we charge you a quarterly advisory fee (“Advisory Fee”) generally at an annualized rate equivalent to 0.24% (the “Advisory Fee Rate”) of your Advisory Account assets (including cash, dividends, and accrued interest). We may discount the Advisory Fee Rate for certain clients, as described below. The Advisory Fee is called a “wrap” fee in that it represents payment for the following advisory and related services that we and our service providers deliver to you as part of the Service:

- Advisory Account suitability determination;

- selection and oversight of the Service's sub-adviser and broker-dealer;
- services provided by FutureAdvisor, including the Algorithm, discretionary Advisory Account management, and maintenance of the Service's proprietary technology platform, including the Site;
- Investment Programs we provide as Algorithm inputs and guidance on those Investment Programs received from our affiliates;
- account aggregation services provided by a third party vendor;
- market statistics, financial, and other performance data;
- retirement best practices, market commentary, alerts, evaluations, and other Service content;
- Brokerage Account brokerage, trading, and reconciliation services;
- custody and clearing charges;
- brokerage execution services;
- custodial statements with Brokerage Account activity;
- Advisory Account proxy voting and responding to legal notices;
- Advisory Account recordkeeping and performance information;
- Advisory Account annual review;
- tax reporting; and
- other Service technology.

We offer the Service on a "wrap" fee basis because we believe it best allows us to achieve our mission of simplifying clients' automated investing for retirement and/or other financial goals. For example, the fee provides you with the flexibility to contribute or withdraw money or assets from your Advisory account and change your investment objectives, time horizon, and risk tolerance without incurring any additional fees.

#### *Fee Sharing Arrangements*

Pursuant to an agreement between us and FutureAdvisor, we generally pay a portion of each Advisory Fee to FutureAdvisor equivalent on an annualized basis to 0.125% of your Advisory Account assets (including cash, dividends, and accrued interest). Promotions we offer may affect the aggregate Advisory Fees we pay to FutureAdvisor. In addition, we pay FutureAdvisor certain development costs and other licensing and platform fees for maintaining the proprietary technology platform on which the Service operates. We share a portion of the Advisory Fee with other parties involved in providing services to you in connection with the Service pursuant to agreements we have with those parties, as permitted by law. In particular, we rely on guidance from our affiliates with respect to the Investment Programs that serve as inputs to the Algorithm. We pay those affiliates a flat annual fee for those services, or such other amount as we may agree on from time to time.

#### *Changes*

We may revise the timing and applicable period for the payment of the Advisory Fee when you open your Advisory Account or when you cancel or enroll a Brokerage Account. From time to time, we may offer promotions in the form of Advisory Fee waivers where clients can receive some *de minimis* reward or reduced Advisory Fee for a period of time or indefinitely, including a zero Advisory Fee Rate. However, our offering a promotion for a client for a period will not obligate us to do so for any other client or to continue offering such promotion for any other period. In addition to the foregoing, we reserve the right, in our sole discretion, and to the extent required by applicable law, to waive or offset Advisory Fees for clients, including clients who are employees of USBI and USBI affiliates, and clients whose Advisory Account assets are subject to the Employee Retirement Income Security Act of 1974 ("ERISA") or Section 4975 of the Internal Revenue Code of 1986 (the "IRC").

### *Advisory Fee Considerations*

Important considerations regarding the Advisory Fee are as follows. You should carefully evaluate each of them before opening your Advisory Account and beginning to invest through the Service.

- The Advisory Fee may be more or less than the cost of the services included in the Service if they were provided separately or from another source. This can depend on several things such as the amount of the Advisory Fee, the amount of activity in your Advisory Account, and the value of advisory, brokerage, custodial, and other services that are provided under the arrangement. To determine the reasonableness of the Advisory Fee, you should consider the costs of the development and ongoing management of an asset allocation or investment strategy, the gathering and monitoring of information to make investment decisions, the costs of implementing those decisions, transaction costs, fees and taxes, commissions or markups/markdowns on transactions, custodial costs, performance information, and tax statements.
- The Advisory Fee may be higher or lower than the ongoing or up-front fees or charges you pay on your existing investment advisory or brokerage accounts. In particular, it may be higher than those fees you paid or currently pay for other USBI brokerage products and services, although it may be lower than the fees you paid or currently pay for other USBI investment advisory services. It is also in addition to, and not in place of, any compensation that we receive from any other existing services that we provide to you. While we only offer the Service on a “wrap” fee basis, based on individual circumstances, it may be in your best interest to use a standalone USBI brokerage account that is outside of this offering, in which you pay commissions per trade.
- We calculate the Advisory Fee based on the entire balance of your Advisory Account, including any cash allocation. As a result, the Advisory Fee may, at times, exceed the return on the cash portion of your account, namely the income earned by Money Market Funds, resulting in a net loss, or “cash drag” to you. While the cash portion of your Advisory Account will generally not be significant, the cash drag could be meaningful in a very low or even negative interest rate environment. In addition, inflation can erode the purchasing power of uninvested cash.
- Custodial fees are generally included in the Advisory Fee *except* for items such as the following, which are charged separately and in addition to that fee: interest on debit balances; the public offering price for securities purchased in a distribution; exchange fees; regulatory transaction fees for ETFs and other securities; transfer taxes; liquidation fees for non-cash assets you contribute to your Advisory Account; electronic fund and wire transfer fees; trade-away charges; trust service charges; fees for the redemption of mutual fund shares; and other fees required by applicable law, regulations, or rules. Other parties unaffiliated with USBI may receive a portion of these fees. You are discouraged from transferring mutual funds into your Advisory Account on which you have paid a sales load within the past 24 months.
- All fees paid to USBI for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders. These fees and expenses, which are generally composed of a management fee and other fund expenses including custodial, brokerage, and legal and accounting expenses, are described in each fund’s prospectus or disclosure statement and are embedded in the securities purchased by Sub-Adviser on every client’s behalf. As described in this Brochure, certain of these and fees and expenses may be earned or received by Sub-Adviser’s affiliates. The fees and expenses may reduce the net asset value of the mutual fund or ETF, and therefore may directly affect its performance and indirectly affect Advisory Account performance or an index benchmark comparison. These fees and expenses may change from time to time at the discretion of the mutual fund or ETF sponsor.
- We act as a broker-dealer in addition to an investment adviser in connection with the Service. If you open a Brokerage Account with securities previously purchased through us, you will already have paid a commission on the purchase to us. In certain circumstances, we will credit your Advisory Account the amount of brokerage commissions paid on recently purchased securities transferred into your Advisory Account. Similarly, if you open your Brokerage Account with cash proceeds from the sale of securities through us, we may have already received commissions on the sale.



- There may be instances in which specific account holdings are excluded from billing by us. These holdings are still managed and will also be included for reporting purposes. There may also be instances in which specific holdings are ineligible for trading and continue to be held in your Advisory Account. These holdings are not managed, reported, or billed on by us. For additional information on these holdings, contact us using the contact information specified on the Site.
- Shareholder service fees support costs for delivering client statements, confirmations, tax forms, prospectuses, proxies and other shareholder related back office processes such as recordkeeping, escheatment, and call-center support (collectively "shareholder services"). These shareholder servicing fees vary by mutual fund company and by fund and are based on the amount of assets held in USBI client accounts. USBI has a clearing arrangement with Charles Schwab & Co., Inc. ("Schwab") whereby Schwab maintains an omnibus account with certain mutual fund families for USBI on behalf of USBI clients. Under the clearing arrangement, Schwab provides clearing services for nearly all funds. USBI pays Schwab a fee for the clearing service. For brokerage assets, Schwab passes through the shareholder service fees it receives to USBI. For advisory assets, in lieu of passing the shareholder servicing fees Schwab receives to USBI, Schwab reduces the amount of their fee charged for clearing services to USBI on a dollar for dollar basis. Both arrangements create a conflict of interest because they provide USBI an incentive to favor funds that provide higher compensation in fees to Schwab, resulting in either a payment to USBI or a greater deduction for USBI from Schwab.

### *Calculation and Billing*

The Advisory Fee for your Advisory Account will generally be billed and collected by the Service on a quarterly basis, in advance, but will be subject to proration for the first and last quarter that the Account is open.

When an Advisory Account is opened, the initial Advisory Fee is billed using the value of your Advisory Account at the end of the day it was opened at the inception of the account and prorated for the remainder of the calendar quarter. Ongoing quarterly fees for new and existing Advisory Accounts are determined by the market value of your Advisory Account assets on the last business day of the previous quarter. Deposits to or withdrawals from the Advisory Account of cash or securities with a value equal to or greater than \$10,000 will be billed at the Advisory Fee Rate on a pro-rata basis. Deposits and withdrawals amounts will be netted on a daily basis for calculation of the additional Advisory Fee or refund to your Account. The additional fee or refund will be equal to the Advisory Fee Rate times the amount of the increase or decrease, prorated based upon the days remaining in the calendar quarter. If the Advisory Account is terminated prior to the last day of the quarter, a prorated portion of the Advisory Fee paid by you will be refunded to you based upon the days remaining in the quarter.

We automatically deduct any Advisory Fee due and payable from your Advisory Account on each payment date or, if that account has insufficient assets, from any other taxable USBI account in your name. This is the only method of billing we use and you may not select another method. We have the authority to place trades in the Brokerage Account in order to make cash available for Advisory Fee payment without notification to you. The obligation to pay Advisory Fees may limit your ability to sell or otherwise liquidate securities in or to withdraw cash or securities from your Advisory Account.

We or our designee value Advisory Account assets for Advisory Fee calculation purposes, following procedures described in the IAA.

### *Effect of Termination on Advisory Fees*

You may terminate your Advisory Account at any time. If you do so, as described above, we will pro-rate any Advisory Fee you have already paid us for the final quarter the Service is provided to you.

Upon termination, the IAA terminates and you are responsible for monitoring all of the securities in your Brokerage Account. Neither we nor FutureAdvisor will have any continuing obligation to offer advice or act with regard to those assets, as the case may be.



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

### **Account Requirements**

#### *Eligible Clients*

The Service is offered to individuals for their related investment and retirement accounts. Service clients must be permanent legal residents of the United States, at least 18 years old, and not on any governmental sanctions list of prohibited individuals. An on-line banking profile must be established prior to opening an Advisory Account, which requires a preexisting customer relationship with us or our affiliates. The Service allows you to open an Advisory Account jointly with your spouse or spousal equivalent, although certain features and functionality will differ for the second Service client, as described in the IAA. All advisory accounts are opened electronically through the Site.

#### *Minimum Account Size*

The Service requires that you, as a condition of opening your Advisory Account, transfer at least \$5,000, the Service Minimum, of eligible assets (including cash) into that account. If you transfer ineligible assets to that account, we will liquidate those assets or transfer them to an account where they are eligible. If at any time the amount of assets in your Advisory Account is less than Service Minimum, we may terminate your account and the IAA.

### **Types of Clients**

In the Service, we provide fiduciary investment advisory services to individuals. All client advisory accounts are opened and maintained according to an investment advisory agreement between the client and USBI (and sub-adviser, as applicable).

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

### **FutureAdvisor**

FutureAdvisor has been designated the Service's sole sub-adviser, in which capacity it develops and provides the Algorithm that generates the Service's financial and/or retirement projections and investment decisions, which it implements on your behalf. It also serves as the Service's technology service provider, in which capacity it maintains the proprietary platform on which the Service operates, including the Site. We believe that FutureAdvisor has the requisite expertise and capabilities to serve in these various capacities.

FutureAdvisor has been in business since May 2010 and was acquired by BlackRock on October 1, 2015. FutureAdvisor employs automated, algorithmic asset allocation, portfolio analysis, portfolio rebalancing, portfolio selection, and tax-loss harvesting strategies on behalf of its direct advisory clients and third party financial institutions with whom it has entered into agreements to offer advisory and/or technological services. Those institutions may provide investment models, asset allocation, asset classes, lists of eligible securities (so-called "white lists"), and model parameters, which FutureAdvisor incorporates into its algorithm. In the case of the Service, we provide FutureAdvisor with the Investment Programs as Algorithm inputs, which, in turn, affect the resulting goal projections and investment decisions.

You can obtain digital, goal-based investment advisory services from FutureAdvisor that in some respects are similar to the Service, but in other respects are different. For example, FutureAdvisor's direct-to-client services may review portfolios more frequently, may rely on different Investment Programs than the Service, and may require clients to use unaffiliated third parties to provide custody of advisory account assets. The fees and expenses you pay, along with other terms and conditions applicable to your Advisory Account, may also differ materially between FutureAdvisor's direct-to-client advisory services and the Service. In particular, FutureAdvisor's direct-to-client advisory services may not be offered for an all-inclusive "wrap" fee. As a result, the investment performance of those direct-to-client services may differ, potentially materially, from the Service. Additional information about FutureAdvisor's advisory services is available on its website, <https://www.futureadvisor.com>, and on the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

As described above, we compensate FutureAdvisor for its services by sharing a portion of Advisory Fees with them and by paying them development costs and other licensing and platform fees. We have no other financial or business interests with FutureAdvisor.

In the future, we may engage a different third party (or multiple third parties), or an affiliate of ours, to perform any or all of the services that FutureAdvisor performs or may designate FutureAdvisor to perform additional functions for the Service. We will make the determination to adjust FutureAdvisor's role in connection with the Service based on our internal reviews of FutureAdvisor and the Algorithm, and consideration of what is in our clients' best interest. Our review process is described below under "Additional Information—Advisory Account Monitoring and Review." FutureAdvisor may also terminate their agreement with us under certain circumstances. This could materially compromise our ability to continue offering the Service in its current form.

### **Advisory Account Performance**

We make available to you through the Site an evaluation of your Advisory Account performance periodically.

In representing Advisory Account performance, we rely on a time-weighted calculation standard to adjust for significant asset flows into your account. Other generally accepted methods of calculation exist that may yield different results.

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## **Advisory Business**

### **Types of Advisory Services Offered**

We offer three types of advisory services for individuals, businesses, and institutional clients: (1) managed account services, which for some clients will include selection of other advisers, (2) automated investment services, which may utilize a sub-adviser, and (3) financial planning services. We do not specialize in any one type of advisory service. This Brochure focuses on our current automated investment advisory services offering—Automated Investor, which is also referred to as the "Service" throughout this Brochure. A separate brochure, which explains our managed account services, is available upon request, while a document that explains our financial planning services is available with our financial plans, or is also available upon request.

### **Description of the Service**

The Service is an online, algorithmic automated investment advisory service that is intended to help you achieve your financial and/or retirement goals. The Service provides personalized investment decisions and portfolio management based on information you supply when you open an advisory account and as you update it over time. The Service is offered on a "wrap" fee basis, whereby a single advisory fee is charged that includes investment advisory services, custodial services, sponsorship, and brokerage execution, including commissions. We share a portion of that fee with other parties involved in providing the Service.

As described above, USBI is an investment adviser and the Service's primary sponsor, with advisory discretion for selecting the Service's sub-adviser, determining the suitability of your Advisory Account, and various other duties and responsibilities, including providing the Investment Programs that serve as Algorithm inputs, the annual review, client communications, proxy voting, recordkeeping, and Brokerage Account brokerage and custody. We have designated FutureAdvisor as the Service's sub-adviser and delegated to it full authority to supervise and direct the investment of clients' advisory accounts, subject to certain constraints and oversight by us, and any permitted investment restrictions the Service allows clients to impose. To that end, FutureAdvisor has investment discretion with respect to any changes to clients' investments, including discretion to adjust asset allocations and replace or reduce investments. U.S. Bancorp and BlackRock are the parent companies of USBI and FutureAdvisor, respectively. Sub-Adviser's investment decisions, in addition to its financial and/or retirement goal projections, are generated entirely by its Algorithm, which relies on Investment Programs that we provide as inputs. We may modify the Investment Programs as needed to keep them consistent with the Service's investment philosophy, which is described below, but we will not customize them for individual clients. We retain discretion to remove or

replace Sub-Adviser at any time. The Service does not permit you to choose a different sub-adviser for your Advisory Account or to designate a USBI financial advisor to assume that discretionary role.

### **Fiduciary Relationship; Impact on Other Client Agreements**

Investment advisory services create a fiduciary relationship with you. This means that we must place your interests *above our own*, and carefully manage any perceived or actual conflict of interest that may arise in relation to our advisory services. This Brochure explains your rights and obligations in providing you with the Service. If you open an advisory account, we strongly encourage you to print this Brochure out and keep it for your records. Please note that although we act as your fiduciary investment adviser in offering the Service to you, this does not affect any other advisory relationship you may have with us. The nature of your existing advisory accounts, your rights and obligations relating to these accounts, and the terms and conditions of any investment advisory agreement in effect do not change in any way. In addition, if you have any other non-fiduciary relationships with us, such as a commission-based USBI brokerage account (*i.e.*, one that is not managed by the Service), opening an advisory account and beginning to invest through the Service does not convert those other relationships into fiduciary relationships.

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### **Performance-Based Fees and Side-By-Side Management**

The Service does not use a performance-based fee structure. As previously explained, our advisory fees are based on a fixed percentage of the assets in your Advisory Account. The Service does not manage separate account types on a side-by-side management basis.

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

#### **Methods of Analysis**

##### *Client Information Gathering*

The Service's goal projections and investment decisions are based on the information you communicate to us during the advisory account opening process, concerning, principally, your investment objectives, the time horizon to reach your financial and/or retirement goals, and your risk tolerance level. The Service elicits this information through your responses to certain screening questions and through additional information you supply to us or aggregate. Based on this information and the Investment Programs we provide as inputs, the Algorithm generates personalized projections and makes investment decisions for your Advisory Account, which primarily include buying, selling, holding, or otherwise gaining exposure to ETFs, mutual fund shares, REITs, and other equity securities that are exchange traded or that are offered by foreign issuers.

The Service does not allow you to specify different investment objectives, goals, or risk tolerance levels for different portions of your Advisory Account (or Brokerage Accounts), or to create sub-portfolios, each having different investment strategies. Instead, you are required to open a separate Advisory Account for each goal, and you may specify different investment objectives, time horizons or risk tolerance levels for each Advisory Account. The Service manages the aggregate assets of your Advisory Account (and all enrolled Brokerage Accounts) as a single investment portfolio with a unified investment strategy, based on the information and inputs described above.

##### *Information Sources*

The main information sources for market statistics, financial, and other performance data on which the Service relies are third party data vendors. We pay these vendors access fees for their data services.

##### *Reliance on Client Information*

You are responsible for providing true, accurate, and complete information to us and to promptly notify us whenever there are changes to this information that could affect Sub-Adviser's projections or decisions, our ability to communicate with you, or other personalized aspects of the Service. Such changes include but are not limited to the addition of a new investment account, a life-change event that affects your investment horizon, or a change to your e-mail address. If you do not supply truthful information, the quality and

applicability of Sub-Adviser's goal projections and investment decisions may be compromised, which may prevent the Service from helping you achieve your financial and/or retirement goals. In addition, the Service does not consider in its analysis accounts and assets that you do not aggregate or input.

### **Investment Philosophy**

The Service's investment philosophy, which informs our Investment Programs and Sub-Adviser's resulting investment decisions, is based on the following principles and strategies designed to help you achieve your financial and/or retirement goals:

- ***Asset Allocation:*** The goal of any advisory account portfolio is to achieve a wealth objective by using the investment opportunities available across global asset classes (equities, fixed income, real estate) while taking the minimum amount of uncertainty or expected risk necessary to potentially achieve that objective over the course of the investment time horizon. The Service's asset allocation sets the foundation for this work, by identifying "efficient" portfolios designed to generate the optimal potential for long-term returns for a client's specific risk tolerance and time to retirement or other financial goal.
- ***Diversification:*** To effectively manage risk, specific asset classes that are considered for inclusion in a portfolio mix are (i) domestic equities to generate potential meaningful long-term growth; (ii) international equities as a cost-efficient way to possibly enhance and smooth returns; (iii) fixed income assets as an effective hedge against equity market downturns and, with selected fixed income securities, to help manage inflation risks; and (iv) real estate assets to help moderate inflation risks without sacrificing the potential for returns.
- ***Glide Path:*** Portfolios are modified to adjust for risk over the course of a client's time horizon for their goal, a course of adjustments referred to as the "Glide Path." The primary focus is to help reduce the potential impact of market downturns as the retirement or other financial goal nears, while still acknowledging the client's specific risk tolerance.
- ***Portfolio Construction:*** Focus is placed on selecting funds to implement the investment strategy by utilizing a thorough due diligence process that seeks to identify those funds that are best positioned to help achieve retirement or other financial goals with an appropriate risk level. The selection process incorporates factors such as investment methodology, performance history, liquidity, fee structures, as well as the role an investment can play to deliver a client's target asset allocation strategy.
- ***Tax Efficiency:*** All total portfolio solutions are designed with the goal of improving after-tax returns. The tax impact of buy, hold, and sell decisions are a key consideration, including tax loss harvesting (*i.e.*, benefiting from investment losses to help offset the tax liability created by investment gains or other forms of income). Another important strategy is the effective placement of assets between taxable and tax-advantaged accounts to help achieve the greatest return net of taxes.

The Service's financial and/or retirement best practices, which also underlie Sub-Adviser's goal projections and investment decisions, are disclosed through the Site. The Service's investment philosophy and best practices can be expected to evolve over time.

### **Service Limitations**

While we have designed the Service to be broadly applicable to many clients, it may not be appropriate for you if you have specific investment restrictions; if you desire more frequent account reviews for trading opportunities; if you have a very short or a very long investment horizon, a high tolerance for market risk, or a desire to invest significantly in alternative asset classes; if you have especially complex investment objectives and needs as your current investments consist of illiquid securities, annuities, and/or extremely low basis securities; or in the case of the retirement goal, if you are already in retirement and drawing down your savings. Also, because the Service is an online advisory service, it is not appropriate if you have limited or no access to technology. If the Service is inappropriate for you, or if you prefer a non-automated, non-algorithmic advisory service featuring a one-on-one relationship with a licensed USBI financial advisor and greater ability to control and direct the investment of your assets, you should consider the USBI Personal Portfolios Wrap Program and/or our Financial Planning services. More information about each of

them is provided in their respective brochures or disclosure documents. On the other hand, if you do not seek a “wrap” fee-based discretionary investment advisory service, you should instead consider a standalone USBI brokerage account that is outside of this offering, in which you pay commissions per trade.

Should you determine that the Service is appropriate notwithstanding the above considerations, you must keep in mind that it is meant to be a component of your overall investment strategy and not your sole investment strategy. The Service’s projections and decisions are limited in scope to the questions we ask through the Site when you open an advisory account and the information that you supply to us. As the Service does not provide comprehensive financial planning, there may be additional relevant information or other financial circumstances that the Service does not consider (e.g., your debt load or other financial obligations) that could inform Sub-Advisor’s investment decisions. We urge you to carefully consider the Service’s costs and benefits before opening an advisory account and beginning to invest.

## **Risk of Loss**

### *General Investment Risk*

While the Service attempts to optimize investment returns for your risk tolerance, neither USBI nor FutureAdvisor makes any assurance that the Service’s investment decisions will be successful and result in profitable investing. Investing in securities involves risk of loss that you should understand and be prepared to bear. Investment performance can never be predicted or guaranteed and the value of your Advisory Account will fluctuate due to market conditions and other factors. Past performance is no guarantee of future results.

When evaluating investment risk, financial loss may be viewed differently by each client and depends on many different risk items, each of which affect the probability of adverse consequences and the magnitude of any potential losses. The following risks may not be all-inclusive, but you should carefully consider them before opening an advisory account and beginning to invest. They should be considered as possibilities, with additional regard to their actual probability of occurring and the effect on you if there is in fact an occurrence. Moreover, as the Service’s investment philosophy and best practices evolve over time, you may be subject to additional and different risk factors than those specified here.

### *Risks of the Algorithm*

The Service depends on financial and/or retirement projections and investment decisions generated entirely by Sub-Advisor’s Algorithm. The Algorithm is automated and will only be customized within its limitations, which include the Investment Programs that we provide and the information you supply. If the Algorithm were to malfunction or fail, or were to rely on assumptions, including economic and transaction cost assumptions, that are incorrect, that do not apply to your specific financial situation, or that do not change even as market expectations shift, you could sustain investment losses, some or all of which could be significant. Additionally, the Algorithm employs a number of quantitative models that involve assumptions based upon a limited number of variables that are extracted from complex financial markets or instruments that they are intended to replicate. Any one or all of these assumptions, whether or not supported by past experience, could prove over time to be incorrect, which could cause you to sustain significant investment losses.

### *Risks of Monte Carlo Simulation*

The Service utilizes Monte Carlo simulation to generate financial and/or retirement goal projection forecasts and in connection with its investment decisions. Monte Carlo simulation is a statistical modeling technique that charts the probability of discrete financial outcomes at certain times in the future. The outcomes presented using Monte Carlo simulation represent only a few of the many possible outcomes, will vary over time, and are not guarantees of investment returns. Moreover, since past investment performance and general market conditions may not necessarily be repeated in the future, your financial and/or retirement goals may not be fulfilled by relying on investment decisions that are based on Monte Carlo simulation results. Differences in account size, age, risk tolerance, transaction timing, and prevailing market conditions at the time of investment may also lead to different results, and you may lose money.



### *Declared Risk Tolerance; Capital Markets Assumptions*

The Service's financial and/or retirement projections and investment decisions are based, in part, on your declared risk tolerance. You must carefully consider the tradeoff between risk and return in deciding upon your desired risk tolerance. A lower risk tolerance could, as a result of your Advisory Account containing larger weights in lower-risk asset classes, such as fixed income, reduce the possibility that you will reach your financial and/or retirement goals. A higher risk tolerance could, as a result of your Advisory Account containing larger weights in riskier asset classes, such as equities, expose you to higher volatility than you are comfortable accepting, which could also, depending on your investment horizon, reduce the possibility that you will reach your financial and/or retirement goals. In addition, the assumed risk, return, volatility, and correlation of the investment decisions corresponding to your declared risk tolerance are based, in part, on the capital markets assumptions specified by us. Those assumptions, which are based on historical asset class returns (as reflected by certain indices), proprietary models, subjective assessments of the current market environment, and forecasts of likelihood of future events, may turn out to be incorrect, which may cause you to accept more or less risk than you desired and undermine the Service's ability to help you reach your financial and/or retirement goals.

### *Model Risk*

Models and techniques deployed by the Service are based on the information and data available as well as on assumptions, assessments, and estimates, all of which may be subject to error. As a result, those models and techniques may not account for all relevant factors or may not account for any such factors correctly. More generally, there can be no assurance that such models and techniques will be effective.

### *Risk of Reliance on Data*

The Service is highly reliant on data from third party and other external sources, and discretion will be exercised to determine what data to gather, which impacts the Service's projections and decisions. In addition, due to the automated nature of data gathering and the fact that much of this data comes from third party sources, not all desired and/or relevant data will be available to, or processed by, the Service at all times. Certain data or data types may not be utilized by the Service in generating or making goal projections and/or investment decisions, and data that is actually utilized may not be the most accurate data and may contain errors.

### *Risk of Not Meeting Goals*

The Service is intended to help you meet your financial and/or retirement goals based on the information you supply to us. However, neither we nor FutureAdvisor can provide you with assurance that your use of the Service will help you reach those goals, or even improve the risk/return profile of your overall investment portfolio, and your use of the Service may in fact result in significant losses.

### *Risk of Liquidation-Driven Losses*

As stated above, the Service is *only* appropriate if you have an investment horizon of *two years* or more before you plan to access any assets in your Advisory Account. As a result, the Service generally invests all of your account assets in securities suitable for the length of your investment horizon unless you designate certain Advisory Account equity securities as restricted (in which case those securities are "locked" and cannot be sold). The Service is not appropriate if you have cash needs within two years. However, if you change your plans and need access to your Advisory Account assets at any point prior to the end of your stated investment horizon, the prices at which these assets are liquidated may cause you to experience a significant loss, in addition to tax liabilities and penalties, undermining the Service's ability to help you reach your financial and/or retirement goals.

### *Tax Risks*

While the Service's investment decisions include a component that seeks to achieve tax optimized asset placement, which is designed to help optimize your portfolio by relocating less tax-efficient assets into tax-advantaged accounts, this component is only one of many that should comprise an individual's comprehensive tax management plan, and supplementary tax advice that is outside the Service's scope may be necessary to minimize the impact of tax liabilities that you could incur through the Service. Any tax optimized decisions the Service makes and implements are not intended to serve as tax advice, and no

representation is made that you will obtain or avoid any particular tax consequences as a result of those decisions. Dividends, capital gains, transfers, and sales of securities may create taxable events unless your account is tax-exempt (e.g., a 401(k) or individual retirement account). We urge you to consult with your personal tax and legal advisors regarding the tax consequences of investing through the Service based on your particular circumstances. The Service assumes no responsibility to you for the tax consequences of any transaction.

In addition, any tax-loss harvesting (i.e., offsetting capital gains with capital losses in order to reduce or eliminate income tax obligations) implemented by the Service should not be interpreted as tax advice, and no representation is made that certain tax consequences will be obtained or that the associated investment decisions will result in any particular tax consequences. The tax consequences of tax-loss harvesting and other tax optimized strategies are complex and may be challenged by the Internal Revenue Service. Moreover, investment decisions associated with such strategies may not perform as expected; expected returns and risk characteristics are no guarantee of actual performance. The Service was not developed to be used by, and it cannot be used by, any client to avoid tax penalties or interest.

#### *Advisory Account Funding Risk*

The sale or liquidation of any investment or other asset to fund your Advisory Account may have adverse tax consequences, early withdrawal penalties, or other costs or penalties as a result of such sale or liquidation, including the loss of living, death, or other benefits of that investment or asset. In addition, if you fund your Advisory Account with securities, the liquidation of those securities by the Service may have similar effects.

#### *Withdrawal Risk*

Cash withdrawals from, or other changes to, your Advisory Account may cause us to execute trades in that account at then-prevailing market prices or prevent us from executing other trades intended by the Service to rebalance your investment portfolio, resulting in your current asset allocation deviating from the target asset allocation and losses, undermining your long-term investment objectives. Further, dividend and other income generated by the securities held in your Advisory Account will be used by the Service to rebalance that account, will not necessarily be reinvested in those same securities, and will not be made available for withdrawal.

#### *Risk of Advisory Account Restrictions*

By contacting us using the contact information specified on the Site, you may impose certain restrictions on the sale of certain equity securities currently held in your Advisory Account. Accounts with such restrictions may perform differently from accounts without restrictions and that performance may vary. For example, such restrictions may adversely impact account performance by preventing the Service from implementing an optimal asset allocation in light of your investment objectives, goals, and risk tolerance.

#### *Diversification and Asset Allocation Risk*

The Service's asset allocation is constructed using modern portfolio theory, which seeks to construct portfolios to optimize expected return based on a given level of market risk, and is based on the risk and return characteristics and relationships of the asset class exposures, as dictated by the Service's capital market assumptions. The asset classes selected are intended to reflect the types of fundamental equity and fixed income exposures that are commonly included within diversified investment portfolios. Other asset classes not considered in the portfolios may have characteristics similar or superior to those that are included.

In addition, the asset classes selected can perform differently from each other at any given time (as well as over the long term), so your Advisory Account's performance will be affected by the allocation among the various asset classes. The Service's asset allocation decisions may result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform the Service's expectations. Depending on market conditions, there may be times where diversified portfolios underperform less diversified portfolios, as diversification and asset allocation strategies do not guarantee low volatility, profit, or protection against investment loss.



Moreover, the value of an entire asset class can decline for a variety of reasons outside of our control, including, but not limited to, changes in the macroeconomic environment, unpredictable market sentiment, forecasted or unforeseen economic developments, interest rates, regulatory changes, and domestic or foreign political, demographic, or social events. A high allocation in a particular asset class may negatively affect your overall Advisory Account performance to the extent that the asset class underperforms relative to other market assets. Conversely, a low allocation to a particular asset class that outperforms other asset classes in a particular period will cause your account to underperform relative to the overall market.

#### *Correlation Risk*

Certain investments made by the Service will experience returns that individually or in the aggregate are correlated (possibly highly) with various market indices, including various equity, debt, or other markets around the world. On the other hand, there may be periods of time when your Advisory Account returns are not correlated with various market indices or the returns of other investment strategies.

#### *Economic Risk*

Your Advisory Account's investments are likely to be exposed to risks relating to weakness in various global economies and the economic cycle. Numerous factors, such as market volatility, interest rates, commodity prices, equity prices, currency prices, credit spreads, and deflationary and inflationary pressures, may be affected by the economic cycle and long-term economic trends. Predictions about financial market conditions and economic factors are highly uncertain, and the presence, duration, and impact of any market or economic conditions could have a materially adverse effect on Advisory Account investments.

#### *Financial Market Disruptions*

In recent years, disruptions in the global financial markets, the scope and severity of which are without precedent in recent financial history, have had materially adverse, and in certain cases catastrophic, consequences for the values, liquidity, and stability of certain types of investments, including the types of investments that the Service makes on your behalf. Similar or dissimilar disruptions may occur in the future, and their duration, severity, and ultimate effect are difficult to forecast. These disruptions could lead to additional regulations or laws, which could have a material adverse effect on your Advisory Account and the Service.

#### *Regulatory Change Risk*

It is possible that changes in applicable laws and regulations will affect your Advisory Account and the Service. These changes include but are not limited to: changes in investment adviser or securities trading regulation, a change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities, and changes in the tax code that could affect interest income, income characterization, and/or tax reporting obligations. In addition, a number of substantial regulatory changes are pending or in the process of changing in certain markets. The consequences of additional regulation on the liquidity and the efficient and orderly functioning of the markets in which the Service invests cannot be predicted and may materially diminish the profitability of the investments the Service makes on your behalf.

#### *Volatility Risk*

The performance of investment strategies the Service deploys may be volatile (both in absolute terms and relative to realized returns), potentially resulting in increased risks, including the risk of losses. Investments may have volatility, a greater chance of losses or negative returns, lower average returns, correlation with certain macroeconomic risks, asset class concentrations, and/or other significant risks, whether in absolute terms, relative to expected returns, or relative to certain other strategies that are deployed by the Service on behalf of other clients.

#### *Liquidity and Valuation Risk*

High volatility and/or the lack of deep and active liquid markets for a security may prevent us from placing trades for clients at all, or at an advantageous time or price. Some securities (including ETFs) that hold or trade derivatives and/or other financial instruments may be adversely affected by liquidity issues as they manage their portfolios. While we value the securities held in your Advisory Account based on reasonably available exchange-traded security data, we may from time to time receive or use inaccurate data, which

could adversely affect security valuations, transaction sizes for purchases or sales, and/or the resulting Advisory Fees you pay.

### *Credit Risk*

The Service may be exposed to credit risk. Exchange trading venues or trade settlement and clearing intermediaries could experience adverse events that may temporarily or permanently limit trading or adversely affect the value of Advisory Account securities. In addition, any issuer of securities may experience a credit event that could impair or erase the value of its securities.

### *Securities Investment Risks*

All securities and other Advisory Account investments carry some level of risk, including the risk that you could lose your entire investment. Prices of securities can be volatile and a variety of risks, including market, currency, economic, political, technological, regulatory, social, and business risks, can adversely affect the value of and return on any Advisory Account investments.

The investment risks of certain types of securities in which the Service causes your Advisory Account to invest include the following; additional risk factors are disclosed in the IAA.

- **Market Risk:** Securities are subject to market risk. Generally, the market value of securities may go up or down in response to the prospects of individual companies, particular sectors or governments, and/or general macroeconomic conditions throughout the world due to increasingly interconnected global economies and financial markets.
- **ETFs, Mutual Funds, and Other Pooled Vehicles:** In addition to all the risks involved in investing in securities generally, these securities are subject to the risk that they may not effectively achieve the performance of the index, industry, or other market they are intended to track (if they do seek such tracking), in addition to the risk that expenses reduce returns, that management is not successful at its stated program, that there are conflicts of interest, that the investment is illiquid or has low trading volume, and that non-investment operations become subject to error and mismanagement, resulting in losses. These securities may also have exposure to derivative instruments, which may not perform as expected, along with other investment risks described in their prospectuses, statements of information, and other disclosure documents.
- **Equities:** Equities are subject to changes in value and their values may be more volatile than other asset classes. The value of equity securities varies in response to many factors including those specific to the issuer and the industry in which the issuer operates. Equity markets tend to move in cycles, which may cause stock prices to fall over short or extended periods of time. In addition, stocks of mid-cap companies tend to be more volatile than those of large-cap companies, while small-cap and international stocks tend to have greater volatility than large- and mid-cap U.S. stocks. Historically, U.S. and non-U.S. stock markets have experienced periods of substantial price volatility and may do so again in the future.
- **Fixed Income:** Generally, the value of fixed income securities changes inversely with changes in interest rates. As interest rates rise, the market value of these securities tends to decrease and conversely, as interest rates fall, their market value tends to increase. This risk is typically greater for securities based on longer-term interest rates than for those based on shorter-term interest rates. Further, fixed income securities may experience a decline in income when interest rates decrease, as an issuer may be able to prepay principal prior to the security's maturity, requiring reinvestment in securities with lower yields. They are also subject to credit (or default) risk, whereby the issuer fails to make timely principal or interest payments, or liquidity risk, whereby a security is difficult to purchase or sell or becomes difficult to sell after being purchased. These risks have been especially pronounced in recent times due to disruptions in the global debt markets and are elevated for high-yield fixed income securities (sometimes called junk bonds).
- **Developed Countries Securities:** Developed countries securities are subject to regulatory, political, currency, security, demographic, and economic risk specific to those countries. Developed countries may be impacted by changes to the economic health of key trading partners, regulatory burdens, debt burdens, and commodity prices or availability. Developed countries are generally a

significant portion of the global economy and have experienced slower economic growth than other countries or regions.

- **Non-U.S. Securities:** Non-U.S. securities have special risks not typically associated with U.S. securities, which may be more pronounced in connection with developing or emerging markets securities. These risks include adverse fluctuations in foreign currency values, adverse political, social, and economic developments affecting one or more foreign countries, less publicly available information and more volatile or less liquid securities markets, restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection, less transparent accounting practices, and inadequate or irregular foreign regulation.
- **REITs:** REITs and other real estate-related securities may be adversely affected by factors affecting the real estate industry, which include changes in interest rates and social and economic trends. They are also subject to the risk of fluctuations in income from underlying real estate assets, poor performance by managers, prepayments and defaults by borrowers, adverse changes in tax laws, and, with respect to U.S. REITs, their failure to qualify for the special tax and regulatory treatment granted under the federal tax and securities laws.
- **Commodities:** Commodity-linked securities (*i.e.*, commodity-based ETFs and Exchange Traded Notes) may be adversely affected by changes in the underlying commodity value, supply and demand, and governmental regulatory policies, in addition to overall market movements, taxation, terrorism, nationalization or expropriation, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity.
- **Other Risks:** Certain securities may have exposure, whether intentional or unintentional, to various market movements, and other sources of risk, whether known or unknown. Such sources of risk include changes in current or future levels and/or volatility of interest rates, inflation rates, currency prices, commodity prices, sovereign credit spreads, corporate credit spreads, and equity, fixed income, and other markets, as well as correlations between any of these risks.

#### *Risk of Other Investments*

There are no material limitations on the securities in which the Service may invest your assets. The Service may vary Advisory Account investments based on prevailing market conditions and other considerations. For some of these securities, no specific investment risk factors are described in this Brochure. However, you should not consider those securities to have any less risk than others. The Service is not required to invest in any particular securities and may discontinue investing in particular securities at any time, whether or not those securities are specifically described in this Brochure, without notifying you.

#### *Hedging Risk*

The Service may not attempt to, or may be unable to, hedge the risks to which it is subject, and there can be no assurance that any such hedging would reduce the risks to you. In addition, certain investment strategies deployed by the Service may have unhedged exposure, whether intentional or unintentional, to various market movements, style factors, and other sources of risk, whether known or unknown, while other strategies may have such unhedged exposures from time to time.

#### *Risk of Trade Delays*

We are authorized by each client to execute transactions on such client's behalf as directed by Sub-Adviser. We place purchase and sale orders for your Brokerage Account, in accordance with our internal trade processes and procedures, as Sub-Adviser directs those orders to us. However, for various reasons, including delays in transmitting data to the Sub-Adviser, market volatility, peak demand, or systems upgrades or maintenance, Sub-Adviser could face delays before directing trades to us, us placing those trades, or those trades executing. These delays could significantly reduce the profit potential from those transactions or could cause you to experience a significant loss.

### *Risk of Trading Suspensions*

During periods of extraordinary market volatility or illiquidity, Sub-Adviser may suspend directing trades to us with respect to your Brokerage Account without the Service notifying you. A suspension could cause you to sustain significant losses, cause your asset allocation to deviate from the Service's target, or prevent you from generating Advisory Account liquidity. While Sub-Adviser will make the decision to institute a trading suspension based on its consideration of what is in your best interest in light of then-prevailing market conditions, suspensions could nonetheless have unintended consequences that Sub-Adviser is unable to anticipate.

### *Market Order Risks*

Equity trades in the Brokerage Account will generally be executed using "market orders," which execute immediately at the best available current price. These orders have higher risks than those orders that specify a target price at which a trade should execute and remain open for a longer time period (*i.e.*, "limit orders"), particularly during periods of high volatility and for securities with low liquidity. As a result, the use of "market orders" could cause you to potentially pay a higher price for securities purchased with these orders or receive a lower sale price, while also increasing transaction costs. However, other order types and conditions may be used, as appropriate, to achieve best execution.

### *Risk of Third Party Reliance*

We rely on third parties to provide many aspects of the Service, including the Algorithm and the resulting financial and/or retirement projections, investment decisions, and operating platform. We and FutureAdvisor rely on third parties for provision of market statistics, aggregated account information, fund details, and other performance-related information. Although we and FutureAdvisor, as applicable, generally consider our third party vendors and other service providers to be reliable, errors beyond our control or FutureAdvisor's control could compromise the information and/or services they provide, and in turn, the quality and integrity of the Service's projections and decisions. In addition, certain service providers have the right to terminate their agreements with us for any reason or no reason at all. Others may experience operational disruptions due to unforeseen circumstances. In any or all of these instances, your Advisory Account may experience losses.

### *Operational Risk*

Your Advisory Account may experience losses as a result of shortcomings or failures in our or FutureAdvisor's internal processes, people, or systems, or from external events. Such operational risk can arise from many factors ranging from routine data processing errors to potentially costly incidents related to, for example, major information technology systems failures. Any operational shortcomings or failures that are outside the scope of our or FutureAdvisor's disaster recovery and business continuity plan may result in Service disruptions or contribute to Advisory Account losses. A copy of our recovery and continuity plan is available through the Site.

### *Technology and Cybersecurity Risk*

The Service depends on various computer and telecommunication technologies, many of which are provided by or are dependent on third parties. The ability of the Service and the Site to successfully operate could be severely compromised by system or component failure, delays in data transmission to the Sub-Adviser, telecommunication failure, power loss, a software-related system crash, unauthorized system access or use (such as "hacking"), computer viruses, worms, and similar programs, fire or water damage, human errors in using or accessing relevant systems, or various other events or circumstances. These events may impact trading in your account. It is not possible to provide comprehensive and foolproof protection against all such events, and no assurance can be given about the ability of applicable third parties to continue providing their services. As an automated, algorithmic investment advisory service, any event that interrupts the Service's computer and/or telecommunication systems or operations could compromise the Service for an extended time period and cause your Advisory Account to experience losses, including by preventing the Service from trading, modifying, liquidating, and/or monitoring your investments.

In addition, there are operational, information security, and related risks associated with the use of electronic, Internet-based technologies to provide the Service. In general, cyber incidents can result from deliberate attacks or unintentional events and are not limited to, gaining unauthorized access to digital

systems, and misappropriating assets or sensitive information, corrupting data, or causing operational disruption, including denial-of-service attacks on websites. Cybersecurity failures or breaches affecting the Service or its third party vendors have the ability to cause disruptions to the Service, potentially causing you to experience financial losses, the inability to access the Service, and/or other damages.

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## **Voting Client Securities**

### **Proxy Voting**

By opening an advisory account and entering into the IAA, you authorize us to vote proxies with respect to the securities held in your Advisory Account. We do not permit you to direct particular votes once you have granted us that discretionary voting authority. We will vote proxies in accordance with our established policies and procedures, which were created to reasonably ensure that votes cast are in your economic interest. Subject to exceptions as noted below, it is our policy to vote client shares based on the recommendations of Glass-Lewis & Co. ("Glass-Lewis"), an independent third party research provider that issues voting recommendations based on their own internal guidelines. Relying on Glass-Lewis recommendations assists us in limiting the possible conflicts of interest between ourselves and our clients. If you hold similar securities as those in your Advisory Account elsewhere, including with an affiliate of ours, it is possible that a given proxy vote for your Advisory Account could differ from the vote on your account held elsewhere.

In certain circumstances, Glass-Lewis does not provide a recommendation for voting, as some proposals require special consideration or the firm to make a decision on a case-by-case basis. In these cases, USBI will abstain from voting.

All votes will be cast using the electronic voting platform of ProxyEdge, a third party service provider offered by Broadridge Financial Solutions, Inc. We have engaged the ProxyEdge services for vote execution and record keeping.

You may obtain a copy of our Proxy Voting policies and procedures upon request. You can also contact us if you have questions regarding voting proxies in general, or wish to obtain information concerning how securities in your Advisory Account were voted.

### **Other Legal Notices**

In addition to voting proxies, the IAA authorizes us to take other action on your behalf in any legal proceedings or other corporate actions including bankruptcies, involving securities held in your Advisory Account. We do not act on your behalf in any class actions and therefore you will retain the right to participate in such actions.

## **Item 7 Client Information Provided to Portfolio Manager**

### **Client Information**

#### *Generally*

When you initially open your Advisory Account, you will supply us with information concerning your age, financial situation, risk profile, investments, and other information that you choose to supply or is requested of you. The Service considers your financial and/or retirement goals based on this information and your current investment portfolio composition, including, if applicable, account information supplied by you or aggregated by a third party vendor. You can review and update your information anytime through the Site if it changes, but we provide you a formal opportunity to do so on an annual basis, as described below. All the information you supply to the Service, including updates to that information, are provided to Sub-Adviser, flow into the Algorithm, which ordinarily runs on a daily basis when U.S. markets are open, and affect the resulting goal projections and investment decisions.

#### *Householding*

The Service offers a householding feature, which involves the aggregation of accounts held by you and your spouse or spousal equivalent. If you use this feature, the Service assumes that you and your spouse



have the same risk tolerance and investment horizon (*i.e.*, number of years until your retirement or other financial goal). The Service's performance information for householding clients will not reflect the assets in the aggregated accounts for the household, as described below under "Additional Information—Review of Accounts."

### **Account Aggregation**

#### *The Service*

As an input into the information used by Sub-Adviser to provide goal projections and make investment decisions, the Service will automatically aggregate your investment portfolio information ("Account Information") as it relates to all of your financial accounts held with us or our affiliates, in addition to certain accounts described in the IAA. With your authorization, the Service will aggregate other accounts, including those held at third party financial institutions. The Service relies on a third party vendor to serve as a conduit between the financial institutions and the Service where your Account Information is stored. Use of external account aggregation services is governed by the [Digital Services Agreement](#) you accepted upon enrollment in digital financial services at <http://www.usbank.com> or through the mobile application. We are not responsible for and do not guarantee the accuracy of your Account Information, nor are we obligated to validate such information. You can disable aggregation of your Account Information from external financial institutions anytime through the Site, but if you do, Sub-Adviser will not consider those non-aggregated assets as an Algorithm input. The Service does not automatically aggregate those accounts held solely in the name of your spouse or spousal equivalent. The value of your aggregated account holdings will ordinarily be displayed on the Site.

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

As an automated investment advisory service, with goal projections and investment decisions generated automatically by Sub-Adviser by use of the Algorithm, the Service does not rely on traditional portfolio managers and does not provide you with the ability to contact or consult with those persons at USBI or FutureAdvisor responsible for the Service or the Algorithm, respectively. However, as described below, the Service does have an annual review process in which you can indicate if, as a result of changes to your situation or information, Sub-Adviser should change the investment decisions it makes with respect to your Advisory Account. You can also update your information through the Site should it change anytime, including following your review of the Service's performance information. You may contact us regarding your Advisory Account, including to modify the restrictions imposed on the sale of certain equity securities held in your Advisory Account, by using the contact information specified on the Site. However, there is no designated USBI financial advisor for your Advisory Account and support for the Service will generally be provided by phone. At all times, you are responsible for taking action if you want to make changes to your Advisory Account. To that end, you can terminate your Advisory Account if you determine the Service no longer suits your investment needs.

## **Item 9 Additional Information**

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### **Disciplinary Information**

Like all registered investment advisers, USBI is obligated to disclose any disciplinary event that might be material to any client or prospective client when evaluating our services.

The disciplinary event listed below is related to the activities of USBI acting in our capacity as an investment adviser.

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

SEC alleged the following violations:

Investment Advisers Act of 1940 ("Advisers Act") Sections 206(2) and 206(4), and Rule 206(4)-7

USBI did not:

- Seek best execution for client mutual fund transactions by recommending share classes that charged 12b-1 and shareholder servicing fees when a share class with a more favorable value was available.
- Adequately disclose the conflicts of interest related to (a) receipt of 12b-1 fees and shareholder servicing fees and (b) selection of mutual fund share classes that pay such fees.
- Adopt and implement written policies and procedures designed to prevent violations of the Advisers Act and the rules thereunder related to disclosure of conflicts of interest under mutual fund share class selection and making mutual fund share class recommendations that were in the client's best interest.

This disciplinary action from the SEC is related to our mutual fund share class selection practices and receipt of shareholder servicing and 12b-1 fees during the period of October 2012 through November 2017. During this time, we recommended and purchased mutual fund shares for clients that charged 12b-1 and shareholder servicing fees instead of the lower-cost share classes of the same funds that were available. In addition, disclosure of the conflict of interest related to these fees and our selection of these share classes was inadequate.

We began rebating 12b-1 fees on all non-qualified accounts beginning in February 2016 (we were already rebating 12b-1 fees in qualified accounts), and in December 2017 we initiated the process of converting existing mutual fund positions to the lowest-cost share class available on our platform. In March 2018 we enhanced our disclosure language related to our receipt of 12b-1 fees and shareholder servicing fees. All impacted advisory clients were notified of the settlement terms within 30 days of the SEC order.

We submitted an Offer of Settlement to the SEC and agreed to the following sanctions under the SEC Order dated June 1, 2020:

- Cease and desist from committing or causing any violations of Sections 206(2) and 206(4) of the Advisers Act and Rule 206(4)-7 thereunder.
- Censure.
- Pay disgorgement and prejudgment interest of \$15,992,441 to affected advisory clients.
- Pay a civil penalty of \$2.4 million to the SEC.

The disciplinary events listed below are related to the activities of USBI acting in our capacity as a registered broker-dealer.

### **Large Options Positions Reporting**

FINRA alleged the following violations of NASD Rules 2860(b)(5), 2110, and 3010 and FINRA Rules 2360(b)(5) and 2010:

- Failed to report positions to the Large Options Positions Report ("LOPR").
- Failed to establish and maintain a supervisory system, including a system of follow-up and review that was reasonably designed to achieve compliance with the applicable securities laws and regulations and FINRA rules, concerning the reporting of options positions to the LOPR.
- USBI's supervisory system did not include written supervisory procedures providing for the reporting of options positions to the LOPR.

We self-identified and subsequently self-reported to FINRA the failure to submit LOPRs and promptly took action to correct the violative activity, including establishing a reporting structure with the Options Clearing Corporation and revising our supervisory policies, procedures, and reviews governing the submission of LOPRs. These steps were taken prior to the conclusion of FINRA's investigation of the matter.

We submitted a letter of Acceptance, Waiver & Consent for the purpose of proposing a settlement of the alleged rule violations previously described. Without admitting or denying the allegations, we agreed to a censure and fine of \$60,000. FINRA accepted the terms of the letter of Acceptance, Waiver & Consent on June 2, 2014. We paid the fine on June 10, 2014.



### **Unit Investment Trusts**

FINRA alleged the following violations of NASD Rules 3010(a) and 3010(b) and FINRA Rule 2010:

- Failed to identify and apply sales charge discounts to certain customers' eligible purchases of Unit Investment Trusts ("UITs").
- Failed to establish, maintain, and enforce a supervisory system and written supervisory procedures reasonably designed to ensure customers received sales charge discounts on all eligible purchases of UITs.
- Failed to effectively inform and train registered representatives and supervisors to ensure that representatives followed these procedures and identified and applied all applicable discounts.

We submitted a letter of Acceptance, Waiver & Consent for the purpose of proposing a settlement of the alleged rule violations previously described. Without admitting or denying the findings, we agreed to a censure and fine of \$150,000, and to pay \$144,456 in restitution to customers. FINRA accepted the terms of the Acceptance, Waiver & Consent on February 19, 2016. We paid restitution to all affected customers and, on February 25, 2016, the fine.

### **Mutual Fund**

FINRA alleged the following violations of NASD Rule 3010 and FINRA Rules 3110 and 2010:

- Failed to identify and apply available sales charge waivers to eligible retirement accounts.
- Failed to adequately notify and train USBI financial advisors regarding the availability of mutual fund sales charge waivers.
- Failed to maintain adequate written policies or procedures to assist USBI financial advisors in determining the applicability of sales charge waivers.
- Failed to reasonably supervise the application of sales charge waivers to eligible mutual fund sales.
- Failed to adopt adequate controls to detect instances in which mutual fund sales charge waivers were not applied.

We self-identified and subsequently self-reported to FINRA the failure to identify and apply sales charge waivers to eligible customers. We promptly established a plan of remediation for eligible customers and took action to correct the violative conduct. Additionally, we employed subsequent corrective measures, prior to detection or intervention by a regulator, to revise our procedures to avoid a recurrence of the misconduct.

We submitted a letter of Acceptance, Waiver & Consent for the purpose of proposing a settlement of the alleged rule violations previously described. Without admitting or denying the allegations, we agreed to a censure and to pay \$100,401 in restitution to customers. FINRA accepted the letter of Acceptance, Waiver & Consent on April 20, 2016. We paid restitution to all affected customers.

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

We are an affiliate of U.S. Bank, National Association, a national bank providing traditional banking and trust services. Our brokerage personnel are registered with FINRA under our broker-dealer. In addition to providing financial advice to clients, we may offer insurance and investment products through our broker-dealer. We may also refer clients who request portfolio management and trust services to our affiliates. In certain instances, there will be an arrangement in place under which our advisory personnel receive credit towards their revenue, which creates a conflict of interest. Some clients will incur additional charges for such services provided by affiliates.

We may rely on affiliates for guidance regarding the Investment Programs we provide to FutureAdvisor as Algorithm inputs. If we do so, we compensate those affiliates for their services, but this expense is not passed through to clients.

FutureAdvisor is a subsidiary of BlackRock, a broad financial services organization. Sub-Advisor's Algorithm will utilize ETFs, mutual funds, and registered investment companies advised or sub-advised by BlackRock Fund Advisors or other BlackRock affiliates, including U.S. iShares ETFs (collectively, "BlackRock Products"), which Sub-Advisor, in turn, purchases on your behalf. BlackRock affiliates include several federally registered broker-dealers, investment advisers, commodity pool operators, and commodity trading advisors. They also include a national banking association organized under the laws of the U.S. that operates as a limited purpose trust company and a municipal advisor registered with both the SEC and the MSRB.

## **Brokerage Practices**

### *Generally*

As broker-dealer for the Service, we have the authority under the IAA to execute the purchase and sale orders of securities, as directed to us by Sub-Advisor. Sub-Advisor's direction, which is generated by its Algorithm, includes the amount, type, and timing of securities purchases and sales. Our authority does not allow us to change, adjust, or modify Sub-Advisor's trading orders. Consistent with our policies and as a best practice, in executing Sub-Advisor's trades, we strive to balance fair and equitable allocation with best execution in trade allocations to the accounts of Service clients.

The Service does not offer you the option of designating a different broker-dealer or agent to carry your Brokerage Account or to execute transactions for that account. We retain the discretion to negotiate with and select our trading counterparties and to execute all of your securities transactions in the manner we consider appropriate. As a result, you may receive a less favorable price for your transactions than you could obtain using another broker-dealer or if you were able to control the execution of those transactions. Notwithstanding the foregoing, we do not charge you additional brokerage commissions, markups, or dealer spreads on any trades made in connection with the Service.

### *USBI Brokerage Agreement*

Certain terms of your USBI brokerage agreement are considered integrated with those in the IAA and in the case of inconsistency between the two agreements, the latter will control. You forfeit any direct trading and related abilities in your Brokerage Account (but not any other USBI brokerage accounts) when you open your Advisory Account and begin to invest through the Service. We may terminate your Brokerage Account and Advisory Account if you violate any of the applicable terms and conditions. However, under ordinary circumstances, terminating your Advisory Account will not affect your Brokerage Account (although you will regain any of the abilities you forfeited).

### *Order Execution*

We place purchase and sale orders for your Brokerage Account in accordance with our internal trade processes and procedures. Generally, those trades are placed on the same business day as Sub-Advisor directs the corresponding orders to us. Sub-Advisor seeks to direct orders to us and its other clients through industry standard methods such as randomization or rotation so that all clients are treated fairly over time. Once received, those transactions may be subject to internal processing delays in certain circumstances. In particular, orders Sub-Advisor directs to us on non-business days, thirty minutes or less before markets close (typically 4:00 PM ET), and after markets close may not execute until the next business day. In addition, we may, at any time and without notice, delay, or manage Sub-Advisor's trading orders in response to market instability or as we consider appropriate under the circumstances, including as a result of elevated localized volatility, insufficient or unstable market depth, fast markets, and/or widening bid-ask spreads. We may also determine to delay or manage Sub-Advisor's trading orders in response to observed or expected market instability arising from other sources, such as world events and key announcements from governmental bodies, including but not limited to the Federal Reserve. There is no guarantee that trades executed on the same day or on different days receive the same execution price. Your access to Brokerage Account funds is generally not affected by our order execution processes and procedures, including decisions to delay intra-day trading during times of market instability.

### *Cost Basis*

We may choose a method for calculating the cost basis for your Brokerage Account transactions that differs from the First-In-First-Out default method specified in the USBI brokerage agreement, and may do this for

tax efficiency or for other reasons related to your investment objectives. We urge you to consult with legal and tax advisors if you have any questions or concerns regarding the consequences of a particular cost basis method.

### *Custody*

USBI will hold the assets in your Brokerage Account as a custodian. In our custodial capacity, we will provide monthly account statements through the Site that contain a description of all Brokerage Account activity, including all transactions made by the Service on your behalf, all contributions and withdrawals you have made, fees and expenses charged to you, and your Brokerage Account value at the beginning and end of the month. You should thoroughly review these statements.

### *Order Aggregation*

Although each client's advisory account is individually managed, there may be times when we aggregate advisory account transactions in order to achieve a trade minimum or for other reasons. In most instances, however, we execute advisory account transactions separately from one another.

### *Best Execution*

Consistent with our policies and as a best practice, we strive to balance fair and equitable allocation with best execution in trade allocations to USBI brokerage accounts. A sampling of trades for our advisory clients is reviewed monthly by a best execution committee as part of our best execution review. This committee reviews the overall execution quality of those sampled trades. The review is documented and maintained with our records.

### *Order Routing; Remuneration*

We may route orders for execution to third party broker-dealers, who may act as market maker or manage execution of those orders in other market venues. We may also route orders directly to all major exchanges and alternative trading systems, including ECNs (electronic trading networks). We consider a number of factors in evaluating execution quality among markets and firms, including execution price and opportunities for price improvement (*i.e.*, when an order is executed at a price more favorable than the displayed national best bid or offer), market depth and order size, a security's trading characteristics, execution speed and accuracy, the availability of efficient and reliable order handling systems, liquidity and automatic execution guarantees, service levels, and the cost of executing orders at a particular market or firm.

We do not receive remuneration such as liquidity or order flow rebates from a market or firm to which we route brokerage account orders.

### *Third Party Compensation*

For certain transactions, we may solicit bids from other broker-dealers that may act as principal. That broker-dealer typically accepts the risk of market price and liquidity fluctuations of executing the transactions and adds a markup or markdown (or "spread"), to compensate for this risk. The spread will not be separately shown on your trade confirmation or Brokerage Account statement. We do not receive this spread. For those transactions where we use another broker-dealer acting as an agent, that broker-dealer may charge a fee or commission. This fee or commission is not shown separately on your trade confirmation or Brokerage Account statement. We do not receive this fee or commission. We will not offset your Advisory Fee by third party broker-dealer markups, markdowns, commissions, or other fees. Instead, they will reduce your Brokerage Account's overall return.

### *Soft Dollars*

As a registered broker-dealer, we do not directly participate in any soft dollar arrangements. We may at times benefit indirectly from affiliates engaged in soft dollar arrangements with other broker-dealers for research services. For instance, we may leverage an affiliate for assistance in conducting research in connection with the Investment Programs that serve as inputs to the Algorithm. The affiliate's conclusions could have been informed (aided) by research they received as part of soft-dollar arrangements with other broker-dealers. As this benefit is not directly received by us, we do not have any formal arrangements and/or agreements with other broker-dealers for these services and do not charge our clients in connection with these services.

### *Principal and Agency Cross Transactions*

USBI does not execute transactions in a principal capacity for investment advisory accounts. The only exceptions to this are when the investment advisory client wishes to dispose of a worthless security for tax purposes and/or fractional shares held in the account. In these cases, USBI will accommodate the client and purchase the securities as principal into its own account for a nominal amount or at market value if a price is available. USBI will disclose to clients in writing before the completion of each transaction the capacity in which it is acting and obtain the client's consent to the transaction.

Agency cross transactions are prohibited in investment advisory accounts.

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## **Code of Ethics**

All of our employees are subject to the USBI Investment Adviser Code of Ethics (the "Code"), which is consistent in all material respects with the requirements of Rule 204A-1 under the Investment Advisers Act of 1940 (the "Advisers Act"). We understand that our business is built on trust – trust between you and us, our business partners, our vendors and service providers, and one another. The Code covers a wide range of business practices and procedures for carrying out each employee's responsibilities on our behalf and observing the highest standards of ethical conduct, including with respect to personal trading, insider trading, conflicts of interest, and confidentiality of client information. Our employees must conduct themselves according to these standards and must seek to avoid even the appearance of improper behavior. Our employees receive the Code when they are hired and are responsible for reviewing the Code annually and for acting in compliance with it.

In addition to the Code, all of our employees also agree to abide by the U.S. Bank Code of Ethics and Business Conduct (the "U.S. Bank Code"). It represents the guiding values of our organization and helps to instill ethically sound behavior and accountability among all of our employees. Every employee certifies compliance with these standards annually.

We will provide copies of the Code and the U.S. Bank Code upon request.

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## **Participation or Interest in Client Transactions, Margin and Lending, Personal Trading, and Trade Errors**

### **Participation or Interest in Client Transactions**

#### *Employee Investments*

Employees of USBI may invest in the same ETFs, mutual funds, or other securities that the Service causes clients' advisory accounts to purchase, or may invest in different securities. These employees may also be Service clients. As a result, USBI employees may stand to benefit from clients' interest or position in such securities.

#### *BlackRock Products*

The Service, in accordance with applicable laws, will purchase and hold on clients' behalf BlackRock Products, and any portion, up to 100%, of an Advisory Account, may be invested in such securities (excluding any cash allocation). We believe that these investments are consistent with the Service's general investment philosophy, as BlackRock Products offer access to many different types of asset classes and market segments on a cost-effective basis with high liquidity levels. However, as a BlackRock subsidiary, FutureAdvisor may face potential conflicts of interest in the Algorithm's utilization and the Service's resulting purchase of BlackRock Products, as those products generate fees and/or other compensation for BlackRock affiliates, including management, administration, distribution, transfer agent, custodial, legal, audit, securities lending, and other customary fees and expenses described in the relevant prospectus, and which you would bear as a shareholder. In hindsight, circumstances could be construed that such an investment conferred a benefit upon the affiliated product or the BlackRock affiliate to a client's detriment. In certain cases, clients who are subject to ERISA and/or IRC Section 4975 will receive an

Advisory Fee credit in an amount representing their *pro rata* share of the Advisory Fees paid on BlackRock Products to a BlackRock affiliate, as required under an exemption from the prohibited transaction rules in ERISA or IRC Section 4975, as applicable. The terms and conditions applicable to this credit are described in the IAA. By entering into the IAA, you will be considered to have consented to Sub-Adviser causing your Advisory Account to purchase BlackRock Products.

From time to time, BlackRock may, for temporary purposes, in order to provide initial seed capital, hold a proprietary interest for a period of time after a BlackRock Product's inception. When BlackRock disposes of its interest, the shares may be sold, directly or indirectly to BlackRock clients. In addition, BlackRock's disposition of its interest in the BlackRock Product may have an adverse impact on such product's price or liquidity.

### **Margin and Lending**

The Service does not utilize leverage in the form of margin borrowing, options trading, short selling, or securities lending activities. If you designate an existing Brokerage Account when you open your Advisory Account, you will forfeit margin trading, short selling, and option trading abilities in that Brokerage Account, as applicable, and you must satisfy in full any existing margin loan or we will liquidate assets to do so prior to the Service's initial rebalancing of that account. Any of your other USBI brokerage accounts will not be affected by this limitation or the related actions taken by the Service.

### **Personal Trading**

Our Code prohibits use of material non-public information and regulates personal securities trading by employees.

From time to time, employees may purchase securities for their personal accounts that the Service purchases for clients. These employees will not compete with clients in connection with such transactions. Employees' personal trading accounts are monitored so that you are treated fairly.

### **Trade Errors**

It is USBI policy that if there is a trade error (as defined below) that causes your Advisory Account to incur a net loss, we will correct the error as needed in order to put your account in the position had the error not occurred. The goal of this error correction is to make you "whole," regardless of the cost to us. In addition to being responsible for any net loss that resulted from the error, if a trade error results in a net gain to your Advisory Account, we will retain that gain in a specially designated error account. For ERISA covered advisory accounts, that gain is considered additional compensation for ERISA Section 408(b)(2) purposes. A "trade error" is one of the following:

- the purchase or sale of securities other than those directed by Sub-Adviser or in a quantity other than the quantity specified by Sub-Adviser;
- the purchase or sale of securities for the wrong Advisory Account; or
- a purchase of securities when it should have been a sale of securities, or vice versa.

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## **Review of Accounts**

### **Advisory Account Monitoring and Review**

#### *Ongoing Monitoring*

The Service regularly monitors advisory accounts, which, in turn, may trigger action by the Service. Sub-Adviser's Algorithm ordinarily runs on a daily basis when U.S. markets are open, and may trigger action as a result of factors including, but not limited to, overall market movement, a significant change to or replacement of one or more of the securities held in advisory accounts, changes to a client's financial and/or retirement goals, additional cash or security contributions, withdrawals, material changes to the information clients supply, tax conditions, changes to the Algorithm (including the Investment Programs), or other factors. Any of these may result in changes to Sub-Adviser's goal projections and investment decisions, triggering rebalancing or other transactions in an advisory account.



We are responsible for periodically reviewing trading data and other automated reports and overseeing the trading activity performed by our broker-dealer division on behalf of clients. Our reviews include, without limitation, a verification that actual trading activity is consistent with the Investment Programs we provide to Sub-Adviser as Algorithm inputs and the resulting investment decisions, an analysis of risks associated with those investment decisions, and a determination that trading is undertaken in compliance with applicable regulations. In addition, we use independent third parties to conduct financial reviews of some of the Investment Programs; typically, the Service will review the underlying capital markets assumptions annually. These reviews may cause us to make changes to the Investment Programs and/or other aspects of the Service.

Through an investment committee, we monitor the performance of Sub-Adviser and the Algorithm on an ongoing basis, to ensure they meet USBI's overall standards of quality, performance, and reliability. If they fail to do so, or we otherwise determine that Sub-Adviser's continued provision of sub-advisory services is not in our clients' best interest, we may replace Sub-Adviser or directly assume Sub-Adviser's responsibilities.

#### *Annual Review*

On an annual basis, we will contact you by e-mail to initiate a review of your Advisory Account and confirm that your financial situation, investment objectives, or personal information has not changed. Our e-mail will include a link to your current information and contact information for the Service's support team. If you do not respond to our review initiation within a specified time period, we will conduct the review with the information available to us at that time and assume, based on the principle of negative consent, that none of your information has changed and the Service should not make any changes to its goal projections or investment decisions. However, if we consider this review to be insufficient, to fail to comply with our requirements under the Advisers Act, the Investment Company Act, or other applicable laws, or we otherwise determine now or at any time that the Service is not in your best interest, we may terminate your Advisory Account and the IAA.

The Service conducts annual reviews of advisory accounts to ensure they conform to USBI policies and procedures.

#### *Client Review*

Outside of the Service's formal annual reviews and performance information, you may review and update your information through the Site anytime you consider appropriate. Updates to any restrictions on the sale of certain equity securities can be made by contacting us. The Site provides real-time performance information about your Advisory Account. As mentioned above, any updated financial information flows into the Algorithm and affects the resulting goal projections and investment decisions. If you decide that the Service no longer fits your investing needs, you can terminate your Advisory Account and your advisory relationship with us, and assume the responsibility for the management of the assets in your Brokerage Account. If you do so, neither USBI nor FutureAdvisor will have any continued obligation to act or advise, as the case may be, with respect to you or your Brokerage Account assets.

Because the Service is automated and electronic in nature, you must initiate any changes you wish to make to your Advisory Account. Your Advisory Account will not be assigned to a USBI financial advisor who will review that account at your request and recommend changes that reflect the changing needs of your financial situation or investment objectives. This means, for example, that if you determine that your account would be better suited for a USBI brokerage account in which you pay commissions per trade, you must initiate your Advisory Account's termination. Not having a dedicated USBI financial advisor helps us maintain the Service's efficiencies and keep its advisory fees low relative to other non-automated, non-electronic discretionary advisory services. As noted above, the USBI Personal Portfolios Wrap Program features a dedicated USBI financial advisor for each client account.

### **Advisory Account Reporting**

#### *Performance Information*

Through the Site, the Service will provide you with consolidated investment performance information containing, among other things, the aggregate assets of your Advisory Account, a measure of performance based on the change in that account's value, and financial and/or retirement goal projections. In addition,

USBI, in its capacity as custodian, will make available to you through Online Banking, trade confirmations for Brokerage Account transactions and a monthly brokerage statement reflecting the holdings, balances, and activity in your Brokerage Account during the previous month. You should compare the Service's performance information with the brokerage statements you receive from USBI as custodian.

While the Site will ordinarily display the value of the holdings in all your aggregated accounts, the Service's performance information only relates to those assets in your Advisory Account, and other assets, including those of your spouse or spousal equivalent who is a joint Service client, are excluded. This means you must consult and assimilate other information sources to obtain aggregate performance and best practices information as it pertains to your aggregate investment assets.

### *Tax Reporting*

Through the Site, the Service will provide you with the information that is necessary for Advisory Account tax reporting following the end of each calendar year.

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## **Client Referrals and Other Compensation**

### **Client Referrals to the Service**

We expect from time to time to run promotional campaigns to attract new clients to the Service, which may, at times, include the use of advertising networks (e.g., Google AdWords/AdSense, Microsoft AdCenter). At certain times, we may offer a credit or a nominal gift to existing clients that refer new clients to the Service. While the amount of the credit or gift is nominal, such credits or gifts may cause a conflict of interest if existing clients make this referral solely to receive the credit or gift.

As noted above in this Brochure, we may offer more favorable Advisory Fee arrangements, including reduced or waived fees for certain clients. These arrangements may create a conflict of interest for a client to maintain a certain level of assets managed by the Service, or continue his or her use of the Service altogether, if doing so would maintain eligibility to qualify for a preferential fee arrangement.

Certain USBI employees receive compensation for referring clients who open an Automated Investor account.

### **Compensation Received as a Broker-Dealer**

#### *12b-1 Fees*

As a custodian, we receive 12b-1 fees from certain mutual funds (including a Money Market Fund) in which the Service invests your Advisory Account. The 12b-1 fees are additional fees used for promotion, distribution, and/or marketing expenses of the mutual fund's shares. Mutual funds (and ETFs) charge their own management fees and 12b-1 fees. We will credit all accounts with the amount of any 12b-1 fees we receive. We believe the rebating of 12b-1 fees mitigates the conflict of interest these payments would otherwise present.

Notwithstanding the foregoing, the Service may not cause your Advisory Account to invest in First American Money Market funds advised by U.S. Bancorp Asset Management, Inc. ("USBAM"), as USBAM is a USBI affiliate.

#### *Networking Rebates*

We receive networking rebates from certain mutual fund companies based on the securities held in advisory accounts. Networking rebates are payments to us by the mutual fund companies to help offset certain of our processing expenses for recordkeeping, tax reporting, disclosure mailings, and other activities. These rebates, which are paid pursuant to agreements between us and the mutual fund companies, vary by company, but are generally based on the number of accounts in the particular fund. They range from \$1 to \$5 per year/per invested advisory account. Not all mutual fund companies pay these rebates. These networking rebates present a conflict of interest because they provide an incentive for USBI to recommend mutual funds that pay networking rebates. Our financial advisors do not share in revenue from networking rebates, which mitigates the conflict of interest that they represent.



### *Shareholder Servicing Fees*

Shareholder service fees support costs for delivering client statements, confirmations, tax forms, prospectuses, proxies and other shareholder related back office processes such as recordkeeping, escheatment, and call-center support (collectively "shareholder services"). These shareholder servicing fees vary by mutual fund company and by fund and are based on the amount of assets held in USBI client accounts.

USBI has a clearing arrangement with Charles Schwab & Co., Inc. ("Schwab") whereby Schwab maintains an omnibus account with certain mutual fund families for USBI on behalf of USBI clients. Under the clearing arrangement, Schwab provides clearing services for nearly all funds. USBI pays Schwab a fee for the clearing service. For brokerage assets, Schwab passes through the shareholder service fees it receives to USBI. For advisory assets, in lieu of passing the shareholder servicing fees Schwab receives to USBI, Schwab reduces the amount of their fee charged for clearing services to USBI on a dollar for dollar basis. Both arrangements create a conflict of interest because they provide USBI an incentive to favor funds that provide higher compensation in fees to Schwab, resulting in either a payment to USBI or a greater deduction for USBI from Schwab.

We also have a limited number of agreements direct with mutual fund companies (including First American Funds, an affiliate) to receive shareholder servicing payments. These shareholder servicing payments do not apply to any assets in money market funds used in the USBI sweep program. Your Advisory Account may or may not hold these mutual funds. Load waived/no-load mutual funds range from 0-40 basis points. As a normal investment strategy, the Service causes your Advisory Account to purchase load waived or no-load funds.

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## **Financial Information**

We do not require or solicit payment of more than \$1,200 in fees per client, six months or more in advance, and therefore are not required to include a balance sheet for our most recent fiscal year in this Brochure. To the best of our knowledge, we are not aware of any adverse financial condition that is reasonably likely to impair our ability to continuously meet our contractual commitments to clients. We are not the subject of any bankruptcy petition, nor have we been subject to one at any time during the past ten years.

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## **Privacy Policy**

We are committed to protecting our clients' private information. To that end, we have instituted policies and procedures to ensure that this information is kept private and secure, including restricting internal access to non-public personal information to those employees who need access in order to provide products or services and maintaining physical, electronic, and procedural safeguards for information protection. We do not disclose any non-public personal information about clients or former clients to non-affiliated third parties except as required by or permitted by law or agreed to by the clients, or as otherwise disclosed in U.S. Bank's Privacy Pledge, a copy of which is available through the Site. In order to provide the Service, we must share information with our third party service providers and vendors, as provided in the IAA. These third parties are legally required to keep that information private and secure, and must otherwise comply with our privacy policies as a condition of their engagement to provide services to USBI.

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## **Future Changes**

From time to time we may change certain aspects of the Service, including the investment philosophy, underlying best practices, and the terms and conditions of advisory accounts. If such changes are made, this Brochure will be updated as needed and an updated copy will be made available to Service clients.