



# ERISA Section 408(b)(2) Disclosure – IMS Wrap Programs

The disclosures in this document are intended to describe the direct and indirect compensation payable to Avantax Advisory Services<sup>SM</sup> ("AAS") for the plan-related services provided in accordance with ERISA Section 408(b)(2) and the related regulations thereunder.

## Description of Services

We provide investment-related services, brokerage services and other related assistance (Investment-Related Services) that are intended to assist you with your duties in your capacity as the sponsor and fiduciary of your Plan. With regard to such Investment-Related Services, your investment advisory services are provided by Avantax Advisory Services ("AAS") and your brokerage services are provided by Avantax Investment Services<sup>SM</sup> ("AIS"). Such Investment-Related Services are based, in part, on the risk profile questionnaire completed by you.

The Investment-Related Services entail providing assistance with the management of the investments held through the Plan's brokerage account under the *IMS Flex Choice*, *IMS Select Portfolios*, *IMS Prime*, *IMS Unified Choice*, *IMS Portfolio Choice* or *IMS Access* programs.

*IMS Flex Choice* portfolios may be implemented into securities, which generally consist of, but are not limited to, money market funds, mutual funds, stocks, bonds, unit investment trusts, ETFs and certificates of deposits. If applicable, you and your financial professional may choose to exclude certain asset classes or to disregard the profile for the portfolio type indicated. The financial professional is responsible for providing investment advice with respect to the portfolio, and such advice may be discretionary or non-discretionary. You must provide written authorization to allow your Investment Advisor Representative (IAR) to utilize discretion in the account, which is accomplished by signing a discretionary Investment Advisory Agreement.

*IMS Select* portfolios are fully diversified asset allocation models invested in pre-selected portfolios of Mutual Funds, Money Market Funds and Exchange Traded Funds ("ETFs"). Client will be assigned an Avantax IMS Select Portfolio based on their risk assessment, investable assets and chosen management strategy. IMS Select Portfolios are available in Managed, Passive, Dimensional, Dimensional SRI, Dimensional ESG, Russell Tax Managed, Income, US, Global, or Blended strategies and can be customized to include Municipal Funds for increased tax sensitivity. AAS will monitor market conditions and the performance of the IMS Select Portfolios and make changes to the Portfolios as needed. When AAS makes changes to the IMS Select Portfolios, positions in the Client's Account that are affected by the changes will be liquidated and new positions will be purchased. The IMS Select Portfolios will be automatically rebalanced on a schedule to be determined by AAS. The IMS Select Portfolios are managed on a fully discretionary basis by AAS.

*IMS Portfolio Choice* portfolios are diversified asset allocation models and may be implemented into securities which generally consist of, but are not limited to, money market funds, mutual funds, stocks, bonds, unit investment trusts, certificates of deposit and ETFs. You and your financial professional may choose to exclude certain asset classes or to disregard the profile for the portfolio type indicated. The financial professional is responsible for providing investment advice with respect to the portfolio, and such advice may be discretionary. You must provide written authorization to allow your Investment Advisor Representative (IAR) to utilize discretion in the account, which is accomplished by signing a discretionary Investment Advisory Agreement. AAS, while

acting in a limited discretionary capacity, will automatically rebalance your portfolio in accordance with the rebalancing schedule and tolerances determined by you and your financial professional.

*IMS Prime* portfolios are diversified asset allocation models for Accounts with between \$5,000 and \$25,000 in assets and will be implemented solely into exchange traded funds (“ETFs”). *IMS Prime* portfolios are managed on a discretionary basis by AAS. AAS will have full authority to automatically rebalance the account according to the agreed upon target allocation and annual rebalancing schedule. Your financial professional may also have discretionary or non-discretionary authority depending upon his/her licensing. For discretionary authority your financial professional need not seek your approval prior to purchasing or repositioning assets. The use of discretion requires specific written approval from us. In addition, you must provide written authorization to allow your financial professional to utilize discretion in the account. This is accomplished through the Investment Advisory Agreement.

*IMS Unified Choice* - AAS has retained Envestnet Asset Management, Inc., a Registered Investment Advisor (“Envestnet”), to provide overlay management services for the *IMS Unified Choice* Program. Envestnet will provide AAS access to third-party investment management firms (“Sub-Managers”) with whom Envestnet has entered into a sub-management agreement to manage the assets of Clients in a separately managed securities portfolio on a discretionary basis. For certain third-party investment managers, Envestnet has entered into an investment model licensing and services agreement with the manager (each a “Model Provider”), whereby Envestnet performs overlay management services of Client accounts invested pursuant to the Model Provider’s strategy by implementing portfolio holding changes pursuant to an investment model maintained by the Model Provider. These Model Providers offer a wide array of investment strategies. In the *IMS Unified Choice* Program, your financial professional will assist you in constructing an asset allocation portfolio comprised of Sub-Managers, Model Provider investment strategies, stocks, bonds, mutual funds and/or ETFs (the “UMA Portfolio”). This program also offers access to private equity and structured investments. Envestnet will manage and maintain the UMA Portfolio in accordance with its stated investment objectives as updated by the applicable Model Providers on an ongoing basis. For certain types of investment strategies, the Sub-Manager may need to manage the *IMS Unified Choice* Program assets directly to efficiently manage the investment strategy. In such instances, Envestnet, at its discretion, may delegate its discretionary investment authority to the Sub-Managers. The UMA Portfolio will be rebalanced on a schedule to be determined by AAS.

*IMS Access* –Portfolio through which you choose an independent, third-party money manager to manage the entire account. Investment accounts that are managed entirely by an independent, third-party money manager are often referred to as separately managed account programs (SMA Program) utilizing separately managed account managers (SMA Manager). AAS has currently retained Envestnet Asset Management, Inc., a Registered Investment Advisor (“Envestnet”), to provide access to the SMA Managers available through the SMA Program. AAS and Envestnet delegate their discretionary investment authority to the chosen SMA Manager to directly manage the investment strategy including the buying and selling of all securities. The portfolio may be implemented by the SMA Manager into listed securities, which consist of, but are not limited to, money market funds, mutual funds, ETFs, stocks and bonds, and may not be a margin account. The asset allocation for each account will be customized based on each individual’s risk profile and unique goals and is developed in conjunction with your IAR in a co-advisory relationship with the SMA Manager. The SMA Manager, but not your IAR, will have full discretionary authority to reposition assets as needed subject to the risk profile tied to the account.

You have authorized us to open an account under the Program on behalf of the Plan with National Financial Services, LLC (Program Custodian). Pursuant to a separate agreement between the Program Custodian and you, the Program Custodian executes and clears all securities transactions and maintains custody of all funds and securities on behalf of the Plan’s account.

## Status

If Client has selected the IMS Flex Choice, IMS Unified Choice, IMS Portfolio Choice, IMS Prime or IMS Access programs, Avantax Advisory Services provides its Investment-Related Services to the Plan in its capacity as an investment adviser registered with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, as amended (Advisers Act), and as a fiduciary within Section 3(21) under the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended. If the Client has selected the IMS Select Portfolios, AAS represents that the investment management services under this Agreement will be provided by AAS as an investment adviser registered under the Investment Advisers Act of 1940, as amended (Advisers Act), and as a fiduciary within Section 3(38) under the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended. Avantax Investment Services provides its brokerage services and certain other Investment-Related Services in its capacity as a registered broker-dealer.

## Direct Compensation Payable to the Firm from the Plan.

*Client Fee.* The annual Client Fee for the services provided on behalf of Client is provided in the Statement of Investment Selection (SIS). The net amount due is payable to Avantax Advisory Services in quarterly installments in advance. The amount of this fee is based upon the market value of the assets in Client’s account determined as of the close of business on the last business day of the calendar quarter.

*General.* Plan clients may be subject to certain additional charges when we effect securities transactions on their behalf. In order to provide the applicable brokerage services, Avantax Investment Services relies on the Custodian, which is an unaffiliated subcontractor, to perform trade execution, clearing and other similar services for Client’s brokerage account. The following fees and charges apply for accounts held through NFS. Fees and charges are subject to change. Additional fees will apply for specific account features such as check writing, debit or charge cards, and bill pay services. Please refer to specific account documentation for further information.

*Full Retirement Termination Fee (\$125).* This is a processing fee associated with a client making a full distribution out of a retirement account.

*Full TOA Delivery Fee – non-retirement plans (\$125).* This is a processing fee associated with a complete transfer and delivery of assets out of a NFS account. Certain retirement plan accounts setup on the NFS brokerage platform are created under the registration type of Non-prototype which is not classified as a retirement account by NFS. Therefore the termination fee associated with these Non-prototype plans is not subject to the Full Retirement Termination Fee described above. However these Non-prototype plans may still be subject to a Full TOA Delivery Fee of \$125 if a complete transfer and delivery of assets out of the NFS account occurs as a result of termination.

*Margin Interest (varies – see NFS Disclosure of Credit Terms on Transactions).* Interest will be charged on all accounts for any credit extended to or maintained for customers by the firm for the purpose of purchasing, carrying or trading in securities or otherwise.

## Indirect Compensation Payable to the Firm

*From Sources Other Than the Plan or the Plan Sponsor.* As a registered broker-dealer, Avantax Investment Services may receive payments from any investment funds (Funds) held by Client as indirect compensation for its services, including certain related brokerage services, such as effecting securities transactions in connection with Client’s investments. Funds may include mutual funds and other similar investment products.

When Client invests in a Fund that is a mutual fund, depending on the particular share class, we may receive certain types of indirect compensation. (Investments in the Fund may be subject to other charges that are not payable to us, such as a contingent deferred sales charge payable to a Fund affiliate as described in the Fund’s prospectus.) The indirect compensation received by us may include 12b-1 fees paid by the Funds for providing distribution-related services as well as administrative and informational services, as applicable, to Client. The 12b-1 fees paid by an applicable mutual fund are described in its prospectus. AAS credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees. Certain mutual fund companies pay AIS to provide shareholder liaison services to investors. These fees are

classified as shareholder servicing fees and generally include responding to investor inquiries and providing information on mutual fund investments. AIS receives these shareholder services fees from certain mutual funds in amounts up to 0.25% annually of the assets invested in a particular mutual fund. For more information, please refer to the relevant mutual fund prospectuses previously provided to you and which are generally available at the relevant Fund's website. If a more expensive share class is held in an advisory account, AAS converts the share class to a lower-cost share class, if one is available from the issuer.

Companies for some of the investment products the Firm sells participate in activities that are designed to help facilitate the distribution of their products. The marketing activities and educational programs provided by these product sponsors include, but are not limited to, attendance by product representatives at our conferences, cash and non-cash marketing assistance paid to the Firm, and training and education presentations provided to the Firm's registered representatives about their products and services. In return for assistance in facilitating the activities described above, the Firm receives additional compensation, commonly referred to as "revenue sharing," from these companies. These companies are part of what the Firm calls our Educational Partners Program. These revenue sharing payments are in addition to the commissions and distribution fees (known as 12b-1 fees), and other fees and expenses paid to us, as disclosed in the respective product's prospectus. It is important to note, however, that these revenue sharing payments are paid out of the company's own assets—not from the investment's assets themselves—and, therefore, would not appear as items in a fund's expense table.

The amount paid by Educational Partners can be up to 13 basis points (0.13%) annually for assets held with the partner and up to 25 basis points (0.25%) on sales (for example, for every \$10,000 investment, Avantax would receive a one-time \$25 payment and/or a \$13 annual payment during each period the asset remains invested); or a flat annual dollar amount.

Participating product sponsors may also be subject to certain minimum payments each year in conjunction with the program if minimum amounts of sales or assets are not met, and they may also make additional payments to us for attendance at various educational meetings hosted by us throughout the year. Not all Educational Partners listed below offer services to ERISA covered retirement plans through AAS or AIS.

<b>Mutual Fund / ETF Sponsors</b>	<b>Annuity / Insurance Carriers</b>	<b>Alternatives / Direct Participation Sponsors</b>	<b>Other Business Partners</b>
AM Funds	AXA	AEI	AAM
Columbia	AIG	APX Energy	AEI
Davis	Athene	Blackstone	Allegiance
Delaware	Allianz	CNL Securities	BOK Financial
Deutsche	BrightHouse	FS Investments	First Trust
Dreyfus	Lincoln	Hines Securities	
Franklin Templeton	Nationwide	Inland Securities	
Invesco	Protective	Jones Lang LaSalle	
John Hancock	Saybrus	Mewbourne	
Hartford	Transamerica	Penn Square	
Legg Mason	Sammons	SmartStop	
MFS	Global Atlantic	Waveland	
Pioneer	New York Life		
Prudential (PGIM)	Integrity		
Sammons	Jackson National		
Virtus	Symetra		
Wisdom Tree			

### Interest on Cash Debits

Avantax can choose to markup the interest charged on all cash debits in our accounts which would increase the amount of revenue we receive. This is a conflict of interest and will have a negative impact on the returns on these assets because your costs will increase as a result of the markup.

### Credit Interest for Non-Sweep Cash Balances

For Accounts not electing a sweep option, Avantax will be eligible for credit interest on cash balances. NFS will credit Avantax with 50% of the National Financial Credit Rate less any amounts credited to Customer Accounts.

### Compensation for Open Accounts

NFS pays AIS a flat fee per open account on an annual basis for every account opened after September 30, 2020, subject to a maximum fee over the life of AIS's contract with NFS. All open accounts with a balance are included. These credits are not shared with your financial professional.

### Transfer Cost Credits

Custodian reimburses to AAS or its affiliates a portion of the transfer of accounts' fees and other costs and expenses which customers or AIS could incur in connection with the transfer of eligible accounts to Custodian. Eligible accounts are IRA accounts held directly with a mutual fund sponsor. These credits are retained by Avantax and are not shared with you or your financial professional.

### Deconversion Cost Credits

AAS or its affiliates received monetary benefits to offset the costs of transferring accounts to the Custodian's clearing platform from our previous custodian's clearing firm. These credits are not shared with your financial professional.

### Technology Credits

During the term of AIS's clearing agreement with Custodian, Custodian has agreed to provide AIS with monthly technology credits incurred by AIS and its affiliates for utilizing Custodian's and its affiliates proprietary technology products and services. These credits are not shared with your financial professional.

### Networking Fees

Networking fees are designed to compensate AIS for providing varying degrees of customer account and administrative services for those AIS customer accounts holding mutual funds. These services include the processing of purchases, check deposits, account maintenance, and other sub-accounting and recordkeeping services. Compensation paid for networking services is negotiated from fund company to fund company and vary depending on the networking services that AIS is required to perform for each client account established with a fund. If a client owns multiple funds in one fund family, AIS generally receives networking compensation for each individual fund. AIS may receive networking compensation based on a dollar amount per year, per client account with an individual fund. Networking compensation is paid at a rate of up to \$6 per year per client account. Not all mutual funds pay networking fees to AIS.

### Non-Purpose Loans: Non-NFS Revenue

As a service to eligible customers, Avantax provides access to a securities-backed non-purpose lending program offered by Goldman Sachs Bank USA (the "Bank"). Customers are not required to participate in the program, but if you choose to do so, you should be aware of the possible risks. As part of this Program, the Bank compensates Avantax in the form of a Referral Fee, which is equal to 50 basis points (0.5%) of the average principal amount of all outstanding Program loans that Avantax customers have through the program. This Referral Fee is paid from the interest paid by the participant on their Program loan and, were Avantax to agree to receive a lower Referral Fee, customers' interest rate would decline by that same amount.

## Compensation Paid Among Related Parties.

*General.* As described above, plan clients may be subject to certain additional charges when we effect securities transactions on their behalf. In order to provide the applicable brokerage services, Avantax Investment Services relies on the Custodian, which is an unaffiliated subcontractor, to perform trade execution, clearing and other similar services for Client's brokerage account. The Custodian receives transaction-based compensation from Avantax Investment Services for providing its subcontractor services. The amount of such compensation payable to the Custodian is described below.

*Full Retirement Termination Fee (\$125).* This is a processing fee associated when a client makes a full distribution out of a retirement account.

*Margin Interest (varies – see NFS Disclosure of Credit Terms on Transactions).* Interest will be charged on all accounts for any credit extended to or maintained for customers by the firm for the purpose of purchasing, carrying or trading in securities or otherwise.

NFS is the custodian of your account. We pay an asset-based fee to NFS based on average daily balances in all IMS accounts. The asset based fee we pay NFS does not apply to the following asset classes: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash and Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets, which include but are not limited to Foreign Securities, Alternative Investments, and Non-Marketable Securities. We can and do utilize these products in our accounts. A potential conflict of interest exists as Avantax has a financial incentive to use these products over other products that are assessed the asset-based fee.

There are no transaction costs associated with the available universe of ETFs within the IMS Prime Program. Please note, however, that a short-term redemption fee will be charged for any sales that occur within 30 days of the original purchase of the ETF. The fee is \$7.95 and is designed to reduce the likelihood of excessive trading in these investment products.

Your financial professional can be incentivized to join and remain affiliated with Avantax. These incentives can include compensation arrangements such as bonuses and/or business transition loans in the form of a promissory note. Your financial professional may use this payment to help pay for expenses incurred during the transition of his or her book of business to Avantax. Receiving this compensation is a conflict of interest as it provides your financial professional an incentive to join and remain affiliated with Avantax based solely on this compensation and not on our ability to meet the needs of your financial professional and his or her clients.

Financial professionals may be awarded restricted stock units in Avantax's publicly traded parent company Blucora (Nasdaq: BCOR) based on either their total gross dealer concessions or their percent of revenue growth generated during the year based on all lines of business (advisory, brokerage, retail direct, etc.). These stock awards create an incentive for financial professional to grow their business, but they are not conditional upon any specific products or types of investments being offered or sold to clients. In addition, Avantax may also provide acquisition financing to financial professional firms to help them purchase other firms outside the Avantax network. This creates an incentive for financial professionals to remain affiliated with Avantax based solely on their ability to obtain acquisition financing and not on our ability to meet the needs of your financial professional and his or her clients.

## Compensation for Termination of Services

The Firm expects to receive the Retirement Termination Fee of \$125 in connection with the termination of its Investment-Related Services on behalf of the Plan. In addition, the client will be charged the Retirement Account Fee of \$50 unless that fee has already been paid for the year.

Certain retirement plan accounts setup on the NFS brokerage platform are created under the registration type of Non-prototype which is not classified as a retirement account by NFS. Therefore the termination fee associated with these Non-prototype plans is not subject to the Full Retirement Termination Fee described above. However these Non-

prototype plans may still be subject to a Full TOA Delivery Fee of \$125 if a complete transfer and delivery of assets out of the NFS account occurs as a result of termination.

## Manner of Receipt of Compensation

Avantax Investment Services receives fees for maintaining Client's brokerage account. The amount of any fees for maintaining Client's brokerage account will be deducted directly from the assets in its brokerage account.

With regard to any annual 12b-1 fees and Shareholder Service Fee payable from the Funds to Avantax Investment Services, such amounts will be deducted directly from the Fund's assets automatically. AAS credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees. Any revenue sharing payments made to Avantax Investment Services by a Fund Manager are paid directly from the Fund Manager's own separate assets and are not deducted from the Fund's assets or the Plan's account.

## Important Information

The information included in this Notice, including but not limited to the statements under *Description of Services* and *Direct Compensation Payable to the Firm from the Plan*, is not intended to replace or modify any existing or prospective agreement relating to the Plan. This Notice is provided for informational purposes only, and it should not be relied upon as a legal contract or guarantee for any service that is or will be provided by the Firm or any affiliate.