



## Form ADV, Part 2A Brochure

March 28, 2024

**MAI Capital Management, LLC**

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This brochure provides information about MAI Capital Management, LLC's qualifications and business practices. If you have questions about its contents, contact us at (216) 920-4800. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or any state securities authority.

Any reference to or use of the terms "registered investment adviser" or "registered" does not imply that MAI Capital Management, LLC or any person associated with MAI Capital Management, LLC has achieved a certain level of skill or training.

Additional information about MAI Capital Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - MATERIAL CHANGES

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The purpose of this page is to inform you of material changes since the last annual update to this brochure. If you are receiving this brochure for the first time, this section may not be relevant to you.

MAI Capital Management, LLC (“MAI,” the “Firm,” “we,” “our,” or “us”) reviews and updates our brochure at least annually to confirm that it remains current.

This brochure, dated March 28, 2024, contains the following materials change from the previously amended brochure, dated March 31, 2023:

- **Item 4 - Advisory Business:** we have deleted the paragraph relating to “Employee Benefits Services” as this service is now offered by an MAI affiliate. Further, we have updated the “Non-Managed Assets” to eliminate “supervision” references and disclose that MAI will not be maintaining investment monitoring or performance responsibility for unmanaged assets.
- **Item 5 - Fees and Compensation:** under the “Billing Method” section, we have removed the provision that states “MAI will send the client’s custodian an invoice for the amount of our fee or debit the account directly when that service is available. MAI will also send to clients a statement showing the amount of the fee, the value of the account on which the fee was based and the manner in which the fee was calculated.” We have also removed the provision stating that under special circumstances, MAI offers financial planning or tax services on an hourly basis. The hourly fee ranges from \$250 and higher depending on the nature and complexity of each client’s situation. MAI bills hourly financial planning and tax services fees monthly in arrears.” Lastly, we removed the disclosure regarding IMG Worldwide, Inc. paying MAI in connection with certain International Merchandising Corporation clients as this arrangement is no longer active.
- **Item 6 - Performance Based Fees and Side By Side Management:** we added additional funds for which MAI charges a performance based fee. Also, we added that in certain circumstances, at MAI’s discretion, it will waive performance fees for certain funds.
- **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss:** for the “Specific Investment Strategies,” we added two investment strategies. Also added four funds that MAI serves as the investment manager in the “Investment Funds” section. We also replaced “General Risks of Owning Securities” section with a “General Risks” disclosure that contains expanded and additional explanations of potential risks. We also restructured the “Specific Risks” section with additional disclosures.
- **Item 10 - Other Financial Industry Activities and Affiliations:** we added to the “Insurance Agency” “Affiliated” section that MAI Insurance may also receive referral fees for referrals. In the “Private Funds” section we added several additional funds. We removed Oak Street Real Estate Capital (“Oak Street”) from the “Research Service Provider” as we no longer received research from Oak Street.

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## Item 4 - ADVISORY BUSINESS

### Introduction

MAI is an investment adviser registered with the SEC and headquartered in Cleveland, Ohio. The Firm was initially established as Investment Advisors International, Inc. ("IAI") in 1973 and was an affiliate of International Management Group ("IMG"). In 2000, McCormack Advisors International, LLC ("McCormack") was formed to succeed IAI's business as a joint venture between IAI and a major integrated financial institution. In 2002, the joint venture was dissolved, and the Firm returned to its roots as a provider of independent financial advice to clients. McCormack became fully independent of IMG in 2004. In January 2007, BC Investment Partners, LLC acquired McCormack and renamed the merged firm MAI Wealth Advisors, LLC. In October 2014, the Firm was renamed MAI Capital Management, LLC. Until September 30, 2021, MAI was controlled by its Managing Partner, Richard J. Buoncore. On September 30, 2021, MAI became a subsidiary of MAI Capital Management Intermediate LLC and an indirect subsidiary of MAI Capital Management Holdings LLC ("MAI Holdings"). MAI Holdings is a majority-owned indirect subsidiary of Galway Series 2 Aggregator LP. Mr. Buoncore continues as Managing Partner and CEO of MAI and a board member of MAI Holdings.

MAI provides investment and wealth management advisory services, and non-advisory services, to individuals, high-net-worth individuals and families, and institutions. These services include: (1) selecting and reviewing independent investment managers, and (2) reporting investments held or managed by MAI and assets held by outside parties.

### Advisory and Related Services

#### Investment Management Services

MAI provides discretionary and non-discretionary investment management to individuals, high-net-worth individuals and families, and institutions. Services include:

- assisting the client with the establishment of their investment objectives and investment policy statement;
- buying and selling securities such as stocks, bonds, mutual funds, exchange-traded funds and private and public limited partnerships, and
- reporting holdings, transactions, and performance on the client's investment portfolio.

MAI also assists clients with developing their asset allocation strategy, portfolio manager selection, managed account programs, and advice concerning outside holdings. We discuss our discretionary authority below under **Item 16 - Investment Discretion**. For information about the restrictions clients can put on their accounts, see **Tailored Services and Client Imposed Restrictions** in this item below. We describe the Fees charged for investment management services below under **Item 5 – Fees and Compensation**.

Client portfolio management is customized, subject to the client's experience and comfort with particular investment strategies, classes, and products, as well as the discretion portfolio and wealth managers are given to manage client portfolios, their experience, and their investment background.

Clients, as applicable, can also access selected investment management services through certain unaffiliated third parties under a sub-advisory relationship. These services are offered on unified managed account platforms or as separately managed accounts in MAI's investment strategies, as described below under **Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss**. The fees MAI receives under these arrangements are described below under **Item 5 - Fees and Compensation**.

### Wrap Fee Programs

MAI also manages a limited number of accounts in wrap fee programs sponsored by other financial services firms. MAI is involved in wrap fee accounts through dual contract arrangements with Stifel, Nicolaus & Company, Inc., and RBC Wealth Management. The client signs an agreement with an unaffiliated broker-dealer and MAI in a dual contract arrangement. The client pays the MAI management fee and the "wrap fees" the sponsor charges. MAI does not receive a portion of the wrap fees the client pays to the wrap sponsor. Payment of advisory fees to MAI and wrap fees to the sponsor will increase overall costs. Therefore, performance will differ in these "wrap fee" arrangement portfolios compared to other managed portfolios. MAI chooses investments and manages clients' accounts in the wrap fee program like we manage other client accounts using similar strategies.

However, because wrap fee programs are often offered by or connected to a broker-dealer, we will use that broker-dealer when placing trades for those accounts. If we used a different broker, that broker might charge the client additional transaction costs, which they already pay under the wrap fee. Our trading practices, described below under **Item 12 - Brokerage Practices**, may also affect wrap fee clients.

### Unified Managed Account ("UMA") Programs

MAI provides non-discretionary advice in unified managed account programs ("UMA Programs"). MAI offers model portfolios for a fee to UMA Program sponsors. Those sponsors use MAI's model portfolios as one input in developing their investment recommendations and managing their clients' accounts. MAI's recommendations to UMA Programs sometimes differ from those made to other client accounts.

MAI provides the UMA Program sponsor with recommendations on the securities to be purchased, sold, and held in the model portfolio and the percentage of the model portfolio that would be invested in each security. MAI provides this information to the UMA Program sponsor per procedures described in "Trade Rotation" under **Item 12 - Brokerage Practices**. UMA Program sponsors typically have sole discretion over their clients' accounts. The decision to implement MAI's recommendations is made by the UMA Program sponsor.

### Adviser to Mutual Fund

MAI is also the investment adviser to the MAI Managed Volatility Fund (MAIPX/DIVPX), an open-end mutual fund part of the Forum Family of Funds. The fund is registered under the Investment Company Act of 1940. MAI is not affiliated with Forum Funds.

### Adviser to Private Funds

MAI is also an investment adviser to private funds. See **Item - 6 Performance Based Fees and Side By Side Management** for a list of funds that MAI acts as an investment adviser and charges a performance-based fee and **Item 8 - Methods Of Analysis, Investment Strategies and Risk Of Loss**.

## Wealth Management Services

In addition to providing investment advice and advisory services, MAI provides to individuals and family offices wealth management services and certain non-advisory services that may be fully integrated as part of a comprehensive offering or, at times, individually. In addition to investment management, these services can include estate and financial planning, advice on tax strategies, use of margin or securities-based loans, insurance, and wealth transfer planning. MAI also prepares United States federal, state, and local tax returns, record keeping, administration of partnership interests and private investments, household management, budgeting and forecasting, and coordination of bill paying and payroll services for household or client corporation employees. We describe fees for wealth management services below under **Item 5 - Fees and Compensation**.

### Retirement Account Advice - Individuals

MAI provides investment advice to clients regarding their retirement plan account or individual retirement account and are fiduciaries under Title I of the Employee Retirement Income Security Act ("ERISA") and the Internal Revenue Code ("IRC"), as described under Section ii(a)(1) of the U.S. Department of Labor Prohibited Transaction Exemption 2020-02 ("PTE 2020-02"). If MAI recommends that a client roll over their retirement plan assets into an account to be managed by MAI, such a recommendation creates a conflict of interest if MAI will earn a new or increased advisory fee because of the rollover recommendation. The receipt of a new or increased advisory fee resulting from a recommendation creates a conflict of interest for the Firm under ERISA, so MAI operates under PTE 2020-02, which requires the Firm to act in the client's best interest.

### MAI Retirement - Plan Level

MAI Retirement, a division of MAI, provides retirement plan consulting and services to corporate retirement plans. MAI Retirement serves either as the plan's investment adviser pursuant to §3(21) of ERISA (in which case we will recommend investment decisions for approval by the plan's named fiduciaries) or as the plan's investment manager under §3(38) of ERISA (in which case we will manage the plan's investment decisions on a discretionary basis). Regardless of the capacity in which MAI Retirement serves as the adviser, the plan's named fiduciaries or the plan sponsor may impose restrictions on the types of investments held by or offered through the plan. In addition, MAI Retirement does not generally provide advice concerning shares of employee stock held in the plan.

## Non-Advisory Services

MAI provides tax preparation, insurance administration, and family office services, including client accounting, bill paying services, property management, and business consulting services. These services may be integrated with a combination of any other service or available independently, without wealth management services.

### Insurance Administration

Affiliated and unaffiliated insurance brokers provide insurance administration service to MAI clients. MAI Insurance Solutions, LLC ("MAI Insurance") is a wholly owned subsidiary of MAI that provides Insurance Administration services. Several insurance brokers also sit under Galway Holdings LP - Series 1. These entities are further described in **Item 10 - Other Financial Industry Activities and Affiliations**.



## Tailored Services and Client-Imposed Restrictions

MAI manages accounts based on the client's circumstances, financial situation, investment objectives, and goals, as discussed below under **Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss**. If the client has a discretionary account, we make investment decisions for clients based on information the client supplies about their financial situation, goals, and risk tolerance. Our recommendations depend on the current, accurate, and complete information the client provides. The client is responsible for informing MAI of any changes to their investment objectives or restrictions and client information.

Clients can request other restrictions on the account, such as when they need to keep a minimum level of cash in the account or want MAI to avoid buying or selling particular securities or security types. MAI reserves the right not to accept and terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

MAI manages pooled investment vehicles according to the fund's investment objectives. Investors in a pooled investment vehicle are unable to place restrictions on the fund.

## Unmanaged Assets

MAI does not maintain any investment monitoring or performance responsibility for unmanaged assets and/or accounts. The client and/or its other investment professionals retain exclusive responsibility for the monitoring and performance of such assets and/or accounts. These assets are included for reporting purposes only. Non-managed assets include securities held in a client's account that is under management with MAI that were:

- delivered into the account by the client;
- purchased by the client or purchased by MAI at the request of the client as an accommodation; or
- designated by the client to be non-managed securities by written notification.

## Assets Under Management

MAI manages client assets in both discretionary and non-discretionary accounts. As of December 31, 2023, the total amount of assets under our management was \$19,251,363,0512 with \$17,378,727,222 in discretionary assets and \$1,872,635,829 in non-discretionary assets.

## Item 5 - FEES AND COMPENSATION

### Fee Schedules

MAI negotiates and charges different fees for certain accounts based on the client's needs and circumstances. Fees also differ based on account inception dates. MAI clients obtained from acquisitions may be invoiced a higher or lower fee than an existing MAI client. MAI also manages employee and related accounts for a reduced fee. Fee or billing arrangements are detailed in the client agreement and

any changes to fees are reflected in an amendment. In addition, client fees differ from advisor referral programs where MAI signs a participation agreement.

## Investment Management Services

### **Discretionary or Non-Discretionary Portfolio Management Fees**

Generally MAI computes and charges a one percent up to one and a half percent annual investment management fee for discretionary or non-discretionary portfolios. We negotiate fees for both discretionary and non-discretionary accounts. We typically apply the same rate to the cash portion of each account as for all other assets in the account.

Fees are charged as a percentage of the client's assets under advisement or a negotiated annual retainer. The annual fee rate charged to each client will be negotiated based on the scope of services provided and documented in the client's agreement. Appropriate alternative payment arrangements will be made upon client request.

Customized arrangements with clients can include negotiated fees for clients with a service package, including investment advice, wealth management, and other non-advisory services such as bill-paying or income tax preparation. MAI's policy is to round account and fee values to the nearest dollar when invoicing clients.

MAI charges an investment management fee on assets invested in a managed account program, mutual funds, and ETFs, in addition to those fees charged by the outside investment manager.

A limited number of clients are parties to "wrap fee" arrangements that they have arranged with brokers. The client pays MAI our investment management fee and the "wrap fees" charged by the wrap program sponsor. Paying investment management fees to MAI and wrap fees to the sponsor will increase overall costs. Therefore, performance will differ in these "wrap fee" arrangement portfolios compared to other managed portfolios.

MAI charges UMA Program sponsors an annual fee, typically calculated and payable quarterly (in advance or arrears per the sponsor's standard provisions), based on the assets using a particular investment strategy. However, the fee amount varies depending on the sponsor's total assets under management.

In certain cases, MAI uses the services of third-party investment managers (sub-advisers) to manage MAI client assets. When appropriate and in the client's best interest, MAI will allocate a portion of the client's portfolio to the sub-adviser for management. While the client's portfolio is invested with another manager, MAI has a committee to monitor the sub-advisor's performance and assess external organizational and product-level changes. The client will pay fees associated with client portfolios managed in whole or in part by a sub-adviser. In some cases, the fees charged under a sub-adviser arrangement are greater than those charged if a sub-adviser is not managing the account.

MAI may allocate assets to private investments where it is not the fund sponsor. In many cases, the valuations received by MAI will be estimated valuations. The estimated valuation is adjusted to the actual value when it is received by MAI, which can change the information reported.

MAI will use the estimated valuation provided by the fund sponsor to calculate the quarterly management fee. If the current valuation is not available, the previous quarter-end valuation generally will be used to calculate the fee (to the extent applicable). Such valuations are subject to adjustment in the next quarter based on valuation information that becomes available if the adjusted fee amount (whether higher or lower) is greater than five percent of the estimate. It is not expected that adjustments will be made to reflect new valuation information that becomes available to MAI at a date later other than as described above, although MAI will make such adjustments in its sole discretion.

### MAI as Sub-Advisor

MAI is a sub-advisor to third-party advisers and is compensated for these services. The annual fees MAI receives for our services through third-party sub-advisory relationships vary based on the program, minimum investment requirements, and asset levels and will typically be at or lower than our standard fee rate. The fees we receive for providing investment management services do not include other fees charged by the third-party adviser to the client. Fees under these programs are billed in arrears or advance, and MAI is paid by the third-party adviser or directly by the client, depending on the program. Clients using MAI as a sub-advisor through third-party advisers can terminate our management services per the terms in the agreement, which vary by program.

### Limited Liability Company and Limited Partnership Fees

MAI serves as investment manager to certain investment-related limited liability companies and limited partnerships (the "Fund"). Where the Fund has an investment management fee, all assets invested in the Funds by MAI clients are excluded from the value of the client's account to calculate MAI's discretionary or non-discretionary investment management fees. MAI receives investment management fees from most of the Funds we advise. The Fund pays these fees but is borne by its members or limited partners. Each Fund's operating agreements and related documents set the applicable investment advisory fees. As noted in each Fund's private placement memorandum, MAI receives an annual asset-based management fee from the Funds. These fees typically, but not always, are capped at 1.5 percent. For many of the Funds MAI charges performance fees as further described in ***Item 6 – Performance-Based Fees and Side-By-Side Management***.

### Billing Method

Fees for discretionary or non-discretionary investment management are billed directly to client accounts when clients authorize MAI to receive payment directly from their custodians. Clients can designate one or more accounts from which they instruct the custodian to deduct the fee for all or some accounts. Clients will receive statements from the custodian no less frequently than quarterly but often monthly. The custodian statement will show the advisory fee deduction for clients who authorize the advisory fees to be withdrawn directly from their custodian account.

MAI will send an invoice to all clients who choose not to have advisory fees withdrawn directly from their custodian account. The invoice is payable upon receipt and will include the fee calculation and amount due. Under certain circumstances, an invoice is sent to the client notifying them of the direct debit related to their planning fees. In these cases, clients authorize their financial institution to submit payment for the invoice amount.

MAI's investment management fees are payable quarterly in arrears or in advance at the beginning of each calendar quarter. We charge one-fourth of the annual fee rate each quarter based on the market value of the client's portfolio on the last day of the prior calendar quarter. MAI pro-rates investment management fees for partial quarters.

If you utilize a margin account, MAI will include the entire market value (total assets long) of the margin asset when computing its advisory fee. For accounts terminating, MAI will calculate the fees due at termination and either debit the account for the fees due or send an invoice, depending on the payment method for accounts paying in arrears. For those terminating and utilizing the forward billing method, MAI will refund the balance paid pro-rata based on the number of days MAI investment management services were billed in advance but were not provided.

The billing methods for the MAI private funds are outlined in each Fund's Private Placement Memoranda.

While the fees may vary, the established fee for investment management services is charged based on a percentage of the client's assets under management ("AUM") per the following schedule:

Investment Management	AUM	Annual Fee Rate
Blended Asset Allocation	First \$5MM	1.00%
	Next \$5MM	0.90%
	Over \$10MM	0.80%

MAI negotiates fees at its discretion, resulting in clients under different fee schedules.

#### Advisor to Mutual Fund

The fees MAI receives for providing investment management services to the MAI Managed Volatility Fund (MAIPX/DIVPX) are outlined in the written advisory agreement for the Fund. The fees are disclosed and described in the Fund's prospectus.

When MAI allocates shares of the MAI Managed Volatility Fund to our clients, MAI will exclude those shares from billing in the client's investment account. It will only receive compensation as an investment adviser to the Fund.

#### Wealth Management Services

For our integrated wealth management services, MAI fees are determined client-by-client. Our fees depend on several factors, including the number and range of wealth management and related services we provide and the complexity of the client's financial situation. MAI may charge an annual retainer for the financial planning, tax, bill pay, and related wealth management services, and an assets-under-management fee for our investment management services. We negotiate specific fees and timing of fees with clients.

With client authorization, MAI will automatically withdraw MAI's wealth management fees from one or more of the client's accounts held by an independent custodian. MAI will send an invoice to all clients

who choose not to have advisory fees withdrawn directly from their custodian account and for the annual retainer fees.

## Other Fees and Expenses

MAI's fees for investment management do not include custodian fees. Clients pay all brokerage commissions, stock transfer fees, margin interest and fees, and other similar charges incurred in connection with account transactions from the assets in the account. These charges are in addition to the client fees paid to MAI. See **Item 12 - Brokerage Practices** below for more information. Note, however, that clients using MAI investment management services as part of a Wrap Fee Program pay a comprehensive "wrap fee" that includes custodial fees, brokerage commissions, stock transfer fees, margin interest and fees, and other similar charges incurred.

When MAI Insurance, a wholly owned company of MAI, provides insurance administration services, clients will not incur additional fees. MAI Insurance earns commissions on insurance products separate from and in addition to the fees you pay to MAI.

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. MAI does not receive any of these fund-related expenses. Each Fund's prospectus fully describes the fees and costs. All fees paid to MAI for investment management services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds and ETFs pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares.

Consequently, clients with outside mutual funds in their portfolios effectively pay MAI and the mutual fund manager to manage their assets.

## Termination

All MAI contracts for investment management, financial planning, wealth management, advisory, and non-advisory services may be terminated by either MAI or the client at any time by providing written notice to the other party. Unless otherwise agreed, the contract termination is effective upon receipt of the notice.

## Item 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

MAI charges a performance-based fee for the following funds:

- MAI Wealth Private Equity Fund, L.P.
- MAI Opportunity Fund, L.P.
- MAI Diversified Real Estate Income Fund, L.P.
- MAI Diversified Real Estate Income Fund II, L.P.
- MAI Diversified Real Estate Income Fund III, L.P.
- MAI Lending Fund, L.P.

- MAI Capital Income and Growth Fund II, L.P.
- MAI Capital Income and Growth Fund, III, L.P.
- MAI Capital Income and Growth Fund IV, L.P.
- MAI Capital Income and Growth Fund V QC, L.P.
- MAI Capital Income and Growth Fund V QP, L.P.
- MAI Capital Income & Growth Fund VI QP, L.P.
- Hartwell Capital Partners, L.P.
- MAI Glade Brook Venture Fund, L.P.
- MAI Solamere Private Equity Fund, L.P.
- MAI Capital GP Staking Fund, L.P.
- MAI Capital Secondaries Infrastructure Solution, L.P.
- Intersect Ventures III, LLC
- Intersect Ventures IV, LLC
- Intersect Ventures V, LLC
- Intersect Ventures VI, LLC
- Intersect Ventures VII, LLC
- Intersect Ventures VIII, LLC
- Intersect Ventures IX, LLC
- Intersect Ventures X, LLC
- Intersect Ventures XIII, LLC
- Intersect Ventures XIV, LLC

In certain circumstances, at MAI's discretion, it will waive performance fees. MAI does not charge performance-based fees for any other account or strategy. Managing accounts under different fee arrangements creates a conflict of interest. Performance-based fee arrangements can create a conflict of interest for the portfolio manager as they may have incentives to:

- allocate investment opportunities that they believe might be the most profitable to performance-based fee accounts, and
- make investments with more risk or speculative than those they might recommend under a different fee arrangement.

MAI has adopted policies and procedures reasonably designed to address these conflicts. Specifically, the policies and procedures are designed to allocate investment opportunities between accounts fairly and equitably over time and prevent unsuitable and an overconcentration of investments in client accounts.

## Item 7 - TYPES OF CLIENTS

### Types of Clients

MAI provides investment, advisory, and wealth management services to several client groups (as described in **Item 4 - Advisory Business**, including:

- individuals, high net worth (“HNW”) and ultra-HNW Individuals;
- families and family offices;
- sports professionals, and
- institutions, including pension and profit-sharing plans, employee benefit plans, endowments, foundations and trusts, and other entities such as corporations (primarily S corporations), and investment-related limited liability companies and limited partnerships managed by MAI.

### Account Suggested Minimums

MAI suggests a minimum of \$500,000 to establish an investment management account. The minimum varies by investment strategy. It is ideal for clients to invest with minimums, as noted in the table below. MAI may accept accounts below the suggested minimum for wealth management clients who establish a managed account. In our composite construction criteria for reporting the performance of individual investment strategies, MAI may set a lower minimum. For full-service wealth management and investment management services, MAI suggests a net worth of at least \$1,000,000 and a current income of at least \$150,000. Investors should refer to the subscription documents for minimum amounts related to the LLCs and the private partnerships as net worth and minimums will vary and may be higher based on regulatory requirements.

Strategy	Ideal Minimum
Dividend Strategy	\$500,000
Diversified Dividend Strategy	\$500,000
Diversified Focused Equity Strategy	\$500,000
Diversified Select Equity Strategy	\$500,000
Focused Equity Strategy	\$500,000
Growth Equity Strategy	\$500,000
High-Income Equity Strategy	\$500,000
Select Equity Strategy	\$500,000
Exchange Traded Fund (ETF) Strategies	\$250,000
Fixed Income Tax Exempt	\$250,000
Fixed Income Taxable	\$250,000

## Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### Methods of Analysis - Investments

For the following specific investment types the methodology is:

- **Equities** - primarily fundamental analysis, principally with respect to management record, financial condition, profitability levels, growth prospects, and market price about historical valuation ranges, as well as total return (current yield plus anticipated capital appreciation) discounted for inflation. Technical analysis is sometimes used as a secondary valuation tool.
- **Exchange Traded Funds** - reviews index methodology, tracking error, trading liquidity, and expenses.
- **Fixed Income Investments** - considers the issuer's financial strength, interest rate risk, call provisions, liquidity factors, M&A risk, and bond insurance when selecting bonds for purchase.
- **Mutual Funds** - reviews key characteristics such as historical performance, consistency of returns and style characteristics, risk level, and fund size. Expense ratio and other costs are also significant factors in fund selection.
- **Options** - utilizes various strategies (covered options, uncovered options, or option spreads) that meet the needs of our investor base.
- **Private Investments - Direct and Private Funds** - considers the quality of the leadership/management team, the fundamental strength of the thesis, including risk and return potential, and the advantages/disadvantages of the structure, including management fees, carried interest, liquidity, time horizon, and other investment/fund expenses.
- **Structured Notes** - considers the financial strength of the issuer, the risk and return parameters of the note, liquidity, and costs, as well as the characteristics of the underlying index or indices.

### Methods of Analysis - Separate Account Managers

- **Separate Account Managers** - reviews critical characteristics such as historical performance, consistency of returns and style characteristics, trading costs, tax efficiency, management fees, legal and operational quality, and management team tenure.

### Methods of Analysis - Financial Planning

The financial planning tool MAI uses to create financial plans for clients relies on various assumptions, such as inflation estimates, risk, economic conditions, and rates of return on security asset classes. All return assumptions use asset class returns, not returns of actual investments, and do not include fees or expenses that clients would pay if they invested in specific products. The asset classes are represented by broad-based indices selected because they are well-known and easily recognizable by investors. Indices have limitations because they have volatility and other material characteristics that can differ from an actual portfolio.



The financial planning tool is used as a guide to help MAI and the client develop an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Results will vary based on the information provided by the client regarding the client's assets, risk tolerance, and personal information. Changes to underlying assumptions or differences in actual personal, economic, or market outcomes can result in materially different results for the client. Clients should carefully consider the assumptions and limitations of the financial planning tools. They should discuss the results of the plan with a qualified investment professional before making any changes in their investment or financial planning program.

## Sources of Information

MAI analyzes securities using information obtained from various sources, including annual reports and Forms 10-K and other public filings, financial periodicals, financial rating services, management interviews, corporate news releases, industry participants, government statistical information, prospectuses and research information of major brokerage houses and independent firms, and investment software programs.

MAI subscribes to Morningstar and Zephyr Analytics to stay current on fund information and data. Conference calls, manager updates, and in-person meetings with the sub-adviser provide valuable insights in our due diligence process.

MAI uses credit rating agencies such as Standard & Poor's and Moody's to help determine the financial strength of issuing creditors and subscribers to independent research. Prospectuses and other relevant information from bond underwriters are also used to help in the analysis and selection of fixed-income securities.

## General Investment Strategies

MAI treats each client account uniquely, seeking real (after inflation) capital growth proportionate to the level of risk suitable to the client. MAI uses an investor identification and profile questionnaire to document the client's investment objectives, time horizon, risk tolerance, tax considerations, and any special considerations and restrictions the client chooses to place on managing the account. MAI will then make recommendations consistent with the client's investment objectives. MAI selects suitable categories of investments based on the client's attitudes about risk and their need for capital appreciation or income. Different instruments involve different levels of risk exposure. Within each investment category, MAI selects securities with characteristics most consistent with the client's objectives. We deal with any client restrictions on an account-by-account basis.

Since MAI treats each client account uniquely, client portfolios with similar investment objectives and asset allocation goals may own different securities with similar characteristics. Timing and tax factors also influence MAI's investment decisions. Clients who buy or sell securities on the same day can receive different prices. Additionally, the timing of securities purchases and sales can differ depending on the timing of each portfolio/wealth manager's decision to implement changes in the portfolio.

MAI primarily seeks to hold securities for the longer term, especially in taxable accounts. MAI uses short-term trades and options less frequently and only when, in MAI's judgment, they are appropriate for a particular account or given market condition. Different option strategies include covered options,

uncovered options, or option spreads, based on the account's needs. With few exceptions, these strategies are defensive and do not involve leverage. Frequent trading can result in higher taxes and transaction costs, and there is a risk of principal loss associated with option strategies.

Some MAI clients maintain margin accounts. Accordingly, margin is occasionally used to implement investment advice given by MAI to these clients. Clients are responsible for any brokerage or margin charges.

Additionally, MAI may recommend third-party investment advisers for managing all or a portion of the client's portfolio, depending on the client's investment objectives and financial situation. MAI may also recommend private funds and private placements for clients who meet net worth or other accreditation requirements and have a sufficiently high tolerance for risk.

## Specific Investment Strategies

MAI may invest client assets using one or a combination of distinct investment strategies, which we detail here:

- **Dividend Strategy** - we select securities for our Dividend Strategy from a global universe of dividend paying stocks trading in the U.S. We screen for desired dividend characteristics that indicate management's commitment to increase dividends over time. We review those securities for factors such as return on equity and relative valuation, as well as factors that will affect their ability to increase their dividend in the future, such as revenue, earnings, cash flow expectations, and balance sheet strength. We seek to include companies with strong business models and a solid franchise. The portfolio is diversified across thirty to fifty stocks with no more than thirty percent invested in any one industry, no more than forty percent invested in foreign companies through ADRs and expects to hold less than ten percent cash except under extraordinary economic or market conditions.
- **Diversified Dividend Strategy** - this strategy looks to invest in equities and alternatives in a diversified manner based on MAI's outlook on the various segments of the market and the overall outlook for equities relative to alternative investments. The strategy will typically hold a combination of US and foreign stocks and stock funds in the mid cap, small cap, international developed, and emerging market sectors. Alternative investments may include securities such as commodities, option-based strategies and hedge fund strategies. The individual stock component of the portfolio will be primarily invested in the Dividend Strategy.
- **Diversified Focused Equity Strategy** - this strategy looks to invest in diversified equities based on MAI's outlook on the various market segments. The strategy will typically hold a combination of US and foreign stocks and stock funds in the mid cap, small cap, international developed, and emerging market sectors. The individual stock component of the portfolio will be primarily invested in the Focused Equity Strategy.
- **Diversified Select Equity Strategy** - this strategy looks to invest in diversified equities based on MAI's outlook on the various market segments. The strategy will typically hold a combination of US and foreign stocks and stock funds in the mid cap, small cap, international developed, and

emerging market sectors. The individual stock component of the portfolio will be primarily invested in the Select Equity Strategy.

- **Focused Equity Strategy** - the Focused Equity strategy seeks to identify companies that can sustain high returns on invested capital. It is designed to deploy capital in these investments at discounted entry prices to reduce risk and increase long-term returns. The strategy's investment criteria limit the number of potential investments, resulting in a concentrated portfolio of fifteen to thirty investments.
- **Fixed Income – Tax Exempt** - in this strategy, we focus on building a portfolio of investment-grade securities, such as municipals, with a laddered maturity schedule. The portfolio can be customized to emphasize state of residence but will maintain national diversification. The goal of the strategy is capital preservation and predictable, tax-exempt income streams.
- **Fixed Income Taxable** - in this strategy, we purchase a portfolio of taxable investment-grade bonds with a laddered maturity schedule. The portfolio can include corporate bonds, taxable municipals, or other taxable securities. MAI seeks to diversify corporate issues by sector/industry to mitigate credit risk. The goal of the strategy is capital preservation and predictable income streams.
- **ETF Strategies** - MAI offers ETF-based strategies to implement its Equity, Growth, Total Return, Conservative, and Income asset allocations in liquid, diversified, cost- and tax-efficient portfolios. This approach combines the MAI Investment Committee's tactical asset allocation framework with low-cost implementation, primarily using ETFs. The strategies are rebalanced regularly to ensure consistency with their respective objectives.
- **Growth Equity Strategy** - the Growth Equity Strategy seeks to maximize long-term total returns by holding a portfolio of industry-leading growth companies which should possess significant potential for growth. The strategy seeks those companies that are able to generate unit volume growth with pricing power. The primary focus is on earnings per share and revenue growth. The portfolio is focused on growth companies and investors should not expect a diversified portfolio.
- **High Income Equity Strategy** - the MAI High Income Equity Portfolio (“HIEP”) seeks to balance three goals: safety, income, and capital appreciation. We strive to accomplish this by investing in high-quality dividend stocks that have durable competitive advantages and can support returns above the firm’s cost of capital. We believe that is the key driver of long-term returns. Additionally, we will invest in fixed-income securities to both augment the income of the portfolio as well as potentially lowering its volatility. That additional income allows us to avoid concentrating in riskier, higher-yielding stocks. We believe this approach can produce a portfolio with low volatility, above average income, and the potential for capital appreciation over time. The portfolio is diversified across sectors, and typically holds twenty-five to thirty-five securities with an average holding period of two to three years.
- **Select Equity Strategy** - the MAI Select Equity Strategy leverages MAI's Focused Equity, Dividend, and Growth Equity strategies to build an actively managed portfolio of Large Capitalization U.S. Equities seeking low tracking error vs. the S&P 500. Investments are selected based on their S&P 500 subsector classification, earnings growth potential over the next three to

five years, and current valuation. The portfolio is diversified across the twenty-four S&P 500 Sub-Sectors and typically owns forty to fifty U.S. equities.

## Investment Funds

MAI serves as the investment manager for the following funds:

- Intersect Ventures I LLC
- Intersect Ventures II LLC
- Intersect Ventures XI LLC
- Intersect Ventures XII LLC

MAI also serves as the investment manager for the funds listed under **Item 6 – Performance Fees and Side By Side Management** and as investment manager or general partner to certain investment related limited liability company as listed in **Private Funds** in **Item 10 - Other Financial Industry Activities and Affiliations**.

## Limited Liability Company and Limited Partnerships

MAI recommends investment in these Funds to clients based on factors that include accreditation status, the level of interest clients express during meetings with MAI, and within the asset allocation guidelines set by the Firm. These types of investments carry a higher risk than our other strategies.

These securities are only available to accredited and qualified clients. Investments in such limited offerings will only occur after conducting additional consultation with the client and after the client has approved the investment and strategy for their portfolio.

Each prospective investor in any such Fund is encouraged to review the Partnership Agreement(s) carefully and consult appropriate legal and tax advisors.

## Third-Party Advisers

MAI may recommend other investment advisers based on the client's investment objectives and financial situation and the other adviser's management style. Our process of selecting these managers includes analyzing performance data, risk characteristics, expenses, manager tenure and experience, style consistency, firm reputation, and the strategy's scalability. On an ongoing basis, we review managers based on these quantitative and qualitative factors to ensure they are meeting our expectations.

## Adviser to Mutual Fund

MAI also serves as the investment adviser to the MAI Managed Volatility Fund (MAIPX/DIVPX). This open-end mutual fund is part of the Forum Family of Funds and is registered under the Investment Company Act of 1940. MAI is not affiliated with Forum Funds. MAI will purchase and sell securities as outlined in the MAI Managed Volatility Fund's prospectus and statement of additional information, which may include dividend paying, U.S. securities, and foreign companies traded in the U.S. (e.g., American depository receipts) and options (exchange listed calls and puts), among other securities. Investors should read the fund's prospectus for the risks associated with investing in the mutual fund. MAI Managed

Volatility Fund is distributed by Foreside Fund Services, LLC. MAI is not affiliated with Foreside Fund Services.

## General Risks

Clients should understand that all investment strategies and the investments made when implementing those investment strategies involve risk of loss and clients and investors should be prepared to bear the loss of assets invested and, in the case of uncovered option strategies, beyond the amount invested. The investment performance and success of any investment strategy or investment can never be predicted or guaranteed, and the value of a client's or an investor's investments fluctuates due to market conditions and other factors. The investment decisions and recommendations made, and the actions taken for advisory accounts are subject to various market, liquidity, currency, economic and political risks, and will not necessarily be profitable. It should be expected that the types of risks to which an advisory account is subject, and the degree to which any particular risk impacts an advisory account, will change over time depending on various factors, including the investment strategies, investment techniques and asset classes utilized by the advisory account, the timing of the advisory account's investments, prevailing market and economic conditions, reputational considerations, and the occurrence of adverse social, political, regulatory or other developments. Past performance of advisory accounts is not indicative of future performance.

This brochure does not include every potential risk associated with an investment strategy or all applicable risks to a particular advisory account. Rather, it is a general description of the nature and risks of the strategies, securities, and other financial instruments in which advisory accounts may invest.

- **Asset Allocation and Rebalancing Risk** - the risk that an advisory account's assets are out of balance with the target allocation. Any rebalancing of such assets may be infrequent and limited by several factors and, even if achieved, may have an adverse effect on the performance of the advisory account's assets.
- **Bankruptcy Risk** - the risk that a company in which an advisory account invests becomes involved in a bankruptcy or other reorganization or liquidation proceeding.
- **Capital Markets Risk** - the risk that a client will not receive distributions or will experience a significant loss in the value of its investment if the issuer cannot obtain funding in the capital markets.
- **Concentration Risk** - the increased risk of loss associated with not having a diversified portfolio (i.e., advisory accounts concentrated in a geographic region, industry sector, or issuer are more likely to experience a greater loss due to an adverse economic, business, or political development affecting the region, sector or issuer than an account that is diversified and therefore has less overall exposure to a particular region, sector or issuer).
- **Corporate Event Risk** - the risk that investments in companies subject to publicly disclosed mergers, takeover bids, exchange offers, tender offers, spin-offs, liquidations, corporate restructuring, and other similar transactions are not profitable due to the risk of transaction failure.
- **Credit Rating Risk** - the risk that an advisory account uses credit ratings to evaluate securities even though such credit ratings might not entirely reflect the actual risks of an investment.

- **Credit/Default Risk** - the risk of loss arising from a borrower's failure to repay a loan or meet a contractual obligation. A strategy will be exposed to the credit risk of the counterparties with which it, or the brokers, dealers, and exchanges through which it deals, whether it engages in exchange-traded or off-exchange transactions.
- **Credit Risk/Priority of Claim Risk** - magnification of credit risk with preferred and hybrid securities due to their payoff structure. If an issuer goes into bankruptcy, all other debt holders are paid first, and then preferred holders are paid.
- **Cybersecurity Risk** - the risk of actual and attempted cyber-attacks, including denial-of-service attacks, harm to technology infrastructure and data from misappropriation or corruption, and reputation harm. Due to MAI's interconnectivity with third-party vendors, custodians, and other financial institutions, MAI (including the Advisory Personnel), and thus indirectly the advisory accounts, could be adversely impacted if any of them is subject to a successful cyber-attack or other information security event. Although MAI takes protective measures and endeavors to modify them as circumstances warrant, its computer systems, software, and networks are vulnerable to unauthorized access, misuse, computer viruses or other malicious code, and other events that could have a security impact or render MAI unable to transact business on behalf of advisory accounts.
- **Data Sources Risk** - the risk that information from third-party data sources to which MAI subscribes is incorrect.
- **Environmental Risk** - the risk of loss due to statutes, rules, and regulations relating to environmental protection negatively impacting an issuer's business.
- **Equity and Equity-Related Securities and Instruments Risk** - the risk that the value of common stocks of U.S. and non-U.S. issuers is affected by factors specific to the issuer, the issuer's industry, and the risk that stock prices historically rise and fall in periodic cycles.
- **Frequent Trading and Portfolio Turnover Rate Risk** - the risk that high turnover and frequent trading in an advisory account could result in, among other things, higher transaction costs and adverse tax consequences.
- **Government Investment Restriction Risk** - the risk that government regulations and restrictions may limit the amount and type of securities that may be purchased or sold on behalf of advisory accounts, and economic sanction laws in the United States and other jurisdictions or other governmental action could significantly reduce the value of advisory account investments in, or restrict or completely prohibit an advisory account from investing, continuing to hold or disposing an investment in, or transacting with or in, certain countries, individuals, and companies.
- **Hypothetical Performance and Projected Returns Risk** - the risk arising from reliance in making an investment decision on the performance of a portfolio not necessarily achieved by any particular investor. Projected returns are hypothetical, do not reflect actual investment results, and do not guarantee future results. Such projected performance is subject to limitations and assumptions designed to determine the probability or likelihood of a particular investment outcome based on a range of possible outcomes. Any of those assumptions may prove

inaccurate. In addition, the performance of a model portfolio, other portfolios, or a client's advisory account may differ materially from investment gains and avoidance of investment losses projected, described, or otherwise referenced in forward-looking statements, and the projected returns associated with any of the preceding may not materialize.

- **Index/Tracking Error Risk** - the risk that the performance of an advisory account that tracks an index does not match, and varies substantially from, the index for any period and is negatively impacted by any errors in the index, including as a result of an advisory account's inability to invest in certain securities as a result of legal and compliance restrictions, regulatory limits or other restrictions applicable to the advisory account and MAI, reputational considerations or other reasons. Where an index consists of relatively few securities or issuers, it should be expected that tracking error will be heightened at times when an advisory account is limited by restrictions on investments that the advisory account may make.
- **Inflation Risk** - the U.S. and other economies have recently begun to experience higher-than-normal inflation rates. It remains uncertain whether substantial inflation in the U.S. and other economies will be sustained over an extended period and significantly adversely affect the U.S. and other economies. Inflation and rapid fluctuations in inflation rates have had negative effects in the past and will affect economies and financial markets in the future.
- **Interest Rate Risk** - the risk that interest rates fluctuate significantly, causing price volatility with respect to securities or instruments held by an advisory account. Interest rate risk includes the risk of loss due to the decrease in the value of fixed-income securities due to interest rate increases. Long-term fixed-income securities will typically have more price volatility because of interest rate risk than short-term fixed-income securities. Risks associated with changing interest rates can have unpredictable effects on the markets and advisory accounts.
- **Investment Style Risk** - the risk that an advisory account outperforms or underperforms other accounts that invest in similar asset classes but employ different investment styles.
- **IPOs/New Issue Risk** - the risk that initial public offerings ("IPOs") and new issues are subject to market risk and fluctuate considerably due to factors such as the absence of a prior public market, unseasoned trading, the small number of shares or bonds available for trading and limited information about the company's business model, growth potential and other criteria used to evaluate its investment prospects.
- **Liquidity Risk** - the risk that an advisory account cannot monetize investments and must hold to maturity or obtain a lower price for investments either because those investments have become less liquid or illiquid in response to market developments including adverse investor perceptions. This includes alternative investments such as hedge funds, funds of hedge funds, private equity funds, funds of private equity funds, and real estate funds. These risks should be expected to be more pronounced in connection with an advisory account's investments in securities of issuers in emerging market countries.
- **Low Trading Volume Risk** - the risk that a client is not able to monetize his/her investment or will have to do so at a loss because of generally lower trading volumes of the securities compared to other types of securities or financial instruments.

- **Market/Volatility Risk** - the risk that the value of the assets in which an advisory account invests decreases (potentially dramatically) in response to the prospects of individual companies, particular industry sectors or governments, changes in interest rates, regional or global pandemics, and national and international political and economic events due to increasingly interconnected global economies and financial markets.
- **Model Risk** - MAI's management of an advisory account in its advisory capacity includes using various investment models. There may be deficiencies in the design or operation of these models, including shortcomings or failures of processes, people, or systems. Investments selected using models may perform differently than expected because of the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, the speed that market conditions change, and technical issues in the construction and implementation of the models (including, for example, data problems and software issues). Certain of these events or circumstances are difficult to detect. Moreover, a model's effectiveness may diminish over time, including because of changes in the market and in the behavior of other market participants. Models may not be predictive of future price movements if their return mapping is based on historical data regarding particular asset classes, particularly if unusual or disruptive events cause market movements, the nature or size of which are inconsistent with the historical performance of individual markets and their relationship to one another or other macroeconomic events. In addition, certain strategies can be dynamic and unpredictable, and a model used to estimate asset allocation may not accurately estimate the current allocation. Models also rely heavily on data licensed from various sources, and the functionality of the models depends, in part, on the accuracy of voluminous data inputs. Operation of a model may result in negative performance, including returns that deviate materially from historical performance, both actual and pro forma. There is no guarantee that using these models will result in effective investment decisions for an advisory account.
- **Operational Risk** - the risk of loss arising from shortcomings or failures in internal processes or systems of MAI or third-party custodians, external events impacting those systems, and human error. Operational risk can arise from many factors, from routine processing errors to potentially costly incidents like major system failures. advisory accounts trade instruments where operational risk is heightened due to such instruments' complexity.
- **Pandemics and Other Public Health Crisis Risk** - an outbreak of an infectious disease such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and COVID-19 or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy, and business activity in any of the areas in which client investments may be located. Such disruption, or the fear of such disruption, could have a significant and adverse impact on the securities markets, lead to increased short- term market volatility or a significant market downturn, and may have adverse long-term effects on world economies and markets generally.
- **Private Equity Managed Accounts Risk** - as noted above, these advisory accounts will bear liquidity risk since all of the investments will have no active secondary market, and to the extent,



any investment can be resold, such resales will be at a discount and to a limited universe of eligible investors.

- **Real Estate Risk** – real estate investments involve additional risks not typically associated with other asset classes, such as sensitivities to temporary or permanent reductions in property values for the geographic region(s) represented. Real estate investments (both through public and private markets) are also subject to changes in broader macroeconomic conditions, such as interest rates.
- **Target Ranges and Rebalancing Risk** – to the extent a client designates target allocations or target ranges within an advisory account in connection with particular asset classes, an advisory account's assets may, from time to time, be out of balance with the advisory account's target ranges for extended periods or at all times due to various factors, such as fluctuations in, and variations among, the performance of the investment products to which the assets are allocated and reliance on estimates in connection with the determination of percentage allocations. Any rebalancing of the advisory account's assets may have an adverse effect on the performance of the advisory account's assets. For example, when the advisory account's assets are allocated away from an over-performing investment product and allocated to an under-performing investment product, such rebalancing could be harmful to the advisory account. In addition, the achievement of any intended rebalancing may be limited by several factors, including the use of estimates of the net asset values of the investment products and, in the case of investments in investment products that are pooled investment vehicles, restrictions on additional investments in and redemptions from such investment products.
- **Tax, Legal, and Regulatory Risk** – the risk of loss due to increased costs and reduced investment and trading opportunities resulting from unanticipated legal, tax, and regulatory changes, including the risk that the current tax treatment of securities could change in a manner that would have adverse tax consequences for existing investors.
- **Tax-Managed Investment Risk** – the risk that the pre-tax performance of a tax-managed advisory account is lower than the performance of similar advisory accounts that are not tax-managed.

## Specific Risks

### American Depository Receipts (“ADR”)

An ADR is a stock that trades in the United States but represents a specified number of shares in a foreign corporation. Investors buy and sell ADRs on American markets just like regular stocks. Banks and brokerage firms issue/sponsor ADRs. ADRs are subject to additional risks of investing in foreign securities, including less complete financial information about foreign issuers, less market liquidity, more market volatility, and political instability. In addition, currency exchange rate fluctuations affect the U.S. dollar value of foreign holdings. Some ADRs and ordinary shares of foreign securities pay dividends, and many foreign countries impose dividend withholding taxes of up to thirty percent. Depending on a custodian's ability to reclaim any withheld foreign taxes on dividends, taxable accounts may be able to recoup a portion of these taxes using the foreign tax credit. However, to the extent they pay any foreign

withholding taxes, tax-exempt accounts may not be able to utilize the foreign tax credit. Therefore, investors may be unable to recover any foreign taxes withheld on dividends of foreign securities or ADRs.

### Cash and Cash Equivalents

An account may hold cash or invest in cash equivalents. Cash equivalents include:

- commercial paper (for example, short-term notes with maturities typically up to twelve months in length issued by corporations, governmental bodies, or bank/corporation sponsored conduits (asset-backed commercial paper));
- short-term bank obligations (for example, bank notes, certificates of deposit, or bankers' acceptances (time drafts on a commercial bank where the bank accepts an irrevocable obligation to pay at maturity));
- savings association and savings bank obligations (for example, bank notes and certificates of deposit issued by savings banks or savings associations);
- securities of the U.S. government, its agencies, or instrumentalities that mature, or can be redeemed, in one year or less, and
- corporate bonds and notes that mature or that can be redeemed in one year or less.

Cash and cash equivalents are the most liquid investments. They are considered very low-risk investments, meaning there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low compared to other types of investing vehicles.

### Debt Securities (Bonds)

Issuers use debt securities to borrow money. Issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security or at maturity. Alternatively, investors can purchase other debt securities, such as zero-coupon bonds, which do not pay current interest but are priced at a discount from their face values, which accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer a bond's maturity, the greater its interest rate risk. Certain additional risk factors relating to debt securities include:

- **Call Risk** - debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date before maturity. If an issuer exercises these provisions in a lower interest rate market, the investor may have to replace the security with a lower-yielding security, potentially resulting in decreased income to the investor. Usually, a bond is called at or close to par value. Prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.
- **Credit Risk** - if the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the investor can incur losses or expenses in seeking recovery of amounts owed to it.

- **Inflation Risk** - inflation causes tomorrow's dollar to be worth less than today's dollar. Inflation Risk is the risk that the inflation rate will exceed the rate of return on an investment. Inflation reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows," since the fixed rate of return becomes less valuable year after year with rising inflation. For example, if the inflation rate is four percent over a year and the rate of return on an investment is three percent, then the investor has effectively earned a negative real return. Inflation can also lead to higher interest rates, which may cause bond prices to fall.
- **Interest Rate and Market Risk** - debt securities are sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, resulting in increased volatility of market prices and yields of certain debt securities.
- **Liquidity and Valuation Risk** - there can be little trading in the secondary market for a debt security, which may adversely affect the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, based on fundamental analysis, can decrease the value and liquidity of debt securities.
- **Reinvestment Risk** - when interest rates are declining, investors must reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

MAI attempts to reduce the risks described above by diversifying the client's portfolio, credit analysis of each issuer, and monitoring broad economic trends and corporate and legislative developments. However, there can be no assurance that we will be successful in doing so. Asset allocation and diversification may not protect against market risk, loss of principal, or volatility of returns. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and when a rating is assigned and updated.

Bond rating agencies may assign modifiers (such as +/-) to rating categories to signify the relative position of a credit within the rating category. Unless we state otherwise, clients should include any security within that category without considering the modifier when reading their investment policies based on rating categories.

### Equity Securities

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of stocks and the income they generate (such as dividends) fluctuate based on, among other things, events specific to the company that issued the shares, conditions affecting the general economy, and overall market changes, changes or weaknesses in the business sector the company does business in, and other factors.

### Exchange-Traded Funds ("ETF")

An ETF is a type of Investment Company (usually an open-end fund or unit investment trust) containing a basket of stocks or bonds. Typically, the objective of an ETF is to achieve the same return as a particular

market index, including sector indexes. An ETF is similar to an index fund in that it will primarily invest in securities of companies in a selected market. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETFs trade throughout the day on an exchange. Like stock mutual funds, the prices of the underlying securities and the overall market can affect ETF prices. Similarly, factors affecting a particular industry segment can affect ETF prices tracking that specific sector.

### Exchange-Traded Notes (“ETN”)

An ETN is a senior, unsecured, unsubordinated debt security by an underwriting bank whose primary objective is to achieve the same return as a particular market index. Like other debt securities, the issuer's credit is the only backing for ETNs with a maturity date. Although performance is contractually tied to whatever index the ETN is intended to track, ETNs do not have any assets other than a claim against their issuer for payment according to the terms of the contract. Unlike traditional mutual funds, which can only be redeemed at the end of a trading day, ETNs trade throughout the day on an exchange. ETNs, as debt instruments, are subject to risk of default by the issuing bank as a counterparty. This is the primary design difference between ETFs and ETNs. ETFs are only subject to market risk, whereas ETNs are subject to both market risk and the risk of default by the issuing bank.

### Global Depositary Receipt (“GDR”)

A GDR is a certificate that represents an ownership interest in the ordinary shares of a company's stock but that is marketed outside of the company's home country to increase its visibility in the world market and access a greater amount of investment capital in other countries. Depositary receipts are structured to resemble typical stocks on the exchanges they trade so that foreigners can buy an interest in the company without worrying about differences in currency, accounting practices, language barriers, or being concerned about the other risks in investing in foreign stock directly.

### Inflation-indexed Bonds

MAI may invest in client accounts in inflation-indexed bonds issued by governments, their agencies, instrumentalities, and corporations. The principal amount of an inflation-indexed bond adjusts to changes in the consumer price index level. In the case of U.S. Treasury inflation-indexed bonds, the U.S. government guarantees the repayment of the original bond principal upon maturity (as adjusted for inflation). Therefore, the final principal amount of such bonds cannot fall below par even during deflation. However, the current market value of these bonds is not guaranteed and will fluctuate, reflecting the rise and fall of yields. In certain jurisdictions outside the United States, the repayment of the original bond principal upon the maturity of an inflation-indexed bond is not guaranteed. This causes the amount of the bond repaid at maturity to be less than par. The interest rate for inflation-indexed bonds is fixed at issuance as a percentage of this adjustable principal. Accordingly, the actual interest income changes as the principal amount of the bonds adjusts in response to the movements of the consumer price index. For example, interest income would typically rise during inflation and fall during deflation.

### Interval Funds

Interval funds are classified as closed-end funds, but they are very different from traditional closed-end funds because their shares typically do not trade on the secondary market. Instead, their shares are subject to periodic repurchase offers by the fund at a price based on net asset value, and they are

permitted to (and many interval funds do) continuously offer their shares at a price based on the fund's net asset value.

Interval funds are unsuitable for investors who need certainty about their ability to access all the money they invest in the short term. Shares of these funds should be considered an illiquid investment with limited redemption periods. There is no assurance that you will be able to tender your Shares when or in the amount desired. Investments in an interval fund should be considered a high risk and could include substantial investment loss. Investors should carefully consider a fund's risk and investment objectives before investing in any fund.

### Margin Loans and Securities Based Loans ("SBL")

Margin loans or securities-based loans (collectively, "SBLs") are not suitable for all clients and are subject to certain risks noted below that clients should consider before participating in an SBL program. Further, the terms and conditions of each SBL are contained in a separate agreement between the client and the SBL lender (i.e., custodian) selected by the client, and terms and conditions may vary from client to client. Clients are encouraged to read the disclosures and risks of their respective lender carefully before entering into an agreement.

The following describes some of the risks associated with SBLs that clients should consider before participating in an SBL program:

- **Increased Portfolio Risk, Including Potential Losses in the Event of a Downturn** - borrowing money on margin to pay bills or other expenses increases a client's exposure to market risk and volatility. The more money a client borrows on margin, the greater the market risk. This is especially true in a significant downturn in the value of the assets used to collateralize the SBL. Sometimes, clients lose more money than they originally invested and borrowed. As the marginable investments in a client's portfolio provide the collateral for the SBL, the value of that collateral fluctuates according to market activity, while the amount the client borrows stays the same.
- **The Potential Obligation to Post Collateral or Repay the SBL if the SBL Lender Determines that the Value of Collateralized Securities is No Longer Sufficient to Support the Value of the SBL** - requires a specific minimum value of equity to continue service of the SBL (the "Maintenance Requirement"). If the value of the client's portfolio securities declines, so does the value of the collateral supporting the SBL. If the value of the SBL collateral declines to an amount where it is no longer sufficient to support the borrower's line of credit or loan, the SBL lender will issue a "maintenance call" (also referred to as a "margin call.") In that event, the client must post additional collateral or repay the SBL within a specified period. The SBL lender is also commonly entitled to increase its Maintenance Requirement without providing prior written notice to the borrower. As a result, borrowers are subject to the risk of loan repayment and should be aware of such risks when preceding a traditional mortgage to finance a real estate purchase.
- **The Risk that the SBL Lender may Liquidate the Client's Securities to Satisfy its Demand for Additional Collateral or Repayment** - the SBL lender commonly reserves the right to render the borrower's repayment immediately due and terminate the SBL without cause. At this point, the outstanding SBL balance would become immediately due and payable. However, if the

borrower cannot add additional collateral to their account or repay the loan with readily available cash, the SBL lender can typically liquidate the borrower's securities and keep the money to satisfy the Maintenance Call. When liquidating the securities of the borrower's investment portfolio, the SBL lender usually reserves the right to decide which securities to sell to protect its interests. It is not necessarily required to provide written notice of its intentions to liquidate. Accordingly, clients who borrow money through an SBL should know this risk. Such risk is not limited to the margin in the client's account, which could result in the client having to owe additional money or collateral to the SBL lender after the positions are liquidated. Therefore, a client can lose more money than the client initially invested in the portfolio.

- **Liquidity Risk** - SBLs also significantly affect a client's portfolio's liquidity. Namely, a security (whether an equity, mutual fund, or ETF) used as collateral for an SBL loses its liquidity if the SBL is outstanding. Decreased liquidity increases portfolio risk and restricts a client's access to their funds, which clients should strongly consider before using an SBL.
- **Risk of Margin as an Investment Strategy and Associated Conflict of Interest** - although MAI does not recommend the use of margin as an investment strategy in which the client would borrow money leveraged against securities it holds to purchase additional securities, clients choosing to do so would be subjected to the risks described above. In addition, if a client determines to use margin to buy assets that MAI will manage, MAI would include the entire market value of the margined assets when computing its advisory fee, which would present a conflict of interest because it would result in an increased advisory fee. Another conflict of interest will arise if MAI has an economic disincentive to recommend that the client terminate the use of margin. If MAI recommends that a client apply for an SBL instead of selling securities that MAI manages for a fee to meet liquidity purposes, the recommendation presents a conflict of interest because selling those securities (instead of leveraging those securities to access an SBL) would decrease MAI's investment advisory fee.

### Master Limited Partnerships (“MLP”)

MLPs are publicly traded partnerships that trade on the NYSE and NASDAQ. With a few exceptions, MLPs hold and operate assets related to the transportation and storage of energy (certain MLPs have commodity risk). Most publicly traded companies are corporations. Corporate earnings are usually taxed twice. The business entity is taxed on any money it makes, and then shareholders are taxed on the earnings the company distributes to them. In the 1980s, Congress allowed public trading of certain types of companies as partnerships instead of corporations. A partnership's main advantage over a corporation is that partnerships are "pass-through" entities for tax purposes. This means that the company does not pay any tax on its earnings. Distributions are still taxed, but this avoids the problem of double taxation that most publicly traded companies face. Congress requires that any company designated as an MLP must produce ninety percent of its earnings from "qualified resources" (natural resources and real estate). Most MLPs are involved in energy infrastructure, i.e., things like pipelines. MLPs are required to pay minimum quarterly distributions to limited partners. A contract establishes the payments, so distributions are predictable. Otherwise, the shareholders could find the company in breach of contract. In addition to the normal risks associated with equity investments, e.g., price volatility, MLPs bear additional specialized risks: risk of regulation or change. The main advantage of an MLP is its tax-advantaged status under the

current IRC. Therefore, changes in the tax code resulting in the loss of its preferential treatment could significantly affect the viability of MLP investments. Other risks include:

- **Commodity Risk** - commodity investments are subject to substantial fluctuation in the market price for products based upon, among other things, overall economic conditions or conditions related to war or disputes in various parts of the world and are highly subject to unforeseen events or events not in control of MAI. Fluctuations in energy commodity prices would directly impact companies that own such energy commodities and could indirectly impact MLP companies that engage in the transportation, storage, processing, distribution, or marketing of such energy commodities.
- **Interest Rate Risk** - these investments are commonly thought to do better when interest rates are low, making their yield higher than the safest investments, such as Treasury bills and securities the U.S. government guarantees. Consequently, MLPs may perform better during declining or low interest rates and more poorly during rising or high interest rates.
- **Tax Risk** - MLPs are pass-through entities, passing earnings through to the limited partners. Investors must be aware of the potentially significant tax implications of investing in MLPs, and they should consult with their tax advisor before investing in these securities. In addition, investors receive a Schedule K-1, which may delay the filing of tax returns. If an extension is required because a K-1 is issued after April 15, the cost of the tax preparation may increase as it is an additional service and adds time to the tax compliance process.

### Municipal Bonds

Municipal bonds (or "munis" for short) are debt securities issued by states, cities, counties, and other governmental entities to fund day-to-day obligations and to finance capital projects such as building schools, highways, or sewer systems. By purchasing municipal bonds, you are in effect lending money to the bond issuer in exchange for a promise of regular interest payments, usually semi-annually, and the return of the original investment, or "principal."

Generally, the interest on municipal bonds is exempt from federal income tax. The interest may also be exempt from state and local taxes if you reside in the state where the bond is issued. Bond investors typically seek a steady stream of income payments and compared to stock investors, may be more risk-averse and focused on preserving rather than increasing wealth. Given the tax benefits, the expected yield for municipal bonds is usually lower than on taxable fixed-income securities such as corporate bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket.

The three most common types of municipal bonds are: (1) general obligation bonds - issued by states, cities or counties and not secured by any assets (instead, general obligation bonds are backed by the "full faith and credit" of the issuer, which has the power to tax residents to pay bondholders); (2) revenue bonds are not backed by the government's taxing power but by revenues from a specific project or source, such as water & sewer, highway tolls or lease fees (some revenue bonds are "non-recourse", meaning that if the revenue stream dries up, the bondholders do not have a claim on the underlying revenue source), and (3) conduit borrowers issue bonds on behalf of private entities such as non-profit colleges or hospitals. These "conduit" borrowers typically agree to repay the bond issuer who pays the interest

and principal. In cases where the conduit borrower fails to make a payment, the issuer usually is not required to pay the bondholders.

Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate, reinvestment, inflation, market, call or redemption, credit, and liquidity and valuation risks. Investing in municipal bonds carries risks unique to these types of bonds, which includes:

- **Call Risk** - the potential for an issuer to repay a bond before its maturity date, something that an issuer may do if interest rates decline. Bond calls are less likely when interest rates are stable or moving higher. Many municipal bonds are "callable," so investors wanting to hold a municipal bond to maturity should research the bond's call provisions before purchasing.
- **Credit Risk** - the risk that the bond issuer may experience financial problems that make it difficult or impossible to pay interest and principal in full (i.e., "default"). Credit ratings are available for many bonds and seek to estimate the relative credit risk of a bond as compared with other bonds, although a high rating does not predict that the bond has no chance of defaulting.
- **Interest Rate Risk** - bonds have a fixed face value, known as the "par" value. If bonds are held to maturity, the investor will receive the face value amount back, plus interest that may be set at a fixed or floating rate. Prior to maturity, the bond's market price will move up as interest rates move down and it will decline as interest rates rise, so that the market value of the bond may be more or less than the par value.
- **Liquidity Risk** - the risk that investors will not be able to find an active market for the municipal bond, potentially preventing them from buying or selling when they want and obtaining a certain price. Many investors buy municipal bonds to hold them rather than to trade them, so the market for a particular bond may not be especially liquid, and quoted prices for the same bond can differ.

The alternative minimum tax ("AMT") is a tax imposed by the United States federal government in addition to the regular income tax for certain individuals, estates, and trusts. For those accounts seeking preservation of capital and current income exempt from taxation, MAI usually avoids municipal bonds subject to the AMT. For tax issues specific to you, you must consult your tax professional.

### General Obligation vs. Revenue Bonds

Typically, investors consider General Obligation bonds safer than Revenue bonds since the full faith and credit of the issuer backs the interest and principal payments. With revenue bonds, the interest and principal depend upon the revenues paid by users of the facility or service. Frequently, the issuers of revenue bonds are either private sector corporations (e.g., hospitals) or entities that exist, often in local monopoly form, to provide a public service (e.g., power utilities or public transportation authorities). Consequently, consumer spending that provides the funding or income stream for revenue bond issuers is more vulnerable to changes in consumer tastes or a general economic downturn compared to a state or city's ability to raise taxes to pay for its General Obligation commitments.

### Municipal Bonds of a Particular State

Municipal bonds are debt obligations issued to obtain funds for various public purposes, including the construction of public facilities. Securities issued by particular state municipalities are more susceptible to factors adversely affecting issuers of those state's securities.



## Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price investors pay for mutual fund shares is the fund's per-share net asset value (NAV) plus any shareholder fees the fund imposes at purchase (such as sales loads). The benefits of investing through mutual funds include professional management, diversification, affordability, and liquidity.

When investing in mutual funds, investors have thousands of choices. Most mutual funds fall into one of three main categories: money market funds, bond funds (also called "fixed income" funds), and stock funds (also called "equity" funds). In addition to these main categories, MAI may purchase mutual funds in other categories (i.e., alternatives). Each type has different features and different risks and rewards. The higher the potential return, the higher the risk of loss.

Mutual funds also have attributes that some investors view as disadvantages:

- **Costs Despite Negative Returns** - investors pay sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund performed poorly after purchasing shares.
- **Lack of Control** - investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time. They cannot directly influence which securities the fund manager buys and sells or the timing of those trades.
- **Price Uncertainty** - with an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or calling a broker or investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor places the order. Mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.
- **Tax Consequences of Mutual Funds** - when investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will only have to pay capital gains tax once they sell and make a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, they will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on personal capital gains when the investor sells shares, the investor may have to pay yearly taxes on the fund's capital gains. The law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that a loss cannot offset.

## Non-rated Bonds

In certain instances, MAI will purchase bonds that do not have a credit rating from one of the rating agencies. There can be many reasons an issuer chooses not to pursue a rating, including cost savings,

inability to achieve an investment grade rating, and time savings during the issuance process. In addition to up-front cost, a credit rating requires ongoing surveillance for the bond's life, which is paid for by the issuer. A municipal issuer can forego the rating process if the municipal bond issue does not receive an investment-grade credit rating. Beginning the credit rating process can delay the issuer's primary issuance process. A municipal issuer foregoes this flexibility to expedite access to the capital markets.

Further, these securities are subject to credit, market, interest rate, liquidity, and reinvestment risks. Investors are subject to the issuer's credit risk, and there is no guarantee an investor will receive all interest payments and principal repayment. There is no guarantee that the issuer's credit characteristics reflect investment-grade quality. Investors are subject to changing market conditions and market volatility. Bonds are subject to changes in interest rates, and bond prices change with broader market interest rates.

Further, an investor may experience a decline in bond prices in a rising interest rate environment. There is no guarantee that an investor can sell non-rated securities at a hypothetical price equivalent to an investment-grade bond. Further, secondary market sales may result in a loss of principal to the investor. There is no guarantee that an investor can reinvest principal or interest proceeds into securities that yield similar interest rates as a non-rated security.

### Options

When appropriate, MAI engages in (or recommends that clients engage a separate account to engage in) options transactions to hedge risk and generate portfolio income and capital appreciation. Using options transactions as an investment strategy can involve a high level of inherent risk. Option transactions establish a contract between two parties concerning buying or selling an asset at a predetermined price during a specific period. During the option contract term, the buyer gains the right to demand fulfillment by the seller. Fulfillment takes the form of selling or purchasing a security, depending on the option contract.

The purchase or sale of an option contract shall be with the intent of "hedging" a potential market risk in a client's portfolio, generating income and capital appreciation for a client's portfolio. Certain options-related strategies (e.g., straddles, short positions, etc.) produce principal volatility and risk. Thus, a client must be willing to accept this enhanced volatility and principal risks associated with such strategies. Considering these enhanced risks, the client can direct MAI in writing, to not employ any or all such strategies.

Call or Put writing, covered or uncovered, is the sale of in-, at-, or out-of-the-money call or put option against a long security and cash position held in a client portfolio. This type of transaction is intended to generate income. Income is received from the proceeds of the option sale. Such income can be reduced or lost to the extent it is determined to buy back the option position before its expiration. There can be no assurance that the option buyer will not assign the security, resulting in the client (option writer) losing ownership and establishing a long or short position in the security.

Long call option purchases allow the option holder to buy or "call" the underlying security at the contract strike price at a future date. If the price of the underlying security increases in value, the value of the long-call option can increase in value depending on the strike price and expiration. Long calls are often used for capital appreciation and to hedge short-call options. The security/portfolio will experience losses if the

underlying security price is below the strike price at expiration. If the option holder calls the security, it will result in the client having an ownership position in the security and incur potential unintended portfolio losses and tax consequences.

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the underlying security price declines, the long-put option's value can increase depending on the strike price and expiration. Long puts are often used to hedge long security positions to protect against downside risk. The security/portfolio could still experience losses depending on the quantity of the puts bought strike price and expiration. If the security is put to the option holder, it will result in the client (option seller) losing ownership of the security or establishing a short position. This could result in the client incurring unintended borrowing fees and tax consequences. Options are considered "wasting assets" because their time value continually diminishes until zero at expiration.

There can be no guarantee that an options strategy will achieve its objective or prove successful. No client is under any obligation to enter into any option transactions. However, if the client does so, they must be prepared to accept the potential for unintended or undesired consequences (i.e., losing ownership of the security and incurring capital gains taxes).

### Pass-Through Securities

MAI may invest client's accounts in various debt obligations backed by pools of mortgages or other assets including, but not limited to, loans on single-family residences, home equity loans, mortgages on commercial buildings, credit card receivables, and leases on airplanes or other equipment. Principal and interest payments made on the underlying asset pools backing these obligations typically pass through to investors, net of any fees paid to any insurer or guarantor of the securities. Pass-through securities have either fixed or adjustable coupons. These securities include:

### Mortgage-Backed Securities

U.S. government agencies and government-sponsored entities, such as Ginnie Mae, Fannie Mae, and Freddie Mac, and private entities issue mortgage-backed securities. The payment of interest and principal on mortgage-backed obligations issued by U.S. government agencies may be guaranteed by the full faith and credit of the U.S. government (in the case of Ginnie Mae) or may be guaranteed by the issuer (in the case of Fannie Mae and Freddie Mac). However, these guarantees do not apply to the market prices and yields of these securities, which vary with changes in interest rates.

Private entities that issue mortgage-backed securities structure them similarly to those issued by U.S. government agencies. However, government agencies do not guarantee mortgage-backed securities, or the underlying mortgages issued by private entities. These securities' structure includes one or more types of credit enhancements like insurance, or letters of credit issued by private companies. Mortgage-backed securities generally permit borrowers to prepay their underlying mortgages. Prepayments can alter the effective maturity of these instruments and the potential return.

### Collateralized Mortgage Obligations ("CMO")

A pool of mortgages or mortgage loans backs a CMO, divided into two or more separate bond issues. Agency mortgages back CMOs issued by U.S. government agencies, while either government agency mortgages or private mortgages back privately issued CMOs. Principal and interest payments pass

through to each bond issue at varying schedules, resulting in tranches with different coupons, effective maturities, and sensitivities to interest rates. Issuers can structure CMOs to magnify the impact of changing prepayment rates on the effective maturities of certain issues of these securities when interest rates change. CMOs are less liquid or exhibit greater price volatility than other mortgage or asset-backed securities types.

### Preferred Stocks

Preferred stock is senior to common stock in the capitalization structure of companies. Preferred securities are issued in perpetuity or have a call provision. Their dividend payments can be cumulative or non-cumulative. The risk factors of preferred stock include:

- **Credit Risk** - the issuer's bankruptcy can cause a complete loss in the value of the preferred stock. Focusing on higher quality issues from firms with stronger balance sheets helps mitigate this risk.
- **Interest Rate Risk** - like fixed income securities, preferred stock has exposure to changes in interest rates. Security prices can fall as rates increase and potentially rise as rates fall.
- **Liquidity Risk** - the lack of volume in this market is one of the reasons why this opportunity exists. The issues may have to be held for years to realize the total return objective.

### Private Debt Funds

Debt funds are subject to risks associated with the current interest rate environment, and to the extent they use debt to finance investments, changes in interest rates will affect their cost of capital and net investment income. Unsecured debt investments could lose all or part of their value. Global capital markets could enter a period of severe disruption and instability. These conditions have historically affected and could again materially and adversely affect debt and equity capital markets in the United States and around the world and lending businesses. To the extent that business development companies ("BDCs") are used, regulations governing their operation affect their ability to and how they raise additional capital. BDC's necessity of raising additional capital exposes them to risks, including the typical risks associated with leverage.

Investing in smaller companies poses additional risks. It is often more difficult to value or dispose of small company stocks, more difficult to obtain information about smaller companies, and the prices of their stocks are more volatile than stocks of larger, more established companies. Clients should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value.

### Private Funds

A private fund is an investment vehicle that pools investor capital and invests in securities and other instruments. In almost all cases, a private fund is a private investment vehicle typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee and a performance component.

In many cases, the fund's managers become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short. Each private fund comes with its own set of unique risks. The PPM covers important information, including risks specific to that fund. Investors should review this document carefully and consider conducting additional due diligence before investing in the private fund.

The primary risks of private funds include that they:

- do not sell publicly and are, therefore, illiquid. An investor may be unable to exit a private fund or sell its interests in the fund before it closes;
- are subject to various other risks, including risks associated with the types of securities the private fund invests in or the type of business issuing the private placement, and
- can be pass-through entities, passing earnings through to the limited partners. Investors must be aware of the potentially significant tax implications of investing in private funds and consult their tax advisor before investing in these securities. In addition, investors receive a Schedule K-1, which may delay the filing of tax returns if they are not delivered timely. If an extension is required because a K-1 is issued after April 15, the cost of the tax preparation may increase as it is an additional service and adds time to the tax compliance process.

### Real Estate Investment Trusts ("REITs")

MAI may invest for client accounts in securities issued by REITs, which primarily invests in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and long-term mortgage loans. Changes in the value of the underlying property of the trusts, the issuer's creditworthiness, property taxes, interest rates, tax laws, and regulatory requirements, such as those relating to the environment, can all affect the values of REITs. Both types of REITs depend on management skills, the cash flows generated by their holdings, the real estate market in general, and the possibility of failing to qualify for any applicable pass-through tax treatment or to maintain any applicable exemption status afforded under relevant laws.

### Structured Notes

Structured notes are hybrid securities that combine debt securities (generally bonds) and derivatives to create the payout structure. Structured notes are typically considered illiquid investments since there is no market to resell a structured note, and they include a debt or bond component with a future maturity date. Before investing, investors should carefully consider if they can hold the structured note until maturity. The return on a structured note is linked to the performance of an underlying asset, group of assets, or index. This derivative component is created based on the movement of one or more "factors." These factors include currency exchange rates, interest rates, referenced bonds, and stock indices. Some of these factors correlate to the total rate of return on one or more underlying instruments referenced in such notes.

In some cases, the impact of these factors movements increase or decrease through multipliers or deflators. Investments in structured notes involve interest rates, credit, liquidity, and market risks. Where investments in structured notes are based upon the movement of one or more factors, depending on the

factor used and the use of multipliers or deflators, changes in interest rates and movement of the factor may cause significant price fluctuations. Additionally, changes in the reference instrument or security may cause the interest rate on the structured note to be reduced to zero, and any further changes in the reference instrument may then reduce the principal amount payable on maturity.

### U.S. Government Obligations

- **U.S. Treasury Securities** - U.S. Treasury securities include direct obligations of the U.S. Treasury, such as Treasury bills, notes, and bonds. These are backed by the U.S. Treasury, or the full faith and credit of the United States are guaranteed only as to the timely payment of interest and principal when held to maturity, but the market prices for such securities are not guaranteed and will fluctuate, including as changes in global economic conditions affect the demand for these securities.
- **Federal Agency Securities** - certain U.S. government agencies and government-sponsored entities guarantee the timely payment of principal and interest with the backing of the full faith and credit of the U.S. government.
- **Other Federal Agency Obligations** - additional federal agency securities are neither direct obligations of nor guaranteed by the U.S. government. These obligations include securities issued by certain U.S. government agencies and government-sponsored entities. However, they involve some form of federal sponsorship: some operate under a government charter; specific types of collateral back some; the issuer's right to borrow from the Treasury supports some; and only the credit of the issuing government agency or entity supports others.

## **Item 9 - DISCIPLINARY INFORMATION**

MAI and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. MAI does not have any disciplinary information to disclose.

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Management Company**

Effective January 1, 2010, a management company named MAI Wealth Management, Inc. ("MAIW") was created. The company was formed to house all employees and to pay their salaries and benefits. A management agreement exists between MAIW and MAI in which MAI pays MAIW for the various services the employees provide. MAI is the registered investment adviser.

### **Adviser to Mutual Fund**

MAI Capital Management, LLC is the investment adviser to the MAI Managed Volatility Fund (MAIPX/DIVPX). This open-end mutual fund is part of the Forum Family of Funds ("Forum") and is registered under the Investment Company Act of 1940. MAI is not affiliated with Forum.

MAI may allocate to our clients shares of the MAI Managed Volatility Fund. In this case, MAI will exclude those shares from being billed on the portion of the investment account invested in MAIPX and will only receive compensation as an adviser to the Fund.

## Insurance Agency

### Affiliated

As part of MAI's overall investment and wealth management services, your MAI advisor may use MAI Insurance to conduct and facilitate insurance reviews. MAI Insurance is a wholly owned company of MAI. MAI Insurance earns commissions on insurance products separate from and in addition to the fees you pay to MAI. Several insurance brokers sit under Galway Holdings LP – Series 1. You may also be referred to these insurance brokers to fulfill any insurance needs and MAI Insurance may also earn a referral fee.

The ownership relationship between these entities presents a potential conflict of interest; however, obtaining services from MAI Insurance or a Galway entity will not result, directly or indirectly, in the payment of any greater or lesser investment advisory fees or expenses assessed by MAI to its investment advisory clients. MAI is aware of this conflict and will always put your interests ahead of its own. You are never required to purchase any product recommended through the affiliated services.

### Unaffiliated

MAI may also look to the services of other unaffiliated insurance brokers to conduct reviews and make recommendations. In the case of using other insurance brokers, MAI receives no commission or other remuneration from the sale of any insurance product other than MAI Insurance.

## Registered Representatives of Unaffiliated Broker-Dealers

Some MAI employees are also registered securities representatives of a non-affiliated registered broker-dealer and a member of the Financial Industry Regulation Authority ("FINRA"). These employees maintain these registrations to sell and market our proprietary mutual fund or variable insurance product.

## Private Funds

MAI is an investment manager and owns the general partnership to certain investment-related limited liability companies and limited partnerships listed below:

- MAI Wealth GP, LLC, an Ohio limited liability company, serves as the General Partner of the Hartwell Capital Partners LP. Richard J. Buoncore is the Manager of MAI Wealth GP, LLC.
- MAI Wealth Private Equity GP, LLC, a Delaware limited liability company, is the General Partner of MAI Wealth Private Equity Fund, L.P. The General Partner is managed by Richard J. Buoncore of MAI and the principals of Cerity Partners LLC.
- MAI Wealth Opportunity GP, LLC, a Delaware limited liability company, is the General Partner of MAI Opportunity Fund, L.P., and is managed by Richard J. Buoncore of MAI.

- MAI Diversified Real Estate Income GP, LLC, a Delaware limited liability company, serves as the General Partner of MAI Diversified Real Estate Income Fund, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Diversified Real Estate Income II GP, LLC, a Delaware limited liability company, serves as the General Partner of MAI Diversified Real Estate Income Fund II, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Diversified Real Estate Income III GP, LLC, a Delaware limited liability company, serves as the General Partner of MAI Diversified Real Estate Income Fund III, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Capital Income & Growth GP, LLC, a Delaware limited liability company, serves as the General Partner of MAI Capital Income and Growth Fund II, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Capital Income & Growth GP, III, LLC, a Delaware limited liability company, serves as the General Partner of MAI Capital Income and Growth Fund III, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Capital Income & Growth GP IV, LLC, a Delaware limited liability company, serves as the General Partner of MAI Capital Income and Growth Fund IV, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Capital Income & Growth GP V QC, LLC, a Delaware limited liability company, is the General Partner of MAI Capital Income & Growth GP V QC, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Capital Income & Growth GP V QP, LLC, a Delaware limited liability company, is the General Partner of MAI Capital Income & Growth GP V QP, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Capital Income & Growth VI QP GP, LLC, a Delaware limited liability company, is the General Partner of MAI Capital Income & Growth VI QP, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Lending Fund GP, LLC, a Delaware limited liability company, is the General Partner of MAI Lending Fund, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Solamere Fund GP, LLC, a Delaware limited liability company, is the General Partner of the Solamere Private Equity Fund, L.P. The General Partner is managed by Richard J. Buoncore of MAI.
- MAI Glade Brook Fund GP, LLC, a Delaware limited liability company, is the General Partner of MAI Glade Brook Venture Fund, L.P.
- MAI Capital GP Staking Fund GP, LLC, a Delaware limited liability company, serves as the General Partner of MAI Capital GP Staking Fund, L.P. The General Partner is managed by Richard J. Buoncore of MAI.



- MAI Capital Secondaries Infrastructure Solution GP, LLC, a Delaware limited liability company, is the General Partner of the MAI Capital Secondaries Infrastructure Solution, L.P. The General Partner is managed by Richard J. Buoncore of MAI.

MAI also has an indirect interest in MAI-Oak Street GP, LLC. This Delaware limited liability company is the General Partner of MAI Wealth Income & Growth Fund, LP., a Delaware limited partnership ("Income and Growth Fund") that began operations in September 2013. The General Partner is controlled by MAI Wealth Capital Partners, LLC, a Delaware limited liability company owned by MAI, with Richard J. Buoncore serving as its President, and Oak Street Income and Growth, LLC. Pursuant to an investment advisory agreement, the investment manager of the Income and Growth Fund is Oak Street Real Estate Capital, LLC (SEC #801-77141), a Delaware limited liability company. Oak Street Real Estate Capital, LLC controls Oak Street Income and Growth, LLC.

In addition to the Funds, MAI expects to continue to manage other client accounts, some of which have objectives similar to those of the Funds, including other collective investment vehicles which may be managed by the same General Partner ("GP") in which both the GP and MAI have an equity interest.

Neither the GP nor MAI is obligated to devote any specific amount of time to the Funds' affairs. It is not required to accord exclusivity or priority to the Funds in case of limited investment opportunities.

When MAI determines that it would be appropriate for the Funds and one or more other investment accounts to participate in an investment opportunity, MAI will seek to execute orders for all participating investment accounts equitably. If MAI has determined to invest at the same time in more than one of the investment accounts, MAI will place combined orders for all such accounts simultaneously. If an order on behalf of more than one account cannot be fully executed under prevailing market conditions, MAI will allocate the trade among the different accounts on a basis that we consider equitable. Situations may occur where the Funds could be disadvantaged because of the investment activities conducted by MAI for other investment accounts.

## **Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **MAI Code of Ethics**

MAI seeks to secure our reputation for integrity and professionalism, maintain the trust of our clients, and ensure that our employees do not benefit personally from the short-term effects of their service to clients. MAI has adopted the MAI Code of Ethics (the "Code of Ethics") to achieve these goals. All directors, officers, and employees of MAI, as well as any other person who provides investment advice on behalf of MAI and is subject to MAI's supervision and control, must abide by the Code of Ethics.

The Code of Ethics prohibits the misuse of material nonpublic information. It seeks to uphold general business ethics by prohibiting and/or limiting certain activities, such as engaging in outside activities and giving or receiving gifts, other than nominal gifts, to or from any person or other entity that does business, or proposes to do business, with MAI or our affiliates without prior approval by the MAI Compliance Department. The Code of Ethics also governs certain political contribution activity. MAI provides a copy of the Code of Ethics to clients or prospective clients upon request.

## Personal Trading Practices

Personal trading activity may include the purchase or sale of securities that we also recommend to clients. This includes related securities (e.g., warrants, options, or futures). This presents a potential conflict of interest as we may have an incentive to take investment opportunities from clients for our benefit, favor our personal trades over client transactions when allocating trades, or use the information about the transactions we intend to make for clients to our personal benefit by trading ahead of clients.

To address these conflicts of interest, MAI's Code of Ethics imposes restrictions with respect to transactions for personal accounts. These restrictions include prohibitions on trading excessively, acting on investment opportunities before offering appropriate opportunities first to clients, investing in initial public offerings or private placements without prior approval of the MAI Compliance Department, and investing in securities on the restricted stock list maintained by MAI. The Code of Ethics also requires certain MAI personnel to adhere to its pre-clearance policy regarding personal securities transactions and to report their securities transactions and holdings to the Compliance Department.

## Participation or Interest in Client Transactions

MAI acts as an investment adviser to numerous client accounts. MAI may give advice and act with respect to any accounts we manage or for our account that may differ from action taken by MAI on behalf of other accounts. MAI is not obligated to recommend, buy, or sell, or refrain from recommending, buying, or selling, any security that MAI, or employees, may buy or sell for our or their account or the accounts of any other client. MAI is not obligated to refrain from investing in securities held by accounts we manage except to the extent that such investment violates policies adopted by MAI. In a limited number of instances, MAI employees act as trustees at a client's request and with written permission of MAI. **See Item 15 – Custody** for more information on MAI employees acting as trustees for client trusts.

The following items represent situations where a conflict of interest exists between the client and MAI and our personnel and discuss our policies for addressing those conflicts.

## Recommendations Involving Financial Interest

MAI and/or our personnel may have financial interests in securities or investment products we recommend. Client portfolios may include the securities of companies in which MAI, or our personnel have positions.

MAI may manage the securities portfolios of our employees' pension plans and those of related companies on a discretionary basis following the same principles as other tax-exempt accounts.

## Interest in Investment Funds

MAI is the investment manager and general partner or managing member or has other economic interests in certain investment-related limited liability companies and limited partnerships (the "Funds"). MAI may suggest or recommend that clients purchase or sell the Funds managed by MAI. For more information on the Funds, see **Items 4, 8, and 10**. MAI recommends such securities to clients who meet the requisite income and net worth requirements and where MAI believes that the investment is appropriate for the client based on the client's ability to accept the risk.

MAI earns or shares in the management fees for these Funds. MAI also earns a carried interest or a performance fee for the funds listed in *Item 6*. Clients also pay MAI management fees on the assets MAI manages in their accounts. To avoid the conflict of clients paying MAI dual fees, all assets invested in these funds by MAI clients are excluded from the value of the client's account to calculate MAI's discretionary or non-discretionary management fees. The investment advisory fees that MAI receives from each of the MAI Funds are paid by the MAI Funds but are borne by fund members. Clients will receive the offering memorandum and full disclosure of all known risks before investing. In addition, MAI will disclose any proprietary interest in the company to the client.

### Cross Trades

While we typically do not engage in cross transactions, sometimes, it may be advantageous to clients to execute one client's sale transaction by matching it with another client's purchase transaction. For example, such a cross transaction can save brokerage commissions and related transaction costs. We will only do this when the proposed transaction is in the best interest of both clients. We do not "dump" a security into a client's portfolio just because another client needs to sell, nor do we decide to sell a security from one client's account just because another client wishes to purchase a similar security. Usually, this situation occurs with fixed-income securities where we can receive more advantageous pricing for both clients by crossing the security instead of going into the open market to execute separate transactions.

MAI will always execute such cross-transactions through an independent broker-dealer acting as an agent. An independent broker-dealer will determine the price for a cross-transaction and is usually the midpoint between the best bid and offer prices available for the size of the transaction. We will also consider any additional fees charged to cross the security to ensure that the transaction is still appropriate for both clients.

MAI does not act as the broker for any client cross-transactions. It will never receive commissions or compensation for these trades (other than our normal advisory fees for managing the accounts). Portfolio and Wealth Managers will provide complete written details of a proposed cross-transaction to our Chief Investment Officer, who will provide written authorization for the transaction if they approve. MAI will maintain documentation of cross-transactions in our books and records.

### Aggregation with Client Orders

Transactions for each client's portfolio will generally be affected independently unless MAI determines to purchase or sell securities for several clients at approximately the same time. MAI may buy or sell securities in a batch transaction and allocate the batch to clients, funds, and employees. This presents a potential conflict of interest as we have an incentive to allocate more favorable executions to our accounts or the accounts of our personnel. MAI only aggregates transactions for clients with funds and employees, provided the allocation is done without favor to any one party. When aggregating orders, no client is to be favored over any other client; each client participating in the aggregated order will participate at the average share price for all the transactions executed at each custodian in that security by the block on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction. There may be more than one block of aggregated orders in a particular security on a business day. Securities purchased or sold in a batched transaction are allocated pro-rata, when possible, to the participating client accounts in proportion to the size of the order placed for each account. MAI may,

however, increase or decrease the amount of securities allocated to each account if necessary to avoid holding odd-lot or small numbers of shares for particular clients. Additionally, if MAI is unable to execute a batched transaction fully and MAI determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction pro-rata, MAI will allocate such securities in a manner determined in good faith to be a fair allocation.

### **Adviser to Mutual Fund**

MAI is an investment adviser to the MAI Managed Volatility Fund (MAIPX/DIVPX), a proprietary mutual fund. We may purchase interests in this fund for our advisory clients on a discretionary basis. MAI receives fees for managing the mutual fund and fees for investment advisory services provided to clients, which could give us an incentive to invest advisory clients in these mutual funds so that we receive dual fees. We recognize this conflict of interest, and to address it, we exclude this mutual fund from the assets we manage when calculating the advisory fee so that we will not receive dual management fees.

### **Clients Having an Ownership Interest**

A few MAI clients have or may acquire a non-controlling, passive ownership interest in MAI. In the performance of our investment advisory and management services, MAI makes no distinction between clients who may have such an ownership interest and any other clients. Nevertheless, because of a non-controlling ownership interest, a particular client may have the opportunity to access MAI, our investment professionals, and staff to a degree different from that available to other clients. In these circumstances, such a client may be advantaged in support and administrative services compared to clients having no ownership position. Such an advantage, however, is unrelated to the performance of investment advisory and management services by MAI for all MAI clients.

## **Item 12 - BROKERAGE PRACTICES**

### **Introduction**

MAI will recommend that our clients consider establishing brokerage accounts with Fidelity Brokerage Services, Inc. ("Fidelity") or Charles Schwab & Co., Inc. ("Schwab"), among other custodians, all FINRA-registered broker-dealers, to maintain custody of clients' assets and to effect trades for their accounts. Although MAI may recommend that clients establish accounts at a particular custodian, the client decides where to custody assets. MAI is not affiliated with any custodian. Factors considered by MAI in the recommendation of a custodian include the reasonableness of its product availability, research, and other services available to both the client and MAI.

### **Factors Considered in Selecting Broker-Dealers for Client Transactions**

In selecting securities brokerage firms, dealers, or banks ("investment firms"), MAI will consider the investment firm's execution capabilities, speed and efficiency, and quality of services, among other factors. In selecting an investment firm, MAI will seek competitive bids and negotiate rates where possible. Clients may pay commissions over those that another brokerage firm might charge for the same transactions. MAI generally trades at market and, on occasion, will use market limit orders.

When buying or selling securities in dealer markets, primarily fixed-income securities, MAI prefers to deal directly with market makers in the securities who act for their account as a principal in the transaction. MAI may affect trades on a "net" basis on these transactions. It will not pay the market maker any commission, commission equivalent, or markup/markdown other than the "spread," that is, the difference between the price paid (or received) by MAI and the price received (or paid) by the market maker in trades with other broker-dealers or other customers.

Securities may also be purchased from underwriters at prices that include underwriting fees.

### Commission Rates or Equivalents Policy

For any portfolio transaction, MAI will not select broker-dealers based on commission rates or seek competitive bids in advance for the most favorable commission rate. Although MAI seeks competitive commission rates on transactions where the client has not directed the broker-dealer selection, the account will not necessarily pay the lowest commission or commission equivalent.

The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, and other services that will help MAI provide investment management services to clients. MAI may, therefore, use a broker who provides useful research, custody, and securities transaction services even though a lower commission is charged by a broker who offers no research services and minimal custody or securities transaction assistance.

Orders for discretionary accounts will be placed before orders for non-discretionary accounts since it usually takes time for non-discretionary account clients to respond to MAI's recommendations.

### Best Execution

MAI seeks to obtain "best execution" of our clients' securities transactions. Best execution is achieved by well-informed trade execution decisions to maximize client portfolios. This responsibility relates to the asset management process and the management of direct and indirect costs associated with using intermediaries such as broker-dealers and Electronic Communications Networks (ECNs). MAI strives to execute each transaction so that the client's total costs or proceeds in each transaction are the most favorable under the circumstances, including securities executed by specified broker-dealer. MAI considers pricing, speed of execution, and execution consistency. MAI periodically and systematically evaluates the performance of brokers and dealers executing our clients' transactions.

### Limitation by Custodian

Prime brokerage arrangements are only available to accounts that meet the minimum net equity requirements established by the SEC and when prime brokerage agreements are executed. Custodian brokers may impose net equity requirements higher than those established by the SEC. Accounts held at Custodians that fall below the minimum required will not be able to participate in prime brokerage agreements, and therefore, all trades for those accounts will be placed with the accounts' custodian.

Custodian brokers may charge the client additional fees or higher trading costs for securities purchased from another broker-dealer and transferred to the client's account. MAI will consider this additional cost in relation to our duty to seek the best execution for clients when we trade for these accounts. MAI receives research benefits when executing trades with other broker-dealers through prime brokerage arrangements.

## Trading Errors

MAI has procedures to prevent trading errors. Nevertheless, trade errors will still occasionally occur. Trading errors must be corrected promptly and, in a manner, so that the client does not suffer a loss from the error. However, in calculating the amount of any loss to a client, MAI may consider any tax savings or other monetary benefits the client may have received, so long as this practice and any resulting direct or indirect benefit to MAI is fully disclosed to the client in writing. If a gain (or loss) occurs before the settlement date, MAI will recognize it in an error account. Depending on the custodian, the gain is either used to offset future errors or donated to charity. Retention of such gain constitutes a benefit for MAI derived from managing client accounts and, as such, represents a conflict of interest.

## Trade Rotation

MAI's fiduciary responsibility is to ensure that accounts are traded fairly and impartially. No account will receive preferential treatment over any other. For clients in a strategy, accounts will be traded per the following trade rotation procedure.

When trading a strategy or discretionary accounts within a strategy for multiple client accounts, MAI will follow a rotation process grouped by the custodian or executing broker. When aggregating orders (block trades), each participating client must participate at the average share price (per custodian) for all transactions in that security in that block unless changes in allocation are required by special circumstances such as odd-lot considerations and small numbers of securities.

When executing trades with "manual" or "non-electronic" custodians, the custodian will be placed in the trade rotation; however, MAI will not wait for the order's confirmation before moving on to the next custodian in the rotation.

## Research and Other Soft Dollar Benefits

MAI may direct brokerage transactions to securities broker-dealers with which we have arranged to receive research that we use in providing investment management services to our clients. Such arrangements are referred to as "soft dollar" arrangements and enable MAI to obtain valuable proprietary or third-party research to supplement our research in exchange for directed brokerage and the payment of brokerage commissions. In all cases, MAI has determined that the commission charged by a broker-dealer with which we have such an arrangement is reasonable in relation to the value of the brokerage and research services provided and the benefit to MAI clients. Under such arrangements, clients may pay a higher brokerage commission than they might otherwise pay in executing transactions through a broker-dealer with which MAI has no arrangement for research services. Research services obtained by MAI may directly or indirectly benefit clients and may be used in connection with clients other than those paying commissions. MAI does not attempt to assign or separately allocate relative costs or benefits of obtaining valuable research among clients.

Using brokerage commissions to obtain investment research services and to pay for expenses of MAI creates a conflict of interest between MAI and our clients and Funds because the clients and Funds pay for such products and services that are not exclusively for them and that may benefit, primarily or solely, MAI and /or, affiliates of MAI. To the extent that MAI can acquire these products and services without expending our resources (including management fees paid by the Funds), MAI's use of "soft dollars"

would tend to increase MAI's profitability. In addition, the availability of these non-monetary benefits may influence us to select one broker rather than another to perform services.

MAI is a party to "soft dollar" arrangements with various brokerage firms, under which the cost of specific research and other services and products used by MAI, or our affiliates is paid for with commissions generated by direct securities transactions for client accounts. MAI has entered into arrangements with brokers to (1) have "soft dollar" credits rebated to the client accounts or to have commissions recaptured by the client accounts from which the credits or commissions were generated or (2) use "soft dollars" to pay expenses otherwise payable by client accounts. Either of such uses of "soft dollars" would enhance the returns associated with such client accounts from the returns that would exist absent such uses.

MAI reserves the right to change our soft dollar practices as provided herein.

In addition to research services, MAI has been offered other monetary or non-monetary benefits by brokers to execute direct securities transactions on behalf of our clients. These benefits may include special execution, clearance, and settlement capabilities. Further, if a product or service obtained by MAI provides both research and non-research benefits, MAI will treat it as a "mixed-use" item and pay for the non-research portion with cash.

In the use of soft dollars with regard to obtaining "mixed use" items or services, that is, items or services that MAI may directly use for its purposes in addition to use for the benefit of clients, MAI makes an allocation in the payment for such items or services between soft dollars and hard dollars it pays. Although the allocation between soft dollars and hard dollars paid by MAI is made in good faith based on a reasonable assessment of how such mixed-use items or services will be applied, MAI has a conflict of interest in making that determination to the extent there is an economic benefit in allocating a greater percentage of payment to soft dollars.

When engaging in direct securities transactions, MAI pays broker commissions higher than another broker might have charged for the same transaction in recognition of MAI's assessment of the value of the research and other services provided to MAI by the broker. However, MAI believes that commission costs borne by client accounts are reasonable for the overall services offered. The client account that bears the cost of such a commission for a particular trade will not necessarily be the sole beneficiary of such research. Subject to being satisfied that we are obtaining the best execution, MAI may consider referrals of investors in selecting among brokers that otherwise satisfy MAI's selection criteria.

Generally, these research services are broad and benefit all clients.

All soft dollar arrangements are reviewed and approved by MAI prior to entering into the arrangement. MAI monitors its dollar practices and any third-party arrangements to ensure consistency with the Firm's policy.

### Other Benefits

MAI has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides MAI with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like MAI in conducting business and in serving the best interests of their clients but that benefits MAI.

Fidelity may charge brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transaction fees are charged for certain no-load mutual funds, and commissions are charged for individual equity and debt securities transactions). Fidelity enables MAI to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are considered discounted from customary retail commission rates. However, Fidelity's commissions and transaction fees may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes certain research and brokerage services available to MAI at no additional charge to MAI, including research services obtained by Fidelity directly from independent research companies, as selected by MAI (within specified parameters). These research and brokerage services presently include services we use to manage accounts for which MAI has investment discretion, such as:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing, and other market data;
- facilitate payment of MAI's fees from our clients' accounts, and
- assist with back-office functions, recordkeeping and client reporting.

MAI may also receive additional services, including educational events or occasional business entertainment for MAI personnel. MAI will pay for any travel-related expenses associated with such an event. In evaluating whether to recommend that clients custody their assets at Fidelity, MAI considers the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely the nature, cost or quality of custody and brokerage services provided by Fidelity, which creates a potential conflict of interest.

As a result of receiving such services for no additional cost, we have an incentive to continue to use or expand the use of Fidelity's services. MAI examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of our clients and satisfies its client obligations, including its duty to seek the best execution. A client may pay a commission higher than another qualified broker-dealer might charge to affect the same transaction where MAI determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking the best execution, the determinative factor is not the lowest possible cost but whether the transaction represents the best qualitative execution, considering the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, we will seek competitive rates to benefit all clients; it may not necessarily obtain the lowest possible commission rates for specific client account transactions. Although the investment research products and services we receive will be used to service all MAI's clients, a brokerage commission paid by a specific client may be used to pay for research not used in managing that specific client's account. MAI and Fidelity are not affiliated, and no broker-dealer affiliated with MAI is involved in the relationship between MAI and Fidelity.



## Brokerage for Client Referrals

### Fidelity Wealth Advisor Solutions Program ("WAS Program")

MAI participates in the Fidelity WAS Program, a Fidelity affiliate acts as a promoter for MAI, and MAI pays referral fees for each referral who becomes a client of MAI. To receive referrals from the WAS Program, MAI must meet certain minimum participation criteria, but MAI may have been selected for participation in the WAS Program as a result of our other business relationships with Fidelity and its affiliates; therefore, MAI has an incentive to suggest that referred clients and their household members maintain custody of their accounts with Fidelity. However, participation in the WAS Program does not limit MAI's duty to select brokers based on best execution. See **Item 14** below for additional information regarding the WAS Program.

### Charles Schwab & Co., Inc. ("Schwab")

MAI receives client referrals from Schwab through MAI's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with MAI. Schwab does not supervise MAI and has no responsibility for MAI's management of clients' portfolios or MAI's other advice or services. MAI pays Schwab fees to receive client referrals through the Service. MAI's participation in the Service raises potential conflicts of interest described in **Item 14** below.

Schwab Advisor Services™ (formerly Schwab Institutional®) is Schwab's business serving independent investment advisory firms like ours. Schwab provides us and our clients access to its institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are available on an unsolicited basis (we do not have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

- **Services That Benefit You**

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

- **Services That May Not Directly Benefit You**

Schwab also makes other products and services that benefit us available but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts, and
- assist with back-office functions, recordkeeping, and client reporting services.

- **Services That Generally Benefit Only Us**

Schwab offers other services to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- consulting on technology, compliance, legal, and business needs;
- publications and conferences on practice management and business succession, and
- access to employee benefits providers, human capital consultants, and insurance providers.

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

### Client Directed Brokerage

Clients may direct MAI to use particular investment firms to execute portfolio transactions for their accounts. Where a client directs its brokerage, MAI may not be in a position where we can negotiate commission rates or spreads or obtain volume discounts, and the best price may not be achieved. This could deprive the client from participating in volume discounts on batched orders and could cost the client more money.

Additionally, broker custody of client assets can limit or eliminate MAI's ability to obtain best execution by placing orders with market-makers for OTC stock and bond transactions. Accordingly, directed transactions are subject to price movements, particularly in volatile markets, which may result in the client receiving a price less favorable than the price obtained for the batched order. Under these circumstances, the direction by a client of a particular broker or dealer to execute transactions may result in higher or lower commissions, greater spreads, or more or less favorable net prices than might have been obtained if MAI were able to select the firm.

MAI may select another investment firm if the client's investment firm cannot act on the transaction.

### Aggregation and Allocation of Transactions

We describe our aggregation practices under **Item 11 - Aggregation with Client Orders**.

## Item 13 - REVIEW OF ACCOUNTS

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Wealth Managers ("WMs") are primarily responsible for obtaining information about the client's income needs, investment time horizon, legal constraints, and other relevant investment factors. The assigned WMs are responsible for identifying the client's investment objective and communicating those objectives to the Portfolio Managers ("PMs"). Within the confines of MAI's investment philosophy, individual client portfolios are structured to meet each client's objectives. When a client does not have wealth management services and therefore no WM, the PM is responsible for obtaining the client's information and identifying the client's investment objective.

All client portfolios under management are to be reviewed at least annually by a WM or PM, and clients typically receive a performance report quarterly. However, they may ask to receive reports semi-annually, annually, or upon request. New investment, tax, or other developments may result in new or revised recommendations. New circumstances, or changes in client objectives, can trigger a portfolio review.

The review of client portfolios is to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, factor exposure, asset class or style drift, account additions/withdrawals, and a change in the client's investment objective, financial position, or tax situation. Based on these factors, it is common that an extended period will pass where changes to a client's portfolio are neither necessary nor prudent. Clients remain subject to the fees described herein during these periods.

In addition to reports and other reviews, PMs are available to clients through phone contacts or client meetings to assist in developing an investment plan and to receive, request, or consider specific investment recommendations.

WMs are available to wealth management clients through phone contacts or client meetings to help develop a financial plan. WMs have primary responsibility for the annual review of client's financial plan report and update as needed.

## Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION

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### Referral Arrangements

MAI enters into agreements with affiliates and non-affiliates to solicit clients for MAI. If an unaffiliated person introduces a client to MAI, we typically compensate that promoter through direct or indirect compensation by the requirements of Rule 206(4)-1 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements, a percentage of MAI's management and performance fees, or professional services fee. MAI pays any referral fee to the promoter from MAI's investment advisory fee.

The promoter is required to disclose at the time of the solicitation whether they are or are not a current client of MAI unless they are affiliated with MAI. All promoters are required to disclose whether they will receive any cash or non-cash compensation for the referral, and a statement that the receipt of compensation for a referral creates a conflict of interest.

### Fidelity Wealth Advisor Solutions Program

Under the Fidelity WAS Program, Fidelity Personal and Workplace Advisors ("FPWA") acts as an MAI promoter. MAI pays referral fees to FPWA for each referral received based on MAI's assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to MAI does not constitute a recommendation by FPWA of MAI's investment management services or strategies. More specifically, MAI pays to FPWA for referrals an amount equal to the sum of (i) an annual percentage of 0.10 percent of any assets in client accounts where such assets are identified as "fixed income" assets by FPWA and (ii) an annual percentage of 0.25 percent of all other assets held in client accounts. In addition, MAI has agreed to pay FPWA a minimum annual fee in connection with its participation in the WAS Program. MAI pays these referral fees and not the client.

FPWA does not supervise or control MAI, and FPWA has no responsibility or oversight for MAI's provision of investment management or other advisory services.

To receive referrals from the WAS Program, MAI must meet certain minimum participation criteria, but MAI may have been selected for participation in the WAS Program because of our other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of our participation in the WAS Program, MAI has a potential conflict of interest with respect to our decision to use certain affiliates of FPWA, including FBS, for execution, custody, and clearing for certain client accounts, and MAI has a potential incentive to suggest the use of FBS and its affiliates to our advisory clients, whether or not those clients were referred to MAI as part of the WAS Program. Under an agreement with FPWA, MAI has agreed that MAI will not charge clients more than the standard range of advisory fees disclosed in our Form ADV 2A brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Under these arrangements, MAI has agreed not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when MAI's fiduciary duties would so require. MAI has agreed to pay FPWA a one-time fee equal to 0.75 percent of the assets in a client account that is transferred from FPWA's affiliates to another custodian; therefore, MAI has an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit MAI's duty to select brokers based on best execution.

### Schwab Advisor Network® Program

MAI receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through MAI's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with MAI. Schwab does not supervise MAI and has no responsibility for MAI's management of clients' portfolios or MAI's other advice or services. MAI pays Schwab fees to receive client referrals through the Service. MAI's participation in the Service raises potential conflicts of interest, as described below.

The participation fee paid by MAI is a percentage of the fees the client owes to MAI or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. MAI pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to MAI quarterly and may occasionally be increased, decreased, or waived by

Schwab. The Participation Fee is paid by MAI and not by the client. For the accounts referred to us for the Service, MAI has agreed not to charge clients fees or costs greater than the fees or costs MAI charges clients with similar portfolios who were not referred through the Service.

MAI pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained or assets in the account are transferred from Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees MAI would pay in a single year. Thus, MAI will be incentivized to recommend holding client accounts in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of MAI's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, MAI will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit MAI's fees directly from the accounts.

For accounts of MAI's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from MAI's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, MAI may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. MAI, nevertheless, acknowledges its duty to seek the best execution of trades for client accounts.

Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for MAI's other clients. Thus, trades for accounts custodied at Schwab may be executed at various times and at prices different from trades for other accounts that are executed at other broker-dealers.

## Item 15 – CUSTODY

MAI has custody of certain clients' assets, such as when MAI can deduct fees from clients' accounts directly, an employee of MAI is a trustee on a client's account, a client authorizes a Standing Letter of Authorization ("SLOA") with their custodian and includes SLOAs where the third-party is a related party of MAI (e.g., an MAI Fund), MAI has a client's password to an account (e.g. an employer 401k account), or when a client grants MAI check writing authority or general power of attorney on accounts as part of its bill pay service.

MAI has put controls in place, in compliance with federal rules, to protect clients' assets over which we have custody. An independent qualified custodian (a broker-dealer, bank, trust company, or other financial institution) ("Qualified Custodian") holds each client's assets – MAI does not act as custodian for any client. At least quarterly, the custodian sends account statements directly to the client or the client's independent representative. In addition, an independent accountant conducts annual surprise

examinations of client accounts over which MAI, or a related person of MAI can instruct asset movement out of the client account, other than instructions to deduct MAI's management fees or transfer to a same-registration account of the client.

MAI is deemed to have custody of the assets of the Funds. As the managing member or general partner and investment manager of the funds, MAI can request funds from the custodian of the accounts. MAI has put controls in place, in compliance with federal rules, to protect clients' assets in the funds. We rely on the "annual audit provision" allowed under the custody rule. Each Fund has an independent audit performed by a public accounting firm. These audited financial statements are distributed to Fund investors. A qualified custodian holds the Fund's assets. In addition, an independent accountant audits the accounts each year, and we send copies of the audited financial statements to all investors in the funds. An independent accountant will also audit the fund upon liquidation.

A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds clients' funds and securities ("Qualified Custodian"). The statements will reflect the client's funds and securities held with the Qualified Custodian and any transactions in the account, including the deduction of MAI's fee. Clients should carefully review the account statements received from the Qualified Custodian. Clients who receive statements from MAI and the Qualified Custodian should compare these two reports carefully. Clients with any questions about your statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from the Qualified Custodian at least quarterly should also notify us.

## Item 16 - INVESTMENT DISCRETION

With respect to our discretionary clients, MAI is authorized to make the following determinations based on the client's specified investment objectives without consulting the client or obtaining the client's consent before effecting a transaction:

- which securities to buy or sell;
- the total amount of securities to buy or sell;
- the broker or dealer through whom securities are bought or sold;
- the commission rates at which to affect securities transactions for client accounts, and
- the prices to buy or sell securities may include dealer spreads or mark-ups and transaction costs.

For discretionary accounts, members of the Investment Committee set investment guidelines, and the Portfolio Managers make the investment decision within these guidelines and in accordance with the client's investment objectives. They may consult with the client's Wealth Manager. There are exceptions to MAI's investment discretion. Clients may prohibit the purchase of certain specific securities or securities from a specific industry. Client guidelines may also limit the amount of securities to be bought or sold or prohibit the purchase of certain types of securities if the purchase would cause the holdings of such securities to exceed a designated percentage of the account's value.

In connection with our Funds, MAI has complete discretion as to make investments and the general management of the Funds.

See also **Item 4 - Tailored Services and Client Imposed Restrictions** and **Item - 12 Brokerage Practices**, above.

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## Item 17 - VOTING CLIENT SECURITIES

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### Proxy Voting

Although MAI does vote proxies for a limited number of clients, MAI's general policy is not to accept responsibility for voting proxies absent special circumstances. In cases where MAI does, however, accepts responsibility for voting proxies for a particular client, MAI has adopted a Proxy Voting Policy that is designed to reflect MAI's commitment to voting proxies in the best interest of clients and, as required by Rule 206(4)-6 under the Advisers Act. We will make proxy voting decisions for that security on a case-by-case basis, as described below.

MAI generally votes with management; however, each proxy proposal should be individually reviewed to determine whether the proposal is in the best interests of our clients. MAI has developed procedures for voting proxies that require the review of proxy solicitation materials and vote for the proxies according to the voting guidelines outlined in the policy. MAI permits clients to direct our vote in a particular solicitation. To implement MAI's proxy voting policies, MAI has engaged Broadridge's ProxyEdge platform to vote and maintain records of all proxies.

Occasionally, we may have a conflict of interest in voting proxies. For example, when a portfolio company is a client or an affiliate of a client of MAI, a vote may impact the compensation payable to MAI in a manner adverse to the client's interests. In cases where MAI is aware of a conflict between the interests of a client and the interests of MAI or an affiliated person of MAI, MAI will notify the client of such conflict and will vote on the client's shares by the client's instructions. If MAI does not receive instructions from the client within three business days after the notice, MAI can abstain from voting, or will vote on the proxy in what we believe (at our sole discretion) is in the client's best interests.

At any time, clients can contact us to request information about how we voted your proxies for your securities or to get a copy of our Proxy Voting Policy. You can obtain this information by submitting a written request to us at: MAI Capital Management, LLC, Operations Department, 6050 Oak Street Blvd., Suite 500, Cleveland, OH 44131.

For clients where MAI does not have the authority to vote for client securities, clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients can call us if they have questions about a particular solicitation. However, MAI will not be deemed to have proxy voting authority solely because it provides advice or information about a specific vote of proxy to a client.

### Class Actions

MAI does not instruct or advise clients on whether to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will assist them in determining if they are eligible to participate and

provide them with any transaction information needed to file a proof of claim. If requested MAI will provide advice in connection with the class action. The client must decide whether to join the claim, complete the claim form, and send it in.

## **Item 18 - FINANCIAL INFORMATION**

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Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. MAI does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition reasonably likely to impair our ability to meet client contractual commitments.



## APPENDIX – PRIVACY NOTICE

## What Does MAI Capital Management, LLC Do with Your Personal Information?

<b>Why?</b>	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.
<b>What?</b>	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>Social Security number and employment information</li> <li>assets and income</li> <li>account balances and risk tolerance</li> </ul> <p>When you are no longer our client, we continue to share your information as described in this notice.</p>
<b>How?</b>	All financial companies need to share customers’ personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers’ personal information; the reasons MAI Capital Management, LLC (hereinafter referred to as “MAI”) choose to share; and whether you can limit this sharing.

Reasons We Can Share Your Personal Information	Does MAI Share?	Can You Limit This Sharing?
<b>For our everyday business purposes:</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes:</b> to offer our products and services to you	Yes	No
<b>For joint marketing with other financial companies</b>	No	We don’t share
<b>For our affiliates’ everyday business purpose:</b> information about your transactions and experiences	Yes	No
<b>For our affiliates’ everyday business purposes:</b> information about your creditworthiness	No	We don’t share
<b>For our affiliates to market to you</b>	No	We don’t share
<b>For nonaffiliates to market to you</b>	No	We don’t share

<b>Questions?</b>	Call 1-216-920-5174
<b>Who Are We?</b>	
<b>Who is providing this notice?</b>	MAI Capital Management, LLC
<b>What We Do</b>	
<b>How does MAI protect my personal information?</b>	<p>To protect your personal information from unauthorized access and use, we restrict access to your personal financial information to personnel who need that information to provide you with our products and services. We maintain and monitor our physical, electronic and procedural safeguards, updating them as needed so that we may guard your personal information. We use security and encryption methods to help us identify and prevent potential data breaches and unauthorized disclosure of your personal financial information.</p>
<b>How does MAI collect my personal information?</b>	<p>We collect your personal information, for example, when you open an account or give us your income information provide account information or give us your contact information seek advice about your investments tell us about your investment or retirement portfolio. We may also collect your personal information from others, such as credit bureaus, affiliates, or other companies, including your retirement plan sponsor where our services are available to you through your employer.</p>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only:</p> <ul style="list-style-type: none"> <li>▪ sharing for affiliates' everyday business purposes - information about your creditworthiness</li> <li>▪ affiliates from using your information to market to you</li> <li>▪ sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>

Definitions	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>MAI does not share with affiliates so they can market to you.</li> </ul>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>MAI does not share with nonaffiliates so they can market to you.</li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>MAI doesn't jointly market.</li> </ul>

Other Important Information
<p><b>To learn more about our privacy practices, please go to:</b> <a href="https://mai.capital/privacy-policy/">https://mai.capital/privacy-policy/</a></p> <p><b>For California Residents only:</b> we will not share information we collect about you with nonaffiliated third parties, except as permitted by California law, such as to process your transactions or to maintain your account. Please refer to our privacy practices referenced above.</p>