

**FIRM BROCHURE**  
(Part 2A of Form ADV)

**March 28, 2013**

**Spectrum Strategic Capital Management, LLC**

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**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Spectrum Strategic Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (541) 752-4556 and/or [www.sscapm.com](http://www.sscapm.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Spectrum Strategic Capital Management, LLC is registered as an investment adviser with Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about Spectrum Strategic Capital Management, LLC and its investment adviser representatives is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2: MATERIAL CHANGES

This Brochure dated March 28, 2013, updates and replaces the brochure dated March 29, 2012, in accordance with the requirements and rules adopted by the United States Securities and Exchange Commission (“SEC”). The form and content of the brochure is unchanged from the previous version except as noted below.

Item 4 – Advisory Services: This item has been updated to reflect information on a new investment strategy being offered – Enhanced Index Strategy Management Services and to clarify that the firm offers two other strategies – Investment Management Services – Equity Concentrated Strategy and Fixed Income Concentrated Strategy. In addition, information was included regarding the 401K consulting services now being offered by Spectrum and the amount of assets under management was updated.

Item 5 – Fees and Compensation: This item was updated to provide information on the new fee schedules for the investment strategies outlined in Item 4 and the fees for the 401K consulting services.

Item 7 - Types of Clients, Conditions for Managed Accounts: The portfolio strategy of Enhanced Index Strategy Management Services was added to this section, along with more detailed information on the Investment Management Services strategies and by the Firm. In addition, information regarding required ERISA disclosures has been included.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss: This was updated to include information on the new investment strategy and the Investment Management Services strategies, along with more detail regarding the risks associated with the types of investments utilized.

Spectrum Strategic Capital Management, LLC (“Spectrum” or the “Firm”) does not have any other material changes to our Form ADV disclosures.

Spectrum encourages each client to review the Brochure carefully and to call us with any questions you may have.

Pursuant to SEC Rules, Spectrum will ensure that clients receive a summary of any material changes to this Brochure at least annually, along with a copy of this Brochure or an offer to provide this Brochure, within 120 days of the close of Spectrum’s fiscal year. Additionally, should the Firm make material changes to this Brochure during the year, we will send you a summary of our “Material Changes” under separate cover, along with the same offer. For more information about the Firm, please visit [www.sscapm.com](http://www.sscapm.com).”

Additional information about Spectrum and its investment adviser representatives is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4: Advisory Business**

### **A. Description of Firm**

Spectrum Strategic Capital Management, LLC (f/k/a Spectrum Wealthcare, LLC) ("Spectrum") is a Corvallis, Oregon-based investment management firm, founded in 2001. We primarily offer services covering the areas of financial planning, portfolio construction, and asset management. In addition, we also monitor advisory accounts, and select third party managers that may be available to the client through Spectrum and/or Spectrum's affiliations.

We are currently registered with the Securities and Exchange Commission ("SEC") as an investment adviser and with the State of Oregon as a Limited Liability Company ("LLC"). We conduct business in a number of states, which are reflected in Part 1 of our Form ADV, a copy of which can be found on [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Currently, the principal owners (each owning between 5% to 25%) of the firm are, Greg Bachman, Nichols Cutting, Richard Schwartz, Scott Meeker, and Shelly Sorem. They are all part of senior management and are considered control persons of the firm.

### **B. Types of Advisory Services Offered**

Our advisory services fall into two broad categories: Financial Planning and Asset Management. Financial Planning encompasses a formal process of gathering data and preparing a written Plan. The purpose of the Plan is to give a client a roadmap for action. Such financial planning services are available on a stand-alone basis. Accordingly, a client may request planning services without any obligation to have the Plan implemented by us. In these cases, the planning services are subject to the fees described in Item 5 below.

The financial planning process is also integral to the process of asset management. In these cases, the goal of the planning process is to identify a client's investment goals and tolerance for risk. The purpose of this planning process is to prepare an investment policy statement (IPS) rather than a formal Financial Plan. The IPS sets forth the appropriate portfolio model for managing the client's assets. Accordingly, the asset management fees described in Item 5 below include all planning activities necessary for the proper management of the client's assets.

#### **1. Financial Planning**

Spectrum's approach to financial planning is to (1) obtain significant financial and other information from the client, including attitudes, goals, and objectives; (2) analyze the information obtained in order to develop alternatives for consideration; and (3) explain the implications and potential outcomes of selecting a particular alternative.

Based upon the client's objectives, Spectrum will prepare a written financial plan addressing the stated financial goals. This plan may be comprehensive in nature, or modular, as directed by the client. The client is not under any obligation to implement any of the recommendations outlined in the financial plan at any time either with Spectrum or with any other firm.

Financial plans are based on the client's financial situation at the time of creation and are based on financial information disclosed by the client to Spectrum. Clients are advised that certain assumptions may be made with respect to interest and inflation rates and use of past trends and performance of the market and economy. However, past performance cannot be relied on as an indication of future performance. We cannot offer guarantees or promises that the client's financial goals and objectives will be met.

Further, Spectrum generally reviews and updates the plan based upon changes in the client's financial situation, goals, or objectives or changes in the economy. Should the client's financial situation, goals, objectives or financial needs change, the client is responsible for notifying us promptly of the changes. The following list represents the types of financial plans that we may offer our clients:

a. Investment Planning Profile

When compiling an Investment Planning Profile, Spectrum will build a customized investment portfolio designed with a goal toward increasing returns and reducing risk. This model will be based on the client's time horizon, risk tolerance level, tax situation, future income needs, and goals and objectives. We will generally perform a complete analysis of the client's current portfolio and then compare it to our recommended investment portfolio. We will then suggest how the investments should be reallocated over various asset classes and the specific investment selection to implement our recommendations. We will provide a customized report that will define and assign the responsibilities of all involved parties and establish a clear understanding of the investment goals and objectives for the assets covered by the Investment Planning Profile.

b. Cash Management Profile

When constructing a Cash Management Profile, Spectrum will identify the client's sources of income and expenses. This profile will evaluate cash flow based on how income is currently being spent. We will then examine and itemize total income versus total expenses including taxes, to determine whether there is a surplus or deficit at the end of the year. We will use this information to make prudent recommendations regarding short-term and long-term financial goals (including debt restructuring).

c. College Planning Profile

For College Planning Profiles, Spectrum will help determine the estimated future cost of a college education and provide the client with various funding methods available. The College Planning Profile will also take into consideration whether or not financial aid will be available and potential tax implications. We will then review assets currently available and examine the specific dollar amounts that will be required on a monthly or lump sum basis. We will also project the estimated future cost of any specific university.

d. Risk Management and Survivors' Needs Profile

For those clients desiring Risk Management and Survivors' Needs Profiles, Spectrum will evaluate and project the estimated future financial needs of the surviving spouse and other dependents. We will then review available resources for income, including current insurance

programs, and the economic loss associated with a death, disability, or long-term illness of either spouse. We will also identify strategies to mitigate the identified risks.

e. Accumulation Profile

When compiling an Accumulation Profile, Spectrum will evaluate current and future estate accumulation and/or savings goals and the dollar amounts required for funding. We will review assets currently available and factor in time horizon, possible returns, and shortfalls, if any.

f. Estate Planning Profile

For clients desiring an Estate Planning Profile, Spectrum will calculate and evaluate the impact of estate taxes. We will assist the client in his/her goal of preserving assets today and in the future, as the client accumulates a greater amount of wealth. Specific tax savings and wealth transfer strategies will be provided in an effort to help assist the client in minimizing estate liabilities and to help ensure the client preserves his/her estate for the benefit of its intended beneficiaries. Other areas of consideration will include:

- Maximizing the Unified Credit;
- Uses of Various Wills and Trusts;
- Methods of Providing Estate Liquidity; and
- Future Growth of the Estate.

g. Retirement Planning Profile

Spectrum's Retirement Planning Profiles identify a client's retirement goals and estimates of future income and expenses. This profile will provide the client with helpful guidance in planning for a comfortable and possibly early retirement. We will review and examine the client's current situation and the assets that will be available, including Social Security and/or other sources of income.

Spectrum will determine the adequacy of future income and provide specific recommendations if there are any shortfalls. We will also run future growth projections, including the impact of inflation, to help increase the likelihood that the client does not outlive his/her income. Retirement Planning Profiles may also include: Social Security benefits strategies, complete investment analysis, and the impact of lifestyle choices on income requirements.

h. Comprehensive Financial Plan

When compiling a Comprehensive Financial Plan, Spectrum will prepare a complete financial plan that is designed to give clients a comprehensive financial analysis and evaluation, and a detailed roadmap to help them understand and work toward their goals. This plan is a compilation of all the available financial profiles listed above.

It is our goal to become the client's chief financial adviser and to coordinate the efforts of their other advisers for their best interests. If the client wishes, we will proceed to implement the alternatives selected; and periodically update the adopted plan as needed.

**2. Asset Management**

There are two key elements to Asset Management: portfolio construction; and implementation and monitoring. Portfolio construction is based on the asset allocation model that is appropriate

for the client. In this phase, the client's investment objectives, constraints, and preferences are identified and specified. The result is the determination of the percentages of a client's total portfolio that should be allocated to each particular asset class.

Implementation and monitoring is an ongoing process by which:

- Strategies are developed and implemented through investments in a combination of financial assets;
- Capital market conditions and client circumstances are monitored; and
- Portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above relevant variables.

Spectrum managed account portfolios may consist of, but are not limited to, money market funds, institutional mutual funds, stocks, bonds, unit investment trusts, exchange traded funds, certain limited private offerings, and certificates of deposit. Per the Spectrum Investment Management Agreement, the client's managed account will be a discretionary account for which Spectrum need not seek client approval prior to purchasing or repositioning assets. For more information on our discretionary authority, please refer to Item 16, below.

Clients, with assistance from Spectrum, will fully and accurately complete a Risk Profile Questionnaire ("Profile") in the form provided by us describing the client's financial situation, investment objectives, time horizon, risk tolerance and investment preferences. We will utilize the Profile in rendering services to each client.

Upon completion of a client's Profile, Spectrum and client will determine the appropriate portfolio investment strategy based on results of the Profile. Under all circumstances, clients are responsible for promptly notifying us of any material changes in the information furnished by the client in the Profile or information that is otherwise material to client's financial situation, investment objectives, time horizon, risk tolerance and investment strategy.

Clients will be provided with a written Investment Policy Statement (IPS) based on the results of the Profile. Clients and/or Spectrum may choose to exclude certain asset classes or specific securities from their managed account portfolio or modify the risk level for the portfolio type indicated. These exclusions and/or modifications will be included in the IPS.

Currently, Spectrum offers the following investment strategies:

- Investment Management Services – Equity Concentrated Strategy
- Investment Management Services – Fixed Income Concentrated Strategy
- Enhanced Index Strategy

The Investment Management Services managed account portfolio investment strategies' allocations are designated as Ultra-Conservative, Conservative, Moderate, Moderate Growth, Growth, Aggressive Growth.

The Enhanced Index Strategy managed account portfolio investment strategies' allocations are designated as Preservation of Capital, Growth and Income, or Capital Appreciation.

From time to time, we may change or create new portfolio investment strategies. Each client's managed account portfolio may be invested similarly to, or different from, other clients with the same or similar objectives. Spectrum will monitor market conditions and the performance of the client's portfolio, reposition assets as needed, and communicate changes to the client in a timely manner. In addition, we may use certain third-party managers ("TPM's") to affect various strategies on behalf of a client's account.

In the event that a client notifies Spectrum of changes to the information in their Profile, we will review such changes and recommend appropriate changes to the client's IPS, if any. Once the amended IPS has been finalized, Spectrum will proceed in an orderly manner to make the necessary changes to transition to the client's redesigned portfolio strategy.

A client's managed account portfolio may either be a cash account or a margin account. Unlike a cash account, a margin account allows the client to buy securities or withdraw cash by borrowing the money against the portfolio assets.

While we do not encourage clients to borrow money for the purpose of building an investment portfolio, there may be situations where the use of margin may offer the potential to take advantage of a buying opportunity. In those situations, we may suggest that clients apply for margin privileges on their accounts in order to obtain this flexibility. However, in accordance with our fiduciary duty to our clients, we will only suggest the use of margin in cases where we believe it is within the client's overall investment goals and in the client's best interest.

Clients should be aware that the use of margin creates a conflict of interest between us and our clients since our fees are based on the full value of the assets under management including any assets purchased using margin. In order to mitigate that conflict, it is our goal to work with our clients to pay-off the margin balance as quickly and efficiently as possible.

Buying securities on margin also subjects client to additional costs and risks that should be carefully considered before opening a margin account. We provide clients who wish to have margin accounts with a separate information sheet on such risks.

For more information regarding the risks of loss in general, please refer to Item 8, below.

### **3. 401K Consulting Services**

Spectrum offers consultation services to plan sponsors of 401k retirement plans. During the first stage of services, Spectrum will meet with the plan sponsor to determine the goals and objectives for the 401K Plan. Thereafter, Spectrum may formulate model portfolios based on those investment options available to the 401KPlan, and/or assist in the selection of mutual funds for the 401K Plan. Spectrum also may provide training and education and answer general questions from plan participants relating to the characteristics of and considerations for their 401(k) selections. Spectrum typically performs periodic reviews (no less than annually) of the 401KPlan's investment options, and works directly with each Plan's third-party administrator and other service providers.



Generally, these services are provided on a non-discretionary basis with the plan sponsor retaining authority and discretion over the plan's investments and assets.

**C. General Information about Spectrum's Services**

**1. Gathering Individual Client Information**

As explained above, services provided by Spectrum are customized to meet the individual needs, objectives, and other financial goals of the client. Early on in the relationship, we will typically memorialize each client's investment objectives, risk tolerance, time horizons and other important and necessary information, including any investment guidelines, in the client's IPS. We will use this information, together with any other information relating to the client's overall financial circumstances, to determine the most appropriate asset allocation and investment strategy that we believe best meets each client's financial goals.

There may be times when certain restrictions are placed by a client which prevents us from accepting or continuing to service the client's account. Spectrum reserves the right to not accept and/or terminate a client's account if we feel that the client imposed restrictions would limit or prevent us from meeting and/or maintaining the objectives covered in the IPS.

**2. Responsibility for Accuracy**

Spectrum will not assume any responsibility for the accuracy of the information provided by the client. We are not obligated to verify any information received from the client or from the client's other professionals (*e.g.*, attorney, accountant, etc.) and are expressly authorized to rely on the information as provided.

Under all circumstances, clients are responsible for promptly notifying us in writing of any material changes to their financial situation, investment objectives, time horizon, or risk tolerance. In the event that a client notifies Spectrum of changes in their financial circumstances, we will review such changes and may recommend changes be made to the client's financial plan, IPS and/or Managed Account portfolio.

**4. Advisory Agreements**

Prior to engaging Spectrum to provide services, each client will be required to enter into one or more written agreements with us, setting forth the services to be provided, the fees to be charged and the terms and conditions under which we will render our services. Spectrum will provide a Brochure and the applicable Brochure Supplements (Form ADV Part 2B) to each client or prospective client prior to or upon execution of our written agreement. The advisory relationship will continue until terminated by the client or Spectrum in accordance with the provisions of the executed agreement(s).

**D. Assets Under Management**

As of December 31, 2012, the following represents the amount of client assets managed by Spectrum on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$107,955,532
Non-Discretionary	\$5,259,022
Total	<b>\$113,214,554</b>

**E. Education and Business Standards of Spectrum's Representatives**

Spectrum generally requires its Investment Adviser Representatives to successfully complete university study and/or its educational or business equivalent. We select those persons who have demonstrated knowledge of the financial and economic principles needed in providing sound investment and financial planning advice. These skills are demonstrated by their business background, education, passing of FINRA securities examinations, or professional designations such as Certified Financial Planner (CFP®), Certified Financial Analyst (CFA®) or Certified Public Accountant (CPA). We also expect everyone associated with us to conduct business according to the highest standards of honesty and fairness, and that they render services to their customers in a manner that they would apply to or demand for themselves. Spectrum's Investment Adviser Representatives should have no securities related disciplinary history.

**ITEM 5: FEES AND COMPENSATION**

**A. Compensation for Financial Planning Services**

Spectrum will be compensated by fees for providing specific in-depth analysis of one or more financial areas ("Financial Profiles") or a complete financial assessment compiling all the available financial profiles. As noted in Item 4, above, Financial Profiles may include but are not limited to investment planning, cash management, college planning, risk management, accumulation profile, estate planning, and retirement planning. Fees for these services will be billed at rates ranging from \$100 to \$300 per hour or on a fixed fee basis based on a fee agreement with the client. Any requested modifications by the client to a Financial Profile is generally billed at an hourly rate of \$225, if changes are made by a Spectrum partner or \$60 if changes are made by a Spectrum Para-Planner.

Spectrum's hourly fee is negotiable at our sole discretion. Under a fixed fee arrangement, a minimum rate will be charged that will vary depending on the type of plan profile. Fees for financial planning services will be billed and payable upon completion of the work. The minimum fees listed below may be waived or varied in our sole discretion.

The following represents the minimum fee charged for the various plans offered by Spectrum:

- Investment Planning Profile: \$500
- Cash Management Profile: \$400
- College Planning Profile: \$400
- Risk Management and Survivors' Needs Profile: \$500
- Accumulation Profile: \$400
- Estate Planning Profile: \$1000

- Retirement Planning Profile: \$1000
- Comprehensive Financial Plan: \$2500

Please refer to Item 4, above, for more information on what each plan entails.

In addition to financial planning fees charged to the client, Spectrum may earn advisory fees should a client choose to implement all or a portion of the plan through Spectrum. In situations where a prospective client has pre-determined to have us provide Investment Management Services (as defined in Item 4 above), the planning fees are covered by the Managed Account fees described below.

Also, a Spectrum IAR may earn commissions and/or other fees should a client choose to implement all or a portion of the plan through Purshe Kaplan Sterling Investments (an unaffiliated broker/dealer). Furthermore, clients are under no obligation to utilize Purshe Kaplan Sterling Investments for brokerage services, and clients have the option to purchase investment products through other brokers or agents that are not affiliated with Spectrum. For more information on Spectrum's relationship with Purshe Kaplan Sterling Investments, please refer to Item 10, below.

#### 1. General Information on Financial Planning Fees

The client may choose to use the financial planning programs individually or in combination and is not restricted to only financial planning. All fees may be negotiable at the sole discretion of Spectrum. The client or Spectrum may cancel the Financial Planning Agreement ("FP Agreement") at any time with written notice to the other. In the event that the client wishes to cancel the FP Agreement prior to any services being performed, any advance payments shall be fully refunded to the client.

If the client cancels the FP Agreement after Spectrum has begun the services requested, the client shall be charged for the services completed and the remainder of any advance payments, if any, shall be refunded to the client within 30 days of the termination request. Should the Client terminate the FP Agreement within five business days after signing, no charges or penalties will be assessed.

In all matters, Spectrum's planning services are analytical and advisory only and do not include legal or other professional services unless specifically stated. We will work with your legal, accounting, insurance or other professional advisers to ensure the coordination of all pieces involved in the financial planning and/or estate planning process.

Should a client retain Spectrum for tax preparation or other services through its related CPA firm, Spectrum CPA Group, LLP, then a different engagement agreement will need to be executed. Additionally, the client will incur additional expenses for accounting services provided by Spectrum CPA Group, LLP. For more information regarding Spectrum's affiliation with Spectrum CPA Group, LLP, please refer to Item 10, below.

All fees paid to Spectrum for investment advisory or financial planning services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders or fees charged by other investments. These fees and expenses are described in each investment's prospectus

and will generally include a management fee, other fund expenses, and possibly a distribution fee. The investment may also impose sales charges. If so, the client may pay an initial or deferred sales charge.

Clients should review the fees charged by the investments (*e.g.* mutual funds) and the fees charged by Spectrum and any other investment adviser(s) chosen to help manage a client's account, in order to fully understand the total amount of fees that will be paid by the client. Only then will a client be able to fully evaluate the advisory services being provided and the fees being paid.

**B. Compensation for Managed Account Services**

Upon initial opening of a Managed Account, Spectrum's advisory fees will be charged in advance based on the value of the account assets and the number of days remaining in the quarter. The advisory fees payable upon initial opening of the Managed Account are payable by client upon receipt of an invoice from us or will be deducted from the account assets.

Thereafter, fees will be charged quarterly in advance based on the value of the account assets on the last business day of the prior quarter or the date the custodian values the account assets for the month-end statement at the end of the prior quarter. If a client has more than one account under the professional services of Spectrum, we may elect at our sole discretion to aggregate client accounts for the purpose of computing management fees.

If a client has a margin account, our fees will be based on the full value of the assets under management without regard to the amount of margin debt on the account. Clients need to be aware that buying investments using margin increases the amount of fees paid to us.

For Spectrum's Managed Accounts, each client will be provided with an invoice quarterly that states the value of their account assets, fee calculation and amount of fees earned by Spectrum. Clients have the option to pay fees separately or have the fees withdrawn by the custodian from their account and paid directly to Spectrum.

It is the client's responsibility, and not the custodian's, to verify the accuracy of Spectrum's fee. Clients will receive a periodic (at least quarterly) account statement from the custodian, reflecting among other things, any fees withdrawn by the custodian and paid to Spectrum. Clients are urged to compare statements received by third parties, such as the client's custodian, with those statements sent by Spectrum. For more information on the reports Spectrum provides to its clients, please refer to Item 13, below.

The fees charged by Spectrum are in addition to fees charged by any mutual fund in which a client's funds may be invested. The mutual funds held in a client's portfolio, such as money market funds, will assess charges and fees at the fund level, including fees for investment management services provided to the mutual fund by the fund's investment adviser and 12b-1 distribution charges. All such fees and charges are disclosed in the prospectus of the applicable mutual fund.

1. Spectrum Managed Account Fee Schedule

The investment management fee (the “Fee”) will be payable quarterly in advance, based on the value of a client’s account as of the close of business on the last business day of the immediately preceding calendar quarter. The Fee will be calculated in accordance with the agreed upon fee schedule and will be debited from the client’s account as soon as practicable following the last business day of the preceding calendar quarter. The Fee is a function of the mix of assets and the size of the client’s account. Fees are assessed based on a variety factors, including a long-term client relationship, commitment to bring in additional assets, complexities within the overall portfolio and special considerations.

If a client has more than one account under the professional services of Spectrum, then Spectrum may elect at its sole discretion to aggregate the client’s accounts for the purpose of computing advisory fees.

The fees are prorated based on the number of days that the account is open during the quarter. Additional deposits of cash and/or any securities will be subject to the same billing procedures. Spectrum may amend the fee rate at any time by giving thirty (30) days advance written notice to clients. Below are the managed account fee schedules;

Investment Management Services – Equity Concentrated Strategy

<u>Assets Under Management</u>	<u>Annual Advisory Fee (%) (billed quarterly)</u>
<u>\$0 - \$500,000</u>	<u>1.60%</u>
<u>\$500,001 - \$750,000</u>	<u>1.50%</u>
<u>\$750,001 - \$1,000,000</u>	<u>1.40%</u>
<u>\$1,000,001 - \$2,000,000</u>	<u>1.3% - 1.0%*</u>
<u>\$2,001,000 – \$5,000,000</u>	<u>.90% - .40%*</u>
<u>\$5,001,000 and above</u>	<u>Negotiable</u>

Investment Management Services – Fixed Income Concentrated Strategy

<u>Assets Under Management</u>	<u>Annual Advisory Fee (%) (billed quarterly)</u>
<u>\$0 - \$500,000</u>	<u>1.10%</u>
<u>\$500,001 - \$750,000</u>	<u>1.00%</u>
<u>\$750,001 - \$1,000,000</u>	<u>.90%</u>
<u>\$1,000,001 - \$2,000,000</u>	<u>.80% - .65%*</u>
<u>\$2,001,000 – \$5,000,000</u>	<u>.50% - .30%*</u>
<u>\$5,001,000 and above</u>	<u>Negotiable</u>

Enhanced Index Strategy

<b>Tiered Advisory Fee Annual Schedule (%)</b>
1.30% on the first \$50,000
1.00% on the next \$25,000
0.80% on the next \$25,000
0.60% on the next \$50,000
0.50% on or above \$150,000

2. General Information on Managed Account Fees

As previously described in Item 4 above, Spectrum's fees for any planning services related to asset management are included in the annual advisory fee. These planning services are analytical and advisory only and do not include legal or other professional services. Spectrum may work with your legal, accounting, insurance or other professional to help ensure the coordination of all pieces involved in the financial planning and/or estate planning process.

Should client retain Spectrum CPA Group, LLP, Spectrum's related CPA firm, for tax preparation or other accounting services, a different engagement agreement shall be executed between the Client and the CPA firm. For more information on Spectrum's relationship with Spectrum CPA Group, LLP, please refer to Item 10, below.

The advisory fee charged for the Managed Account program is calculated as described above and is not charged on the basis of a share of capital gains or the performance of the client's account. Clients may purchase some investments directly without the services of Spectrum. In that case, the client would not receive the services provided by Spectrum, which are designed, among other things, to assist the client in determining which money managers and possible investments are most appropriate to the client's financial situation and objectives.

The client should review both the fees charged by the investments and the fees charged by Spectrum and the other investment advisers chosen to fully understand the total amount of fees to be paid by the client. Only then will the client be able to fully evaluate the advisory services being provided and the fees being paid.

**C. Compensation for 401K Consulting Services**

The consultation services fees charged by Spectrum are billed quarterly in advance and based on the value of the 401K Plan assets, as calculated and reported by the custodian as of the close of business on the last business day of the immediately preceding quarter. The quarterly fees generally range from 0.5% to 1.0%, depending on the extent of services provided.

**D. Refund for Pre-Paid Unearned Fees**

Clients can terminate their agreement with Spectrum upon thirty (30)-days written notice. Clients will either receive a refund of any unearned pre-paid fees or will be charged for any earned un-paid fees for work performed by Spectrum, as applicable.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Spectrum does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client). Consequently, we do not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, Spectrum provides its financial planning and investment advisory services for a fixed fee, hourly charges and/or based upon a percentage of assets under management.

## **ITEM 7: TYPES OF CLIENTS**

### **A. Description**

Spectrum provides advisory services primarily to individuals and high net worth individuals, as well as to pension and profit sharing plans, charitable organizations, and corporations or other business entities.

### **B. Conditions for Managing Accounts**

For a client account invested in the Investment Management Services managed account portfolio investment strategies of Ultra-Conservative, Conservative, Moderate, Moderate Growth, Growth or Aggressive Growth strategy, the minimum initial investment is \$250,000.00. For a client account invested in Enhanced Index Strategy managed account portfolio investment strategies of Preservation of Capital, Growth and Income, or Capital Appreciation, the minimum initial investment is \$50,000. We may, at our discretion, choose to aggregate other accounts of the client to meet this minimum, or make other exceptions as appropriate in the circumstances. The above minimums may be varied or waived in our sole discretion.

If a client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), Spectrum may be a fiduciary to the plan. In providing our investment management services, the sole standard of care imposed upon us is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Spectrum will provide certain required disclosures to the "responsible plan fiduciary" (as such term is defined in ERISA) in accordance with Section 408(b)(2), regarding the services we provide and the direct and indirect compensation we receive by such clients. Generally, these disclosures are contained in this Form ADV Part 2A, the client agreement and/or in separate ERISA disclosure documents, and are designed to enable the ERISA plan's fiduciary to: (1) determine the reasonableness of all compensation received by Spectrum; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### A. Methods of Analysis and Investment Strategies

Spectrum and our associated persons may use Morningstar's programs (including Workstation) and other resources for additional information to assist us during our research. Although we rely primarily on long-term purchases as an investment strategy, there may be times when we deem other strategies appropriate based on the client's financial objectives and risk tolerance.

Spectrum also subscribes to qualitative and quantitative software packages that are used to identify and evaluate asset class weighting and individual stocks and mutual funds to be added or deleted from clients' portfolios.

Spectrum and our associated persons may also recommend or provide advice on tax credit partnerships (including low income housing and/or oil and gas), REIT's (real estate investment trusts) or CMOs (collateralized mortgage options) to certain clients. These types of investments generally are obtained through limited private offerings ("private placements").

These investments carry certain risks, including the fact that they are usually illiquid investments, are not subject to the same regulatory requirements as stocks and mutual funds, and may charge higher fees. Each private placement has an offering memorandum, which contains detailed information on the various risks and fees relating to the investment. Spectrum and our associated persons may also recommend or provide advice on 529 plans or other fixed insurance products.

Typically where a TPM is selected for a client's investments, our security analysis is limited to screening of TPM's investment process. In these cases, the TPM is responsible for security analysis and selection and we do not perform these duties. Spectrum will review the performance of each TPM chosen, including routine due diligence on the managers, as well as a review of the Client's current asset allocation. Due diligence will include such items as a review of current management to look for replacements or new additions to the team; style; performance comparisons to other similar management philosophies; and comparison to a comparable index.

Spectrum also offers the following investment strategies:

*Enhanced Index Strategy* - a financial strategy designed with an objective to limit active risk by seeking to eliminate market timing and stock picking therefore avoiding the adverse consequences of failing to correctly forecast business specific factors (i.e. revenues, earnings, changes in debt/assets, etc.). The strategy seeks investment returns through a diversified portfolio of exchange traded funds (ETF's) typically rebalanced quarterly. The Enhanced Index Strategy managed account portfolio investment strategies are designated as Preservation of Capital, Growth and Income, or Capital Appreciation and Spectrum works with the client to determine which best meets the clients overall investment guidelines.

*Investment Management Services Strategies* – Equity Concentrated and Fixed Income Concentrated - investment strategies that are customized based on the results of each client's written profile, utilizing either equity securities or fixed income securities. The Investment



Management Services strategies' allocations are designated as Ultra-Conservative, Conservative, Moderate, Moderate Growth, Growth, Aggressive Growth,

**B. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Prior to entering into an investment advisory agreement with Spectrum, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of five to seven years; (2) that volatility from investing in the stock market can occur; and (3) that over time the client's assets may fluctuate and at anytime be worth more or less than the amount invested.

The market value of stocks will generally fluctuate with market conditions, and small-stock prices generally will fluctuate more than large-stock prices. Stocks of mid-capitalization companies often have greater price volatility, lower trading volume, and less liquidity than the stocks of larger, more established companies. While stocks have historically outperformed other asset classes over the long term, they tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Past performance of investments is no guarantee of future results.

The market value of bonds will generally fluctuate inversely with interest rates and other market conditions prior to maturity and will equal par value at maturity. Interest rates for bonds may be fixed at the time of issuance, and payment of principal and interest may be guaranteed by the issuer and, in the case of U.S. Treasury obligations, backed by the full faith and credit of the U.S. Treasury. The market value of Treasury bonds will generally fluctuate more than Treasury bills, since Treasury bonds have longer maturities.

Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and may be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets.

Spectrum typically invests for the long-term and does not engage in high frequency trading. Nevertheless, TPM's selected or recommended by Spectrum may employ such strategies, and as a result, frequent trading may result in increased brokerage and other transaction costs. Such increased brokerage and other transaction costs generally reduce investment returns over time.

Depending on the sophistication and risk tolerances of our clients, Spectrum may recommend, as part of a client's overall investment strategy, that a portion of such client's assets be invested in private placements or other alternative investments. Such investments may present special risks for clients, including without limitation, limited liquidity, higher fees, volatile performance, heightened risk of loss, limited transparency, special tax considerations, subjective valuations and limited regulatory oversight. Therefore, private placements may not be suitable for all of our clients and will be offered only to those qualifying clients for whom an investment therein is determined to be suitable.

Generally, such investments are available for investment only to a limited number of sophisticated investors who generally meet the definition of “accredited investor” under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”). It is important that each potential qualified investor fully read each offering or private placement memorandum prior to investing.

As noted above, some Spectrum clients may elect to open margin accounts. Clients should be aware that there are a number of additional risks that all investors need to consider in deciding to trade securities on margin. The risks associated with margin include, but are not limited to, the following:

- Clients can lose more assets than you deposit in the margin account. A decline in the value of securities that are purchased on margin may require you to provide additional funds to the brokerage firm that has made the loan to avoid the forced sale of those securities or other securities in a client’s account.
- The lending brokerage firm may be able to force the sale of securities in a client’s account. If the equity in a client’s account falls below the maintenance margin requirements under the law—or the lending brokerage firm’s higher “house” requirements—the brokerage firm may be able to sell the securities in a client’s account to cover the margin deficiency. A client may also be responsible for any short fall in their account after such a sale.

It is important that clients take time to learn about the risks involved in trading securities on margin, and clients should consult with Spectrum’s advisers regarding any concerns they may have with their margin accounts.

Some additional investment risks a client should be aware of include, but are not limited, to the following:

☐ *Market Risk:* The price of a stock, bond, mutual fund or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security’s particular underlying circumstances.

☐ *Equity Risk:* Since the strategies invest in equity securities, they are subject to the risk that stock prices may fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of each strategy’s equity securities may fluctuate significantly from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the strategies we offer.

☐ *Foreign Risk:* Investments in overseas markets (international securities) pose special risks, including currency fluctuation and political risks, and such investments may be more volatile than that of a U.S. only investment. The risks are generally intensified for investments in emerging markets.

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

☐ *Political and Legislative Risk:* Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies who conduct a substantial amount of their business outside of the United States.

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

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

☐ *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product.

☐ *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Spectrum does not represent, guarantee or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

## **ITEM 9: DISCIPLINARY INFORMATION**

Registered investment advisers such as Spectrum are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of the Firm or the integrity of its management. Spectrum does not have any such legal or disciplinary events and thus has no information to disclose with respect to this Item.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Financial Industry Activities and Affiliations**

Greg Bachman, CFP®, is also a registered representative with Purshe Kaplan Sterling Investments (PKS). This firm is a registered broker/dealer with the Financial Industry National Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC) and various states and a member of the Securities Investor Protection Corporation (SIPC). In that capacity, Investment Adviser Representatives of Spectrum may place clients in investment products sold through this broker/dealer and receive a usual and customary commission for doing so. Many of such products have fixed commissions as they are sold through a prospectus. Spectrum and PKS are unaffiliated companies. Shelly Sorem, CPA, is registered with PKS as a non-producing representative.

Greg Bachman, CFP, Richard Schwartz, CPA, M.A., PhD, Shelly Sorem, CPA, and Scott Meeker, CPA, are also licensed insurance agents with various insurance agencies, including Spectrum Insurance Services, LLC, in which they each have a percentage ownership interest. Individually, they spend approximately 2 to 5 hours a month on activities for the insurance firms.

Richard Schwartz and Shelly Sorem are also senior partners in the firm, Spectrum CPA Group, LLP. Spectrum CPA Group, LLP is in the business of providing accounting and tax advice. They spend approximately 60% of their time on these other activities. Scott Meeker is the sole owner of Scott Meeker CPA, PC and spends approximately 75% of his time on activities for that firm.

Greg Bachman and Nichols Cutting, however, spend the majority of their time on the activities of Spectrum. In addition, Richard Schwartz and Nichols Cutting have ownership interests in different private real property activity entities, which take up less than 5% of their time.

Various industry affiliations cause an inherent conflict of interest due to the fact that Spectrum's Investment Adviser Representatives, as registered persons, may earn reasonable and customary commissions and/or 12(b)(1) fees on the sale of insurance, advisory or security products sold to clients. The commissions will be outlined in the product's prospectus (if sold by prospectus) or described to you in detail before the product is sold. It is possible that both administrative service fees and 12(b)(1) fees will be received from the same mutual fund sponsor on the same account. These fees are not additional fees that must be paid directly by you to Spectrum's Investment Adviser Representative; rather they are derived from the current total operating expenses for each mutual fund, details of which will be fully described in its prospectus.

To the extent that Spectrum's Investment Adviser Representatives recommend the purchase of securities, insurance or other investment products where they may receive commissions for doing so, a conflict of interest exists because they will receive additional compensation should the clients elect to follow their recommendations, even if such recommendation is based on the best interest of the clients and their needs. Spectrum has adopted certain procedures designed to mitigate the effects of these conflicts.

For example, as part of Spectrum's fiduciary duty to clients, the Firm and its Investment Adviser Representatives will endeavor at all times to put the interests of the clients first, and will only make recommendations that they reasonably believe are suitable and in the best interests of the client. Additionally, material conflicts presented by these practices are disclosed to clients at the time of entering into any new advisory, brokerage or consultative arrangement.

Financial Planning clients are not obligated to implement recommended transactions through any Spectrum representative or any particular broker-dealer. These clients have the option to purchase any recommended investment or insurance products or services through brokers or agents other than Purshe Kaplan Sterling Investments or Spectrum Insurance Services, LLC.

**B. Recommendation of Other Advisers**

Under certain circumstances, Spectrum may refer one or more of its financial planning clients to Rochdale Investment Management (“Rochdale”), a non-affiliated investment adviser, to provide the client with investment management services. The referrals are made based on the fact that Spectrum believes that the services provided by Rochdale would be consistent with the client’s investment objectives and financial circumstances. However, the client is under no obligation to enter into an investment management agreement with Rochdale. If a client does enter into an agreement with Rochdale, then Rochdale will pay Spectrum an ongoing referral fee in an amount of up to 50% of the total annual investment advisory fee paid by the client to Rochdale.

Spectrum will also provide each referred client with a copy of Rochdale’s current ADV Part 2 and a disclosure page for each client to sign, which outlines the relationship between Spectrum and Rochdale and the fees paid to Spectrum by Rochdale for the referral.

**ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

**A. Description of Code of Ethics**

The Investment Advisers Act of 1940 (“The Act”) imposes a fiduciary duty on investment advisers. As a fiduciary, Spectrum has a duty of utmost good faith to act solely in the best interests of our clients. Our clients entrust us with their money and financial future, which in turn places a high standard on our conduct and integrity.

Our fiduciary duty compels all employees to act with the utmost integrity in all of our dealings. This fiduciary duty is the core principle underlying the Code of Ethics (the “Code”) and Personal Trading Policy, and represents the expected basis of all of our dealings with our clients.

The Code consists of the following core principles and applies to all employees within our firm:

- 1) The interests of clients will be placed ahead of the firm’s or any employee’s own investment interests.
- 2) Employees are expected to conduct their personal securities transactions in accordance with the firm’s Personal Trading Policy and will strive to avoid any actual or perceived conflict of interest with the client. Employees with questions regarding the appearance of a conflict with a client should consult with the Chief Compliance Officer before taking action that may result in an actual conflict.
- 3) Employees will not take inappropriate advantage of their position within the firm.
- 4) Employees are expected to act in the best interest of each of our clients.
- 5) Employees are expected to comply with federal securities laws. Strict adherence to these policies and other policies and procedures of the firm will assist the employee in complying with this important requirement.

As part of the required standards of conduct, supervised persons are not permitted, in any connection with the purchase or sale, directly or indirectly, of a security held or to be acquired by a client:

- a) To defraud such client in any manner;
- b) To mislead such client, including by making a statement that omits material facts;
- c) To engage in any act, practice or course of conduct which operates or would operate as a fraud or deceit upon such client;
- d) To engage in any manipulative practice with respect to such client; or
- e) To engage in any manipulative practice with respect to securities, including price manipulation.

As a fiduciary, we have an affirmative duty of care, loyalty, honesty, and good faith to act in the best interests of our clients. Compliance with this duty can be achieved by trying to avoid conflicts of interest and by fully disclosing all material facts concerning any conflict that does arise with respect to any client. Sanctions will be applied if it is determined that an employee violated the Code. A complete copy of our Code is available upon request either by sending a written request to our main address or calling us at (541) 752-4556.

**B. Participation or Interest in Client Transactions**

Spectrum employees may buy or sell securities for their own accounts that the firm buys or sells for its discretionary and non-discretionary client accounts. Spectrum understands that this could create a conflict of interest, where the employee's interest may be at odds with the interest of Spectrum's clients. To mitigate the appearance of or actual conflict, Spectrum has internal controls in place to help ensure that our personnel comply with the Code of Ethics' provisions regarding personal trading at all times.

**1. Cross Transactions**

There may be times when Spectrum causes a security to be traded between two clients (other than ERISA clients) where it believes such trade to be in the best interest of each client. We generally have such authority under the grant of investment discretion given to us by our clients. Spectrum's practice is to engage in internal cross trades in very limited circumstances where the purchase and sale of the same security at the same time by different clients helps to achieve more favorable terms to each client than separate transactions not involving a cross trade. Securities being sold are only purchased for another client when they are attractively priced and meet the purchasing client's objectives. Spectrum will usually obtain independent prices for these securities from broker-dealers. Cross trades between clients will normally be priced at the mid-point between the best bid and offer prices known to be available at the relevant size order. Spectrum does not receive commissions or any other compensation with respect to these transactions.

**2. Principal Transactions**

Spectrum does not affect any principal securities transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

## ITEM 12: BROKERAGE PRACTICES

### **A. Selection Criteria**

Spectrum currently recommends that each Managed Account Program client use Fidelity Investment Institutional Brokerage Group (a brokerage unit of Fidelity Investments) (“Fidelity”) as the custodian and broker of record for the client account. The services that Fidelity provides to Spectrum’s clients are typically not available to retail investors. The services are provided by Fidelity so long as we maintain a minimum amount of our clients’ assets with Fidelity. As part of these services, Fidelity does not charge custodial fees for an account as long as the account’s transactions are placed with Fidelity for execution.

Fidelity charges a transaction fee per transaction for each account. All fees and charges are fully disclosed on the account statements sent by Fidelity to each client. Spectrum also receives certain indirect benefits from Fidelity due to the relationship, which are fully described under the heading “Soft Dollar Considerations.”

### **B. Directed Brokerage**

Under limited circumstances, we may allow a client to direct us to execute all or a portion of client transactions through a specific broker (aka “Directed Brokerage”). If that is the case, the client should understand that:

(1) Spectrum does not negotiate specific brokerage commission rates with the broker on client’s behalf, or seek better execution services or prices from other broker/dealers and, as a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case;

(2) Transactions for that account generally will be effected independently unless we decide to purchase or sell the same security for several clients at approximately the same time (block trade), in which case we may include such client’s transaction with that of other clients for execution by the same broker. If transactions are not able to be traded as a block, we may have to enter the transactions for the client’s account after orders for other clients, with the result that market movements may work against the client; and

(3) Conflicts may arise between the client’s interest in receiving best execution with respect to transactions effected for the account and Spectrum’s interest in receiving future client referrals from the broker. Therefore, prior to directing Spectrum to use a specific broker-dealer, a client should consider whether, under that restriction, execution, clearance and settlement capabilities, commission expenses and whatever amount is allocated to custodian fees, if applicable, would be comparable to those otherwise obtainable. Clients should understand that he/she might not obtain commissions rates as low as it might otherwise obtain if Spectrum had discretion to select other broker-dealers.

All clients directed brokerage arrangements must be provided to us in writing by the client. A client must also notify us in writing if the client decides to terminate the directed brokerage arrangement.

Spectrum understands and acknowledges that at all times we owe a fiduciary duty to our clients in the Spectrum Managed Account Program to continually seek best execution for their transactions. We believe that our relationship with Fidelity help us to execute securities transactions for clients in such a manner that the client's total cost in each transaction is as favorable as possible under prevailing market conditions. We periodically review and evaluate the execution and services received by our clients from Fidelity in an effort to help ensure the clients are receiving overall best execution given the circumstances.

### **C. Order Aggregation**

For clients in the Spectrum Managed Account Program, we regularly look for specific individual securities that may be an appropriate addition or deletion for multiple client portfolios. To the extent possible and upon our determination that it is in the best interests of our clients, we will aggregate the trades together and place a block trade in that security, to be allocated to the participating accounts by the end of the trading day at the average share price for all executed transactions of the clients in that security on that given day.

If the order is only partially filled, Spectrum may allocate the securities traded among clients and each similar order in a manner which it considers equitable, taking into account, the size of the order placed, the client's cash position, investment objective of the account(s), size of the order and liquidity of the security.

The client pays the same price for products, whether or not we provided a financial plan to the client. Certain products may be offered to clients that are sold solely on a commission basis and are usually held outside of the Managed Accounts. In such situations, the commissions are listed in the prospectus for the product and may not vary.

### **D. Soft Dollar Considerations**

Except for the indirect benefits that Spectrum may receive from Fidelity, which may be deemed to fall outside the safe harbor of Section 28(e) of the Exchange Act ("Section 28(e)"), Spectrum's general policy is to comply with the provisions of Section 28(e) when entering into soft dollar arrangements. Section 28(e) generally allows investment advisers to use client commissions to pay for certain brokerage and research services under certain circumstances without breaching their fiduciary duties to clients. Therefore, we may, in circumstances in which we feel that execution is comparable, place certain trades with a third party broker that is providing brokerage and research services to us ("Research Broker").

Brokerage and research services provided by Research Brokers may include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation; political developments, legal developments, technical market action, pricing and appraisal services, credit analyses; risk measurement analysis and performance analysis.



Such research services can be received in the form of written reports, telephone conversations, personal meetings with security analysts and/or individual company management, and attending conferences. The research services provided by a Research Broker may be proprietary and/or provided by a third party (i.e. originates from a party independent from the broker providing the execution services).

In selecting a Research Broker, we will make a good faith determination that the amount of the commission charged is reasonable in relation to the value of the brokerage and research services received, viewed in terms of either the specific transactions or our overall responsibility to the accounts for which we exercise investment discretion.

Subject to Section 28(e), we may pay a Research Broker a brokerage commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage and/or research services provided by the broker. This practice is commonly referred to as “soft dollars”. Spectrum believes it is imperative to our investment decision-making process to have access to this type of research and brokerage.

Research services provided by Research Brokers may be used by us in servicing any or all of our clients, and may be used in connection with clients other than those making the payment of commissions to a Research Broker, as permitted by Section 28(e). In other words, there may be certain client accounts that benefit from the research services, which did not make the payment of commissions to the Research Broker providing the services.

The receipt of brokerage and research services from any broker executing transactions for our clients will not result in a reduction of our customary and normal research activities, and the value of such information is, in our view, indeterminable. Nevertheless, the receipt of such research may be deemed to be the receipt of an economic benefit by us, and although customary, may be deemed to create a conflict of interest between Spectrum and our clients. Therefore, we feel it is important for clients to be aware of the issues surrounding “soft dollars”.

There may be cases when we may receive both non-research (e.g. administrative or accounting services etc.) and research benefits from the services provided by the Research Brokers. If and when this happens, we will make a good faith allocation between the non-research and research portion of the services received, and will pay “hard dollars” (i.e. Spectrum will pay from their own monies) for the non-research portion. In making a good faith allocation between research services and non-research services, a conflict of interest may exist by reason of our allocation of the costs of such services and benefits between those that primarily benefit Spectrum and those that primarily benefit clients. We will always put the client’s interests first.

Spectrum currently has a soft dollar arrangement with Fidelity Brokerage Services, Inc. and receives the following research products as of the date of this Brochure:

Reuters/Thomson One  
Value Line  
Value Engine

Generally, the soft dollar amount for each trade will be the transaction cost divided by Fidelity's soft dollar ratio of 5.5. For example, for a trade with a transaction cost of \$10.95, the amount that would be allocated to pay for soft dollar research would be \$1.99.

### **ITEM 13: REVIEW OF ACCOUNTS**

Accounts in the Managed Account Program are reviewed on a continuous basis by the Firm's investment adviser representatives. The reviews are based upon and may be triggered by a variety of factors, which include but are not limited to: the economic environment, outlook for the securities markets and the merits of the securities in which the accounts are invested. In addition, a special review may be triggered by one or more of the following: 1) a change in the client's investment objectives, guidelines and/or financial situation, 2) change in strategy or diversification, 3) tax considerations, 4) cash added or withdrawn from the account, 5) purchase or sale of a security in the account, 6) a major change in the market, and/or 7) if requested by the client.

Spectrum meets periodically (generally quarterly) with each Managed Account Program client to discuss and review the account's performance and objectives and also performs an extensive annual review of the client's investment policy statement and objectives with each client.

All financial profiles and special analysis prepared are reviewed by a Spectrum Representative before being presented to a client. If appropriate, we will provide updates to client financial plans after any review meeting with a client. Updates may occur any time based on identified changes in clients' circumstances.

Spectrum will provide portfolio performance reports to clients quarterly or semi-annually. Frequency of the reports is the client's choice. Such reports will usually be prepared no later than 35 days after the end of each calendar quarter. Clients will also receive periodic reports (either monthly or quarterly) directly from their custodian. Clients are urged to compare custodial reports with those reports sent by Spectrum and other third parties.

### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

#### **A. Compensation for Client Referrals**

Under certain circumstances, Spectrum may refer one or more of its financial planning clients to Rochdale Investment Management ("Rochdale"), a non-affiliated investment adviser, to provide the client with investment management services. The referrals are made based on the fact that Spectrum believes that the services provided by Rochdale would be consistent with the client's investment objectives and financial circumstances, however, the client is under no obligation to enter into an investment management agreement with Rochdale.

If the client does enter into an agreement with Rochdale, then Rochdale will pay us an ongoing referral fee in an amount of up to 50% of the total annual investment advisory fee paid by the client to Rochdale. Spectrum will also provide each referred client with a copy of Rochdale's current Form ADV Part 2 and a disclosure page for each client to sign, which outlines the relationship between Spectrum and Rochdale and the fees paid to us by Rochdale for the referral.

If a client is introduced to Spectrum by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Spectrum's investment management fee, and shall not result in any additional charge to the client.

If the client is introduced to us by an unaffiliated solicitor, the solicitor shall provide the client with a copy of Spectrum's Form ADV Part 2 or other written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. The solicitor is required to obtain the client's signature acknowledging receipt of Spectrum's disclosure brochure and the solicitor's written disclosure statement.

Any affiliated solicitor of Spectrum shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Spectrum's Form ADV Part 2 or other written disclosure brochure at the time of the solicitation. Since in some states, a solicitor is also required to be qualified and registered as an investment adviser representative, Spectrum has developed internal controls for ensuring its solicitors are registered as required.

**B. Other Compensation**

Spectrum recommends that Managed Account Program clients use Fidelity as their custodian and broker of record. While there is no direct linkage between the investment advice given to the client and Spectrum's participation in the Fidelity program, economic benefits are received by us which would not be received if we did not give investment advice to clients. These benefits do not depend on the amount of transactions directed by Spectrum to Fidelity.

These benefits include: A dedicated trading desk that services Fidelity participants exclusively, a dedicated service group and an account services manager dedicated to our clients' accounts, access to a real time order matching system, ability to "block" client trades, electronic download of trades, balances and positions in Fidelity's portfolio management software, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), availability of third party research and technology through 'soft dollar' arrangements, a quarterly newsletter, access to Fidelity mutual funds, and access to over 3,000 mutual funds not affiliated with Fidelity. It should be noted that all of these benefits are generally available today from a variety of large brokerage firms and clearing agents at no extra or special charge to Spectrum.

As registered representatives of Purshe Kaplan Sterling Investments, Spectrum's Investment Adviser Representatives may receive 12b-1 distribution fees, commissions and/or other compensation from investment companies for the placement of client funds into investment company shares or for the sale of other products (including insurance).

In most cases, Spectrum will recommend products to our advisory clients that are available through PKS on which our Investment Adviser Representatives may receive commissions, if

such products are found to be suitable for such client objectives. This is fully disclosed to clients at the time of entering into a written agreement with us.

While our Investment Adviser Representatives endeavor at all times to put the interest of the clients first as part of Spectrum's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates an inherent conflict of interest, and may affect the judgment of these individuals when making recommendations. To address this conflict, we have written policies and procedures to monitor the activities of our Investment Adviser Representatives.

## **ITEM 15: CUSTODY**

Pursuant to Rule 206(4)-2 of the Advisers Act, Spectrum is deemed to have custody of client funds because we have the authority and ability to debit its fees directly from clients' accounts. To mitigate any potential conflicts of interests, all our client account assets will be maintained with an independent qualified custodian. In most cases a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should be aware, however, of the differences between having their assets held in custody at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

When exercising our discretionary authority, we may only implement our investment management recommendations after the client has arranged for and furnished us with all information and authorization regarding his/her accounts held at the designated qualified custodian.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by Spectrum and other third parties. Spectrum's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Items 10 and 12 for additional important disclosure information relating to Spectrum's practices and relationships with custodians.

## **ITEM 16: INVESTMENT DISCRETION**

Under the Spectrum Managed Account Program, Spectrum has discretionary authority to determine, without first obtaining client's permission for each transaction: (1) the type of securities to be bought and sold, (2) the dollar amounts of the securities to be bought and sold, (3) whether a client's transaction should be combined with those of other clients and traded as a "block", and (4) in some cases the brokers to use and the commission rates and/or transactions costs paid to effect the transactions. Client agrees to this upon execution of the Investment Advisory Agreement with Spectrum.

For clients that are receiving financial planning services on a non-discretionary basis, we will make recommendations to the client regarding the purchase or sale of securities or other assets that we consider to be in the best interest of the client. The client has full discretion to accept or

reject our recommendations and is responsible for implementing any accepted recommendations with any broker-dealer the client chooses.

TPM's chosen or recommended by Spectrum to work with the client's account(s) may have the authority to determine, without obtaining specific client consent, the securities to be bought or sold and the amount of securities to be bought or sold. This information will be fully disclosed in the TPM's ADV Part 2A.

As noted in Item 4, clients generally are allowed to impose reasonable restrictions on the types of securities, companies and/or industries they do not want to be included in their account. Once this information is gathered, each client is responsible for informing us in writing of any changes to these restrictions or to their overall investment objectives. Spectrum does not assume any responsibility for the accuracy of the information provided directly by our clients.

## **ITEM 17: VOTING CLIENT SECURITIES**

In cases where Spectrum is responsible to vote proxies on securities held in a client's account, we have adopted policies and procedures in an effort to ensure that all votes are cast in the best interests of our clients and that the proper documentation is maintained relating to how the proxies were voted. These policies and procedures are summarized as follows:

Spectrum has adopted pre-determined proxy voting guidelines (the "Guidelines") to make every effort to ensure the manner in which shares are voted is in the best interest of clients and the value of the investment. However, we reserve the right to delegate to a non-affiliated third party vendor, the responsibility to review proxy proposals and make voting recommendations to us. In addition, we may, in some cases, vote a proxy contrary to the Guidelines if we determine that such action is in the best interests of clients.

In cases where sole proxy voting authority rests with Spectrum for plans governed by ERISA, we will vote proxies in accordance with the Guidelines unless outlined otherwise in the plan's governing documents and subject to the fiduciary responsibility standards of ERISA. If at any time, the Responsible Voting Parties (as defined in the procedures) becomes aware of any type of potential or actual conflict of interest relating to a proxy proposal, they will promptly report such conflict to the Chief Compliance Officer and Director of Financial Services. Conflicts will be handled in a number of ways depending on the type and materiality.

The method selected by us will depend upon the facts and circumstances of each situation and the requirements of applicable laws and will always be handled in the client(s) best interest. Spectrum may also choose not to vote proxies in certain situations or for certain accounts. For example, where a client has retained the right to vote the proxies or where a proxy is received for a client account that has been terminated. Also, we may be unable to vote proxies for any client account that participates in a securities lending program.

A complete copy of our current Proxy Voting Policies & Procedures is available upon request. Clients may obtain information on how their proxies were voted by contacting Spectrum at the principal office and place of business indicated on the cover page of this form. Please provide your name, account number, and security for which you are making the request.

## **ITEM 18: FINANCIAL INFORMATION**

Spectrum does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Spectrum does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.