

# Disciplined Portfolio Solutions LLC

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Disciplined Portfolio Solutions LLC. If you have any questions about the contents of this brochure, please contact us at (631) 806-7717 or by email at: [Psparacino@optonline.net](mailto:Psparacino@optonline.net). 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.*

*Additional information about Disciplined Portfolio Solutions LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Disciplined Portfolio Solutions LLC's CRD number is: 160072*

2171 Jericho Tpk Suite 347  
Commack, New York, 11725  
(631) 486-9200  
[psparacino@dpsinvesting.com](mailto:psparacino@dpsinvesting.com)  
[www.dpsinvesting.com](http://www.dpsinvesting.com)

*Registration does not imply a certain level of skill or training.*

Version Date: 2/20/2014

## **Item 2: Material Changes**

There are no material changes in this brochure from Disciplined Portfolio Solutions LLC's SEC transition on February 29, 2012. Disciplined Portfolio Solutions LLC was approved at the SEC level on March 27, 2012. Material changes relate to Disciplined Portfolio Solutions LLC policies, practices or conflicts of interests only.

## Item 3: Table of Contents

### Table of Contents

Item 2: Material Changes.....	i
Item 3: Table of Contents.....	ii
Item 4: Advisory Business.....	1
A. Description of the Advisory Firm.....	1
B. Types of Advisory Services.....	1
Investment Supervisory Services.....	1
Services Limited to Specific Types of Investments.....	1
C. Client Tailored Services and Client Imposed Restrictions.....	1
D. Wrap Fee Programs.....	2
E. Amounts Under Management.....	2
Item 5: Fees and Compensation.....	3
A. Fee Schedule.....	3
Investment Supervisory Services Fees.....	3
B. Payment of Fees.....	3
Payment of Investment Supervisory Fees.....	3
C. Clients Are Responsible For Third Party Fees.....	3
D. Prepayment of Fees.....	4
E. Outside Compensation For the Sale of Securities to Clients.....	4
Item 6: Performance-Based Fees and Side-By-Side Management.....	4
Item 7: Types of Clients.....	4
Minimum Account Size.....	4
Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss.....	4
A. Methods of Analysis and Investment Strategies.....	4
Methods of Analysis.....	4
Charting analysis.....	5
Fundamental analysis.....	5
Technical analysis.....	5
Cyclical analysis.....	5
Investment Strategies.....	5
B. Material Risks Involved.....	5
Methods of Analysis.....	5
Fundamental analysis.....	5
Technical analysis.....	5
Cyclical analysis.....	5
Investment Strategies.....	6
C. Risks of Specific Securities Utilized.....	6
Item 9: Disciplinary Information.....	7

A.	Criminal or Civil Actions.....	7
B.	Administrative Proceedings.....	7
C.	Self-regulatory Organization (SRO) Proceedings .....	7
Item 10:	Other Financial Industry Activities and Affiliations.....	7
A.	Registration as a Broker/Dealer or Broker/Dealer Representative .....	7
B.	Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor .....	8
C.	Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests.....	8
D.	Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections .....	8
Item 11:	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	8
A.	Code of Ethics .....	8
B.	Recommendations Involving Material Financial Interests .....	8
C.	Investing Personal Money in the Same Securities as Clients.....	8
D.	Trading Securities At/ Around the Same Time as Clients' Securities .....	9
Item 12:	Brokerage Practices .....	9
A.	Factors Used to Select Custodians and/or Broker/Dealers .....	9
1.	Research and Other Soft-Dollar Benefits .....	9
2.	Brokerage for Client Referrals.....	9
3.	Clients Directing Which Broker/Dealer/Custodian to Use.....	9
B.	Aggregating (Block) Trading for Multiple Client Accounts.....	10
Item 13:	Reviews of Accounts.....	10
A.	Frequency and Nature of Periodic Reviews and Who Makes Those Reviews.....	10
B.	Factors That Will Trigger a Non-Periodic Review of Client Accounts .....	10
C.	Content and Frequency of Regular Reports Provided to Clients.....	10
Item 14:	Client Referrals and Other Compensation .....	10
A.	Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes).....	10
B.	Compensation to Non – Advisory Personnel for Client Referrals.....	11
Item 15:	Custody .....	11
Item 16:	Investment Discretion.....	11
Item 17:	Voting Client Securities (Proxy Voting).....	11
Item 18:	Financial Information.....	11
A.	Balance Sheet.....	11
B.	Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients .....	11
C.	Bankruptcy Petitions in Previous Ten Years .....	12
Item 19:	Requirements For State Registered Advisers.....	12
A.	Principal Executive Officers and Management Persons; Their Formal Education and Business Background .....	12
B.	Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any).....	12
C.	How Performance Based Fees are Calculated and Degree of Risk to Clients .....	12
D.	Material Disciplinary Disclosures for Management Persons of this Firm.....	12
E.	Material Relationships That Management Persons Have With Issuers of Securities (If Any) .....	12

## Item 4: Advisory Business

### A. Description of the Advisory Firm

Disciplined Portfolio Solutions LLC is a Limited Liability Company organized in the state of New York.

This firm has been in business since December 2011, and the principal owner is Philip Sparacino.

### B. Types of Advisory Services

Disciplined Portfolio Solutions LLC (hereinafter “DPS”) offers the following services to advisory clients:

#### *Investment Supervisory Services*

DPS offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. DPS creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client’s specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

DPS evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### *Services Limited to Specific Types of Investments*

DPS generally limits its money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, REITs, and government securities. DPS may use other securities as well to help diversify a portfolio when applicable.

### C. Client Tailored Services and Client Imposed Restrictions

DPS offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client’s current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent DPS from properly servicing the client account, or if the restrictions would require DPS to deviate from its standard suite of services, DPS reserves the right to end the relationship.

#### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. DPS DOES NOT participate in any wrap fee programs.

#### **E. Amounts Under Management**

DPS has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$0.00	\$86,546,235.00	12/31/2013

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
\$1 - \$1,000,000	0.75%
\$1,000,001 - \$3,000,000	0.65%
Above \$3,000,000	0.50%

These fees are negotiable depending upon the needs of the client and complexity of the situation, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid quarterly in advance, and clients may terminate their contracts with thirty days' written notice. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination.

Fees that are collected in advance will be refunded based on the prorated amount of work completed up to the day of termination within the quarter terminated. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the quarter up to and including the day of termination. (\*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter). Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

### B. Payment of Fees

#### *Payment of Investment Supervisory Fees*

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance.

### C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by DPS. Please see Item 12 of this brochure regarding broker/custodian.

#### **D. Prepayment of Fees**

DPS collects fees in advance. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be deposited back into client's account within fourteen days.

#### **E. Outside Compensation For the Sale of Securities to Clients**

Neither DPS nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.

### **Item 6: Performance-Based Fees and Side-By-Side Management**

DPS does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

### **Item 7: Types of Clients**

DPS generally provides management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations or Business Entities

#### ***Minimum Account Size***

There is no account minimum.

### **Item 8: Methods of Analysis, Investment Strategies, and Risk of Investment Loss**

#### **A. Methods of Analysis and Investment Strategies**

##### ***Methods of Analysis***

DPS's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.



*Charting analysis* involves the use of patterns in performance charts. DPS uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

*Fundamental analysis* involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

*Technical analysis* involves the analysis of past market data; primarily price and volume.

*Cyclical analysis* involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

### ***Investment Strategies***

DPS uses long term trading, short term trading, short sales, margin transactions, and options writing (including covered options, uncovered options, or spreading strategies).

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **B. Material Risks Involved**

### ***Methods of Analysis***

*Charting analysis* strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in solely using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

*Fundamental analysis* concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

*Technical analysis* attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not work long term.

*Cyclical analysis* assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold : 1) the markets do not always repeat cyclical patterns and 2) if too many investors begin to implement this strategy, it changes the very cycles they are trying to take advantage of.

## *Investment Strategies*

Long term trading is designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

Short term trading, short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

DPS generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, it will utilize short sales, margin transactions, and options writing. Short sales, margin transactions, and options writing generally hold greater risk of capital loss and clients should be aware that there is a material risk of loss using any of those strategies.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss. Mutual funds are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Equity** investment generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Treasury Inflation Protected/Inflation Linked Bonds:** The Risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**Fixed Income** is an investment that guarantees fixed periodic payments in the future that may involve economic risks such as inflationary risk, interest rate risk, default risk, repayment of principal risk, etc.

**Debt securities** carry risks such as the possibility of default on the principal, fluctuation in interest rates, and counterparties being unable to meet obligations.

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

**REITs** have specific risks including valuation due to cash flows, dividends paid in stock rather than cash, and the payment of debt resulting in dilution of shares.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Short term trading** risks include liquidity, economic stability and inflation.

**Short sales** risks include the upward trend of the market and the infinite possibility of loss.

**Margin transactions** use leverage that is borrowed from a brokerage firm as collateral.

**Options writing** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither DPS nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

## **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither DPS nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

## **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither DPS nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

## **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

DPS does not utilize nor select other advisers or third party managers. All assets are managed by DPS management.

# **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

## **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

## **B. Recommendations Involving Material Financial Interests**

DPS does not recommend that clients buy or sell any security in which a related person to DPS or DPS has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of DPS may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of DPS to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. DPS will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of DPS may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of DPS to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. DPS will always transact client's transactions before its own when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian, TD Ameritrade Institutional, Division of TD Ameritrade, Inc., member FINRA/SIPC/NFA (CRD #5633), was chosen based on their relatively low transaction fees and access to mutual funds and ETFs. DPS will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

#### ***1. Research and Other Soft-Dollar Benefits***

DPS receives research, products, or other services from its broker/dealer or another third-party in connection with client securities transactions ("soft dollar benefits"). There is no minimum client number or dollar number that DPS must meet in order to receive free research from the custodian or broker/dealer. There is no incentive for DPS to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. However, because this firm does not have to produce or pay for services or products it has an incentive to choose a custodian that provides those services based on its interests rather than the clients' interests. The first consideration when recommending broker/dealers to clients is best execution. DPS always acts in the best interest of the client.

#### ***2. Brokerage for Client Referrals***

DPS receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

DPS will not allow clients to direct DPS to use a specific broker-dealer to execute transactions. Clients must use DPS recommended custodian (broker-dealer). Not all advisors require clients to direct brokerage.

#### **B. Aggregating (Block) Trading for Multiple Client Accounts**

DPS maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing DPS the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

## **Item 13: Reviews of Accounts**

#### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least monthly only by Philip Sparacino, Managing Member. Philip Sparacino is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at DPS are assigned to this reviewer.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly from the custodian, a written report that details the client's account including assets held and asset value which will come from the custodian.

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

## **Item 14: Client Referrals and Other Compensation**

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

DPS does not receive any economic benefit, directly or indirectly from any third party for advice rendered to DPS clients.

### **B. Compensation to Non - Advisory Personnel for Client Referrals**

DPS does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

DPS, with client written authority, has limited custody of client's assets through direct fee deduction of DPS's Fees only. If the client chooses to be billed directly by TD Ameritrade Institutional, Division of TD Ameritrade, Inc., member FINRA/SIPC/NFA (CRD #5633), DPS would have constructive custody over that account and must have written authorization from the client to do so. Clients will receive all required account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

## **Item 16: Investment Discretion**

DPS does not have discretion over client accounts at any time.

## **Item 17: Voting Client Securities (Proxy Voting)**

DPS will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **A. Balance Sheet**

DPS does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither DPS nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

### **C. Bankruptcy Petitions in Previous Ten Years**

DPS has not been the subject of a bankruptcy petition in the last ten years.