



A Registered Investment Advisor

# **Wrap Fee Program Brochure**

**FORM ADV PART 2A APPENDIX 1  
SIGMA MANAGED ACCOUNT WRAP FEE PROGRAM SPC**

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3.26.2015**

This wrap fee program brochure provides information about the qualifications and business practices of SPC. If you have any questions about the contents of this brochure, please contact us at 734-663-1611. 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 SPC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for SPC is 110692.

SPC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

# Material Changes

## Annual Update

This section highlights material changes made to this brochure since its last update in March 2014.

SPC is required to provide you with an annual notice containing a summary of any updates made to this brochure and instructions on how to obtain an updated copy of this brochure in its entirety. In addition, we may offer you additional updates throughout the year as important material changes occur.

The items below are material changes made to this brochure since the last update:

- The name of one of SPC's broker-dealer affiliates was updated from "Sammons Securities Company, LLC" to "Parkland Securities, LLC" to reflect a legal name change. This change appears throughout the brochure.
- New language was added in various sections of the brochure to clarify that this brochure is not intended for employer-sponsored retirement plans, including those plans covered by the Employee Retirement Income Security Act of 1974, as amended. The sponsors or trustees of such plans should consult SPC's Retirement Plan Program Brochure for information regarding the services SPC offers to retirement plans.
- New language was added to the "Services, Fees and Compensation" section to provide additional information regarding the miscellaneous types of compensation that SPC may receive from various vendors, product providers, distributors, and others third parties, including but not limited to having its expenses related to training and education covered, payments to subsidize SPC's own training programs, participation in conferences and online training programs, access to trade publications, and the receipt of gifts, meals, and entertainment of reasonable value consistent with industry rules and regulations.
- New language was added to the "Portfolio Manager Selection and Evaluation" section to disclose in greater detail that (1) all investments involve risk; (2) investment performance can never be predicted or guaranteed; (3) account values may fluctuate (perhaps significantly) due to market conditions, manager performance, and other factors; and (4) the use of any benchmark or index in connection with investment management services is no guarantee that the performance of the managed investments will experience the same results as the index or benchmark, including the results shown on the various reports that are delivered in connection with investment management services.
- New language was added to the "Portfolio Manager Selection and Evaluation" section to disclose in greater detail certain conflicts of interest related to the management of your account by one of SPC's investment adviser representatives. Such conflicts arise from the fact that SPC and its representatives receive compensation as a result of client participation in the wrap fee program; the fact that such compensation may be more than the amount SPC or its representatives would receive if clients paid separately for asset management, investment advice, brokerage services, and other services; the fact that SPC's representatives are the only portfolio managers permitted to manage client assets within the wrap fee program; and the fact that SPC and its representatives have a financial incentive to recommend the wrap fee program over other alternatives, including third-party investment advisers.
- The "Additional Information" section was updated by deleting a disciplinary event from 2003 involving one of SPC's management persons because the event is no longer material.
- New language was added to the "Additional Information" section to disclose in greater detail that (1) clients are under no obligation to grant SPC and its investment adviser representatives discretionary authority; (2) the investment products, securities, and services that an SPC representative may select or offer in connection with providing investment advisory services are generally available through other broker-dealers, investment advisers, or investment firms not affiliated with SPC; (3) SPC and its representatives may perform advisory and/or brokerage services for various other clients and may give advice or take actions for some clients that differ from the advice given or actions taken for other clients; and (4) the timing or nature of any action taken for a client may be different from that of other clients.

- New language was added to the “Additional Information” section to disclose that groups of two or more investment adviser representatives may elect to operate and conduct business from the same SPC branch office and/or form a joint business association spanning multiple branch offices in different locations. In such circumstances, clients with a representative that works out of such a branch office and/or participates in such a joint business association should be aware that each of the other representatives in the branch office and/or the joint business association will have the ability to see their account information and process trades in their account(s), solely in a ministerial capacity, at the instruction of their representative, although authority over their account(s) shall continue to reside solely with their representative.
- The “Additional Information” section was revised to disclose that quarterly portfolio reports prepared by SPC using third-party software will now exclusively be made electronically available to clients. SPC does not custody client assets and therefore relies on third-party custodians and vendors to provide pricing and valuation data. SPC makes reasonable efforts to obtain data which it believes is accurate, though SPC does not verify the values and prices provided by these third parties. As SPC is not the custodian, SPC is not liable for any damages due to inaccurate data.

The most recent copy of this brochure can be requested at any time by calling the SPC Department at (888) 744-6264 or via download at [www.spc4clients.com](http://www.spc4clients.com).

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## Services, Fees and Compensation

Sigma Planning Corporation (“SPC”) is registered with the United States Securities and Exchange Commission as an investment adviser. SPC is a corporation formed under Michigan law in 1983. SPC is under common ownership with Sigma Financial Corporation (“SFC”) and Parkland Securities, LLC (“Parkland”), two independent broker-dealer firms that are each members of the Financial Industry Regulatory Authority, Inc. (“FINRA”) as well as the Securities Investor Protection Corporation (“SIPC”). Jerome Rydell is the principal owner of Sigma Financial Corporation, SPC, and a partial owner of Sammons Securities Company, LLC.

As used in this brochure, SPC’s “Associated Persons” are SPC’s officers, employees, and all individuals providing investment advice on behalf of SPC. Additionally, Associated Persons who provide investment advice are referred to as “Investment Adviser Representatives” (“IARs”) throughout this brochure. Finally, as used in this brochure, the words “we”, “our”, “our firm”, and “us” refer to SPC and/or its IAR who is assisting you, as the context requires, and the words “you”, “your”, and “client” refer to you, as the context requires, as either a client or prospective client of SPC.

Most but not all of our IARs are registered representatives of SFC or Parkland, which are our affiliated broker-dealers. All of our IARs provide investment advisory services in their capacities as IARs of SPC, and those IARs who are also registered representatives provide brokerage services in their capacities as registered representatives of SFC or Parkland.

We are the sponsor and portfolio manager for the SIGMA Managed Account Wrap Fee Program (the “Program”), a wrap fee program that we offer to prospective and existing advisory clients. A wrap fee program is an advisory program under which a specified fee or fees not based directly upon transactions in a client’s account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. If you participate in the Program, you will pay us a single bundled fee that includes our portfolio management fees, certain transaction costs, and custodial and administrative costs. You will not be charged separate fees for the respective components of the total services offered to Program participants. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in the Program may be more or less than the overall cost you might incur by separately purchasing the types of services available in the Program.

Prior to participating in the Program, you will be required to enter into a separate written agreement with SPC that sets forth the terms and conditions of the engagement and describes the scope of the services to be provided as well as the fees to be paid.

We provide discretionary portfolio management services through the Program. If you participate in the Program, one of our IARs will meet with you to determine your financial situation, investment objectives, tolerance for risk, and other relevant information (the “suitability information”).

Please note that this brochure is not intended for employer-sponsored retirement plans or the trustees or sponsors of such plans. For information regarding the services we offer to retirement plans, please consult SPC’s Retirement Plan Program Brochure. A copy of any of SPC’s brochures can be obtained by contacting SPC using the information provided on the cover page of this brochure.

We will use the suitability information we gather to develop a strategy that enables us to give you continuous and focused investment advice and to make investments on your behalf. IARs may tailor services to focus only on certain portfolio components, depending upon your wishes and/or the nature of the engagement. However, if our services are limited, it is important to understand that comprehensive investment needs and/or objectives may not be fully considered due to your option to receive limited services, the lack of information received and/or client disclosure.

As part of our portfolio management services, your IAR will customize an investment portfolio for you in accordance with your suitability information, risk tolerance, and investment objectives. In doing so, your IAR may construct a portfolio based upon one or more investment models that he or she developed. Once your IAR constructs an investment portfolio for you, he or she will monitor your portfolio’s performance on an ongoing basis and will rebalance the portfolio as required by changes in market conditions and/or your financial circumstances.

## Changes in Circumstances

It is important to understand that changes in your financial situation, investment objectives, risk tolerance, or investment time horizon may result in the Program or your portfolio allocation no longer being suitable for you. In the event of any such changes, you should promptly contact your IAR in order to discuss the continued suitability of the Program and your portfolio allocation.

## Discretionary Management

To participate in the Program, we require you to grant SPC and your IAR discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, as well as the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the client services agreement you sign with our firm or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. Such restrictions and guidelines may affect the composition and performance of your portfolio and/or our ability to meet your investment objectives.

## Account Investments

IARs may invest in stocks, municipal and corporate bonds, exchange-traded funds, mutual funds, options, U.S. government securities, and money market instruments.

## The Custodian

Program accounts will be custodied at Fidelity Institutional Wealth Services (“Fidelity”), an unaffiliated and independent custodian. Fidelity will provide you with services related to custody of securities, trade execution, and trade clearance and settlement. SPC will not have custody of client funds or securities, except to the limited extent of automatically deducting Program fees from accounts.

## The Program Fee

To participate in the Program, you will pay a single “Program Fee” that includes the fee for our portfolio management services and the expenses related to custody of securities, brokerage and trade execution, and trade clearance and settlement. The Program Fee is set forth in the following fee schedule:

| Assets Under Management    | Maximum Annualized Fee |
|----------------------------|------------------------|
| \$25,000 to \$250,000      | 2.50%                  |
| \$250,001 to \$500,000     | 2.50%                  |
| \$500,001 to \$750,000     | 1.75%                  |
| \$750,001 to \$1,000,000   | 1.50%                  |
| \$1,000,001 to \$2,000,000 | 1.25%                  |
| \$2,000,001 to \$5,000,000 | 1.25%                  |
| Over \$5,000,000           | 1.25%                  |

The Program Fee is billed and payable monthly in advance. The Program Fee is based on the value of your account as of the last business day of the previous month. If your client services agreement with SPC is terminated any time during the month, we will rebate the prorated portion of that month’s Program Fee back to you. The Program Fee is negotiable, depending on individual client circumstances.

In our discretion, we may combine the account values of family members living in the same household to determine the applicable Program Fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in you paying a reduced Program Fee based on the available breakpoints in our Program Fee schedule provided above.

We will deduct the Program Fee directly from your account through the qualified custodian holding your funds and securities (i.e., Fidelity) or we will invoice you directly. We will deduct the Program Fee only when you have given our firm written authorization permitting the Program Fee to be paid directly from your account. Furthermore, Fidelity will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

## Other Compensation

Various vendors, product providers, distributors, and others third parties may provide non-monetary compensation to us by paying some expenses related to training and education, including the expenses of travel and acquiring professional designations. SPC might also receive payments from such entities to subsidize its own training programs. Additionally, certain vendors may invite SPC to participate in conferences or online training and may also provide SPC with publications that may further IARs' and employees' skills and knowledge. Finally, such entities may occasionally provide SPC with gifts, meals, and entertainment of reasonable value consistent with industry rules and regulations.

## Termination

- The client services agreement may be canceled at any time, by either party, for any reason, upon written notice to the other party, as provided in agreement. For the calendar month in which the agreement is terminated, our Program Fee will be prorated and refunded based on the number of days that the agreement was in effect during such month.

## Wrap Fee Program Disclosures

- Wrap fee programs may not be suitable for all investment needs, and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, risk tolerance, and investment time horizon, among other considerations.
- The benefits of a wrap fee program depend, in part, upon the size of the account, the management fee charged, and the number of transactions likely to be generated in the account. For example, a wrap fee program may not be suitable for accounts with little trading activity. In order to evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Program against the amount(s) that would be charged by other investment advisers, broker-dealers and/or custodians for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided through the Program.
- Participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage and/or custodial services separately from third parties.
- SPC and your IARs receive compensation as a result of your participation in the Program. This compensation may be more than the amount SPC or your IAR would receive if you paid separately for asset management, investment advice, brokerage services, and other services. Accordingly, a conflict of interest exists because SPC and IARs have a financial incentive to recommend the Program.
- Your IAR may have a disincentive to execute transactions in your account because transaction fees are absorbed by your IAR.

## Additional Fees and Expenses

The Program Fee includes the costs of brokerage commissions and ticket charges for transactions executed through Fidelity (or a broker-dealer designated by Fidelity) as well as charges relating to the settlement, clearance, and custody of securities in the account. The Program Fee does not include mark-ups and mark-downs, dealer spreads, or other costs associated with the purchase or sale of securities; interest or taxes; or other costs, such as national securities exchange fees, charges for transactions not executed through Fidelity, costs associated with exchanging currencies, wire transfer fees, or other fees required by law or imposed by third parties. You will be responsible for these additional fees and expenses.

We utilize unaffiliated money market funds as temporary investment vehicles for the cash balances in all Program accounts. In such cases, the overall fees charged on Program account values will include these money market balances. Where permitted by law, in order to provide concise reporting and administration of such money market balances for clients, we or Fidelity (or its affiliate) may have arrangements with the money market funds to provide advisory, administrative, distribution and/or other services, subject to applicable restrictions. Where permitted by law, we or the clearing agent (or its affiliate) may receive a fee for these specialized services from the money market fund (or its service providers) that is in addition to the fees paid by clients under the described programs. For clients that are subject to ERISA or the prohibited transaction provisions of the Internal Revenue Code, applicable law may limit the extent to which such fees may be retained and may require a fee offset.

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange-traded funds. The Program Fee is separate and distinct from the fees and expenses charged by mutual funds or exchange-traded funds (which are described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses.

To fully understand the total costs you will incur, you should review all the fees charged by mutual funds, exchange-traded funds, our firm, and others. For information on our brokerage practices, please refer to the Brokerage Practices section of this Brochure.



## Account Requirements and Types of Clients

We offer the Program to individuals, trusts, estates, charitable organizations, corporations, and other business entities. Please consult SPC's Retirement Plan Program Brochure for information regarding the services we offer to employer-sponsored retirement plans, including pension and profit-sharing plans.

To participate in the Program, we require a minimum account size of \$25,000 for accounts maintained at Fidelity. In SPC's discretion, we may waive these minimums. We may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

## Portfolio Manager Selection and Evaluation

We are the sponsor of the Program, and our IARs are the only portfolio managers permitted to manage client assets within the Program. Your IAR, on behalf of SPC, will act as the portfolio manager of your account should you elect to participate in the Program.

Our maximum fees for the Program are stated above and we will not charge you additional fees for participating in the Program. We receive a portion of the Program fee for our services. However, we do not charge performance-based fees in connection with the Program.

### Methods of Analysis and Investment Strategies

IARs work directly with you to evaluate your stated needs and objectives. IARs attempt to measure a client's stated risk tolerance, time horizon, goals, and objectives through an interview and data-gathering process in an effort to determine an investment plan or portfolio to best fit the client's profile.

Investment strategies may be based upon a number of concepts and determined by the type of client. IARs each provide individualized advisory services to their clients. The investment advisory strategies utilized by our IARs may range from moderately aggressive to conservative, but each is designed to meet the varying needs of our clients. IARs determine which portfolios are suitable after working with clients to define their objectives, risk tolerance, and time horizons.

IARs generally follow a portfolio construction and review process and generally take a long-term perspective when developing advice and recommendations based upon information provided by clients. There are two components to our portfolio management process: (1) individual security selection, and (2) the asset allocation process.

IARs generally start with a review of all investments that may be suitable and then review each individual asset class to identify potentially favorable investments using the following criteria: peer group relative performance, manager tenure, investment process, investment style, and other performance measures. Using these same criteria, IARs review investments on a periodic basis to detect changes in investment management personnel, poor performance on a relative basis, and changes in investment style.

Following a specific security selection, IARs may create allocations for specific asset classes which they believe carry acceptable risk and return characteristics. IARs will then seek to optimize the allocation among each asset class in an effort to maximize the level of return assuming a certain level of risk for each portfolio. IARs may utilize portfolio models which are designed to target specific degrees of investment risk, ranging from conservative to aggressive. IARs generally conduct portfolio reviews on a quarterly basis to ensure adherence to the risk objective for each portfolio. IARs may also utilize asset allocation software and historical performance modeling software.

IARs have access to the SPC home office as well as that of SFC and Parkland. IARs may consult with the due diligence staff of our affiliated broker-dealers regarding various investments including mutual funds and third-party asset managers.

IARs may use one or more of the following methods of analysis or investment strategies when providing investment advice:

- **Charting and Technical Analysis** – Charting analysis involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which are used to predict future price movements based on price patterns and trends. Technical analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may



not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

- **Fundamental Analysis** – Fundamental analysis involves analyzing individual companies and their industry groups, usually through reviewing a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is then used to estimate the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Cyclical Analysis** – Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may also be difficult to predict with accuracy. The risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- **Long Term Purchases** – Securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** – Securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.
- **Margin Transactions** – These are securities transactions in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- **Options Trading/Writing** – A securities transaction that involves buying or selling (i.e., writing) an option. If an investor writes an option, and the buyer exercises the option before it expires, the investor will be obligated to purchase or deliver a specified number of shares at a specified price regardless of the current market value of the underlying security. Conversely, purchasing an option gives the holder the right to purchase or sell a specified number of shares at a specified price until the option expires, regardless of the current market value of the underlying security.

Our investment strategies and advice may vary depending upon each client's specific needs and financial situation. As such, we determine investments and allocations based upon a client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Clients may impose restrictions on investing in certain securities or types of securities. Any restrictions, guidelines, or constraints imposed by a client may affect the composition of the client's portfolio.

We do not manage accounts differently based on whether they are wrap fee accounts or non-wrap discretionary accounts. There is no material difference between how IARs manage wrap fee accounts and other non-wrap discretionary accounts. In both cases, because of certain transaction fees charged by Fidelity for some mutual funds but not others, IARs may have an incentive to avoid using those mutual funds that incur a ticket charge.

We may use short-term trading (in general, selling a security within 30 days of purchasing the same security) as an investment strategy when managing accounts. Short-term trading is not a fundamental part of our overall investment strategy, but we may occasionally use this strategy when we determine that it is suitable given a client's stated investment objectives and tolerance for risk.

We may use investment strategies that involve the frequent buying and selling of securities in an effort to capture significant gains and avoid significant losses during volatile market conditions. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

You should note that if we effect short-term transactions in an account, such transactions might result in short-term gains or losses for federal and state tax purposes. Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise in writing, tax efficiency is not our primary consideration in our management of assets. Regardless of account size or any other factors, we strongly recommend that clients continuously consult with qualified tax counsel to ensure compliance with applicable tax laws and IRS regulations.

Options trading may be highly speculative and may entail more risks than those present when investing in other types of securities. Option prices are generally more volatile than prices of other types of securities. When trading options, clients may run the risk of losing the entire investment in a relatively short period of time. With more risky option strategies, an investor could theoretically have an unlimited risk of loss.

All investments involve risk and investment performance can never be predicted or guaranteed. Account values may fluctuate (perhaps significantly) due to market conditions, manager performance, and other factors. The use of any benchmark or index in connection with investment management services is no guarantee that the performance of the managed investments will experience the same results as the index or benchmark, including the results shown on the various reports that are delivered in connection with the investment management services.

### **Cost Basis Reporting**

As a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Custodians will default to the FIFO accounting method for calculating the cost basis of investments. You are responsible for contacting your tax advisor to determine if this accounting method is the correct or most advantageous choice. In the event it is not, you should provide prompt written notice to your IAR and we will alert Fidelity of the individually selected accounting method. Please note that all decisions regarding cost basis accounting methods must be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will successfully predict future results, identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way indicative of future performance or success.

### **Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we may forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case we would forward any electronic solicitation to vote proxies.

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### **Conflict of Interest**

**SPC and your IARs receive compensation as a result of your participation in the Program. This compensation may be more than the amount SPC or your IAR would receive if you paid separately for asset management, investment advice, brokerage services, and other services. Additionally, IARs are the only portfolio managers permitted to manage client assets within the Program. Accordingly, a conflict of interest exists because SPC and IARs have a financial incentive to recommend the Program over other alternatives, including third-party investment advisers. SPC addresses this conflict of interest through disclosure and by reviewing Program accounts for investor suitability.**

## **Client Information Provided to Portfolio Managers**

This section does not apply to SPC because we are the sponsor of the Program and our IARs, acting on behalf of SPC, are portfolio managers in the Program.

## **Client Contact with Portfolio Managers**

Clients participating in the Program must play an active role. We require you to participate in the formation of the investment plan and investment advice and recommendations. During the course of the engagement, without restriction, you may call your IAR to discuss your portfolio or ask questions, and we recommend that you meet with your IAR no less than annually.

# Additional Information

## Disciplinary Information

As a fiduciary, we are committed to providing our clients with full disclosure regarding any disciplinary information relating to our firm or our IARs. At present, we have no material legal or disciplinary events to report regarding SPC or any of its management persons. However, SPC's IARs may have reportable disciplinary information. Please obtain and read a copy of your IAR's Brochure Supplement for more information.

## Other Financial Industry Activities or Affiliations

IARs are generally registered representatives with SFC or Parkland, both of which are affiliated broker-dealers. Registered representatives will earn commission-based compensation for selling securities products outside the Program.

It is important to note that clients are under no obligation to grant SPC and its IARs investment discretion. Clients should understand that the investment products, securities, and services that an IAR may select or offer in connection with providing investment advisory services are generally available through other broker-dealers, investment advisers, or investment firms not affiliated with SPC.

Clients should understand that SPC and its IARs may perform advisory and/or brokerage services for various other clients, and that SPC and its IARs may give advice or take actions for some clients that differ from the advice given or actions taken for other clients. The timing or nature of any action taken for a client may also be different from that of other clients.

SFC and Parkland are also licensed as insurance agencies. Some IARs of our firm are also licensed insurance agents. IARs acting in their capacity as insurance agents will earn commission-based compensation for selling insurance products and policies outside the Program. Depending on the circumstances, SFC and Parkland may also receive compensation from such sales. Insurance commissions are separate from our advisory fees.

Some IARs may also own their own accounting firm, law firm and/or independent registered investment adviser. For clients in need of accounting, legal, or other advisory services, such IARs may recommend that clients retain these entities for such services. The fees for such services are separate and apart from the advisory fees charged by SPC. You are under no obligation to use any IAR's affiliated entity and may use the service provider of your choice.

## Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting the SPC Department at (888) 744-6264 or [spcinfo@bdops.com](mailto:spcinfo@bdops.com).

## Agency Cross Transactions

We may execute purchase and sale transactions between two clients (referred to as "agency cross transactions"), provided such transactions comply with these procedures and Rule 206(3)-2 under the Investment Advisers Act of 1940, as amended. We may have a conflicting duty of loyalty to both of the clients for whom we conduct agency cross transactions, and our affiliated broker-dealers, SFC and Parkland, may earn commissions in connection with agency cross transactions. We have adopted agency cross transaction procedures that are designed to promote fairness among the client accounts managed by us and to conform to applicable regulatory principles.

We will only conduct agency cross transactions if a client has consented in advance to the conduct of such transactions, either in the client's account agreement or in a separate written consent. Each agency cross transaction shall be effected at the independent current market price of the security. We will send to both clients participating in the agency cross transaction a written confirmation at or before the completion of each transaction containing: (i) a statement of the nature of such transaction; (ii) the date such transaction took place; (iii) an offer to furnish upon request, the time when such transaction

took place; and (iv) the source and amount of any compensation or other remuneration received or to be received by us or our affiliates. We will also send an annual summary of all agency cross transactions. A client's written consent authorizing us to effect agency cross transactions on his or her behalf may be revoked at any time by the client by means of written notice.

### **Personal Trading Practices**

IARs and other Associated Persons may buy or sell the same securities for you at the same time we or persons associated with our firm buy or sell such securities for our own accounts. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading").

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that we shall not have priority over your account in the purchase or sale of securities.

### **Review of Accounts**

IARs conduct internal reviews no less than quarterly or more frequently based upon individual circumstances and the nature and/or complexity of the portfolio. Internal reviews may also occur as a result of market conditions, significant new account deposits or withdrawals, upon request, or as otherwise determined by the IAR. We request that clients meet with their IAR at least annually to ensure the investment plan/strategies continue to be aligned with the client's stated individual needs, goals, objectives, time horizon, and risk tolerance. However, clients are obligated to promptly inform us of any change in their financial condition or circumstances.

Clients engaging us for services must play an active role. We require you to participate in the formation of the investment plan and investment advice and recommendations. During the course of the engagement, you may call your IAR to discuss your portfolio or ask questions, but we recommend that you meet with your IAR no less than annually.

You will receive monthly or quarterly statements from Fidelity. Additionally, we create quarterly portfolio reports using third-party software which detail the performance of your account and other pertinent information. We make such reports available to clients exclusively on an electronic basis. The portfolio manager performance is not verified by SPC or any other third parties. SPC does not custody your assets and therefore relies on third-party custodians and vendors to provide pricing and valuation data. SPC makes reasonable efforts to obtain data which it believes is accurate, though SPC does not verify the values and prices provided by these third parties. As SPC is not the custodian, we are not liable for any damages due to inaccurate data.

### **Referral Program**

From time to time we may compensate certain individuals for referring clients to our firm. We may compensate certain approved and licensed professionals for referrals of clients. These professionals generally include Certified Public Accountants, Enrolled Agents before the IRS, and attorneys (collectively, "Solicitors"). In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdiction in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms. Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements.

### **Other Compensation**

Our broker-dealer affiliates, SFC and Parkland, are licensed insurance agencies and registered broker-dealers. Also, persons providing investment advice on behalf of our firm may be licensed insurance agents as well as registered representatives with SFC or Parkland. SFC, Parkland, and our IARs may receive commission-based compensation for selling insurance and securities products outside the Program.

## Brokerage Firm and Custodial Choices

Because our firm is related to, and many of our IARs are registered representatives with, SFC or Parkland, if you freely choose to participate in the Program, we will use SFC or Parkland for securities transactions.

In recommending broker-dealers for custodial services, we consider the following:

- Quality of overall execution services provided
- Promptness of execution
- Creditworthiness, financial condition, and business reputation
- Research (if any) provided
- Promptness and accuracy of reports on execution
- Ability and willingness to correct errors
- Promptness and accuracy of confirmation statements
- The broker-dealer's facilities and technology
- The securities trading markets and market centers to which the broker-dealer has access
- Any expertise in executing trades for particular types of securities
- Commissions charged
- Reliability of the broker-dealer
- Ability to use electronic communication networks to gain liquidity, price improvement, lower commission rates, and anonymity
- Execution and operational capabilities of the broker-dealer

You should evaluate the custodian we have selected—Fidelity—before opening an account.

## Brokerage Practices

SPC has an arrangement with Fidelity through which Fidelity provides SPC and its IARs with services and other benefits to help them conduct their business and serve all types of clients. SPC is independently owned and operated and is not affiliated with Fidelity. National Financial Services LLC is the clearing firm utilized by SFC and Parkland. SPC is required to disclose products, services, and other assistance it receives that may not directly benefit your account or may cause conflicts of interest for your IAR.

Fidelity may pay for or provide SPC with technology platforms or other software to access Fidelity's brokerage system and streamline our operations. These systems aid SPC in providing service to client accounts and include software that makes available client account data, facilitates trade execution, allocates aggregated trade orders, facilitates payment of fees from client accounts, and assists with back office functions such as record-keeping and client reporting.

In certain instances, groups of two or more IARs may elect to operate and conduct business from the same SPC branch office and/or form a joint business association spanning multiple branch offices in different locations. **You should be aware that if your IAR works out of such an office and/or participates in such a joint business association, each of the other IARs in your IAR's office and/or the joint business association will have the ability to see your account information and process trades in your account(s), solely in a ministerial capacity, at the instruction of your IAR. However, authority over your account(s) shall continue to reside solely with your IAR.**

Fidelity also offers other services intended to help SPC manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third-party research, publications, access to educational conferences, roundtable discussions, webinars, practice management resources, access to consultants and other third-party service providers who offer a wide array of business-related services and technology with whom SPC may contract directly. Fidelity provides investment research to help IARs make well-informed investment decisions for client accounts.

Fidelity may assist SPC in marketing activities, which could include providing marketing materials, co-sponsoring events, or engaging in joint marketing programs. Fidelity may also assist IARs in joining the Fidelity platform and in some cases may pay or waive account transfer fees or other charges you or other clients may incur when changing custodians or service providers.

On occasion, Fidelity may make direct payments to SPC for items such as reimbursing SPC or any IAR for reasonable travel expenses incurred when assessing Fidelity's business practices and operations. Fidelity also may pay SPC for performing certain back office, administrative, custodial support, and clerical services for Fidelity in connection with client accounts custodied with Fidelity. These payments may create an incentive for IARs to favor certain types of investments over others.

The services described above, as well as other services Fidelity may provide to SPC, are often provided to SPC for free or at a discount. The terms of these agreements between Fidelity and SPC may be better or worse than the terms offered to other



investment advisers and may depend on the type or amount of business SPC conducts with Fidelity. Other factors may be considered as well, including the amount of assets in accounts with Fidelity within a certain timeframe. IARs may be motivated by these factors when recommending Fidelity accounts to clients. It is possible that some or all of the products and services Fidelity offers to SPC may not directly benefit you.

SPC and Fidelity have established pricing on commissions, account transactions, and other service fees for accounts SPC custodies at Fidelity. This pricing was agreed upon based on the current and expected type and amount of business SPC conducts with Fidelity. Fidelity generally does not charge its investment adviser clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, whereas commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load mutual funds at nominal transaction charges.

### **Additional Compensation**

We have no written or verbal arrangements whereby we receive soft dollars. We may receive certain added benefits when clients utilize the custodians we recommend. Such benefits may include research, the ability to deduct advisory fees from clients' custodial accounts, discounts on periodicals or materials, complimentary business and compliance newsletters, and various other non-cash services. Any general research received is used for the benefit of all SPC clients. Other soft dollar benefits are available to all IARs and can be used with any or all SPC clients at their discretion. The value of products, research, and services provided by a custodian, if any, is negligible and not a material factor; however, SPC benefits from soft dollars because it does not have to create or pay for any such research, products, or services.

We may also receive from Fidelity, without cost to us, computer software and related systems support which allow us to better monitor client accounts maintained at Fidelity. We may receive the software and related support without cost because we render portfolio management services to clients that maintain assets at Fidelity. The software and related systems support may benefit us but not directly benefit our clients. We endeavor at all times to put the interests of our clients first. Clients should be aware, however, that our receipt of economic benefits from broker-dealers creates a conflict of interest since these benefits may influence us to select a broker-dealer that offers such benefits over other broker-dealers that do not furnish similar software, systems support, or services. Additionally, we may receive the following benefits from Fidelity: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its investment adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **Block Trading**

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time ("block trade" or "aggregate"). We may (but are not obligated to) aggregate such orders to obtain best execution or to allocate equitably among clients any differences in prices that might have been obtained had such orders been placed independently. If orders are aggregated under this procedure, we will distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

In the event we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, such as the following: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, we may exclude the accounts from the allocation and the transactions may be executed on a pro rata basis among the remaining accounts; and (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

**Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation and/or reimbursing the account. If a trade error results in a profit, you will not keep the profit, as it will be maintained by the broker-dealer custodian or by our firm.

**Financial Information**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, nor do we serve as trustee or signatory for client accounts. Additionally, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.