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March 16, 2015

## **Part 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Sowell Management Services. If you have any questions about the contents of this brochure, please contact us at 501-219-2434 or email [Businessdevelopment@sowellmanagement.com](mailto:Businessdevelopment@sowellmanagement.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. Sowell Management Services is a Registered Investment Advisor. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about Sowell Management Services is available on the SEC's website at: [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Sowell Management Services is 127145.

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## ITEM 2 - MATERIAL CHANGES

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### Summary of Material Changes

Set forth below is a summary of material changes in this brochure from our last annual update. Our last annual update was dated March 21, 2014.

#### Item 4 Advisory Services

##### Administrative Services

We have contracted with independent registered investment advisers to utilize our technology platforms to support data reconciliation, performance reporting, fee calculation and billing, research, client database maintenance, quarterly performance evaluations, payable reports, web site administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, we will have access to client accounts or other investment advisers. Sowell Management Services and the independent registered investment adviser using our back office services are non-affiliated companies. We charge the investment advisers using this service an annual fee for each account administered by SMS.

##### Risk Based Investment Modeling Services

SMS offers risk based investment modeling services through Envestnet Asset Management, Inc. ("Envestnet"). Envestnet is a "turnkey asset management provider" ("TAMP"), which provides risk based investment modeling services to clients of broker/dealers and registered investment advisers throughout the United States. SMS uses Charles Schwab & Co., Inc. ("Schwab") as custodian and tax reporter for these accounts. There is no relationship between SMS and either Envestnet or Schwab, other than contractual relationships for their services.

#### Item 5 Fees and Compensation

We eliminated the Private Account Service Fees.

We added Risk Based Investment Modeling Services Fees

Clients electing to use the risk based asset modeling services offered through Envestnet are billed a "Management Fee" equal to a percentage of assets under management, monthly in advance. The percentage charge ranges between 0% and 2.5% per annum, depending upon the aggregate value of all accounts within a client household. Management fees cannot exceed 2.3% of assets under management for these accounts. Fees are billed directly to, and debited from, the client's account by the Custodian, monthly in advance.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated on page one or you may contact Connie at 501-219-2434 or [connie@sowellmanagement.com](mailto:connie@sowellmanagement.com). We encourage you to read this document in its entirety.

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## ITEM 4 - ADVISORY BUSINESS

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This Disclosure document is being offered to you in connection with the investment advisory services provided by Sowell Management Services to educate you with information about the services we provide and the manner in which those services are made available to you, the client.

We are a fee-based third party investment management firm located in North Little Rock, Arkansas, specializing in investment portfolios for individuals, retirement plans, corporations and institutions using strict investment disciplines. The firm was established in 2001 by Sowell Management, Inc. and Cindy Sowell. Sowell Management Inc. is 100% owned by William Sowell.

We are committed to helping you build, manage, and preserve you or your client's wealth, and to provide assistance to clients to help achieve their stated financial goals.

In performing our services, we shall not be required to verify any information received from you or from other professionals. If you request, we may recommend and/or engage the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professional.

We also provide services to the clients of other registered investment advisors who offer our services on behalf of their clients, or, we may be contracted to be a portfolio manager in a wrap fee program sponsored by an unaffiliated broker/dealer and/or investment advisor.

### **Portfolio Management Services**

We offer discretionary and non-discretionary investment management strategies tailored to the individual needs of our clients. We utilize various asset classes including: registered investment companies (commonly referred to as "mutual funds"), equities, exchange traded funds ("ETF"), bonds, individual equities, and/or other securities in association with the investment service selected by you.

We begin the process by using a confidential Risk Assessment Questionnaire ("RAQ") that provides questions regarding your time horizon, long-term goals and expectations, and short-term risk attitudes. The RAQ will help you identify your most comfortable style of management and provide you with a list of Sowell Management Services Portfolios. The RAQ is used by our firm as the primary reference for managing your portfolio. You may also indicate any special instructions or limits that you request us to follow in managing your assets.

Through our continuous monitoring of asset class segments' return and risk factors, we may change your portfolio asset mix in an effort to help you meet your objectives. The specific percentages allocated to each asset class may vary due to the nature of asset performance and/or the strategy selected. It is our intent to maintain a risk exposure commensurate with your

objectives by using the various investment portfolio choices available under the strategy selected by you.

In all cases, you have a direct and beneficial interest in your securities, rather than an undivided interest in a pool of securities. We do not and will not have custody of your funds or securities, except for the limited access to deduct only investment advisory fees via the qualified custodian and only with the appropriate authorization from you.

You are advised and are expected to understand that our past performance is not a guarantee of future results and that certain market and economic risks exist that may adversely affect an account's performance that could result in capital losses in your account.

For assets held in a 401k account or for small valued accounts, we offer non-discretionary management. In these accounts the client retains the rights to direct the investment. Our supervision and management shall be limited to recommending the potential purchase of investments for your account or sale of investments in your account, which in each case we believe in good faith would be appropriate for your account in light of the agreed-upon investment objectives and restrictions. Client acknowledges that Client has the ability to direct all purchases and sales made in the Client's Account.

SMS is compliant with the Global Investment Performance Standards (GIPS®) and has prepared and presented Annual Disclosure Presentations in compliance with the GIPS standards. SMS has been independently verified. For latest verification information, please contact SMS, or refer to the company's website ([www.sowellmanagement.com](http://www.sowellmanagement.com)) for further information.

GIPS Standards were designed to provide assurance for investors who want reliable performance metrics based on the principles of fair representation and full disclosure. Verification accesses adherence to comprehensive and rigorous rules governing input data, calculation, methodology, composite construction, disclosures, and presentation and reporting. GIPS Standards are Global and evolves to address issues that arise in the dynamic investment industry.

### **Sowell Risk Management System**

SMS uses a rules-based model of models to determine if the current market environment is a good environment to be 100% in the stock market, 50% in the stock market or effectively neutral in the stock market. The Risk Management System is only applied to the equity position of a portfolio and can be utilized within any brokerage account with an equity component. This is not available within variable products or 401(k), 403(b) and 457 accounts. The Risk Management System should only be utilized within your current risk tolerance as a means to potentially further reduce market risk and not as a means to take additional risk in hopes of mitigating that risk.

### **Variable Annuity and Variable Life Management Services**

SMS manages variable product sub-account allocations on products held directly with the sponsor. In these instances, the strategies may be limited to Aggressive Growth, Global Growth,

Growth, Balanced, Conservative, and Income & Growth. The management of these products is limited to the exchange of funds within sub-accounts of the variable products. We do not give advice as to the purchase/sale/exchange of Variable Products from one contract or sponsor to another.

## **Retirement Plan Advisory Services**

Retirement Plan Advisory Services consists of helping employer plan sponsors to establish, monitor and review their company's retirement plan. As the needs of the plan sponsor dictate, areas of advising could include: investment selection and monitoring, plan structure, and participant education.

SMS offers management of 401(k), 457, and 403(b) accounts both on a plan level and on the individual participant level. On the plan level we manage the investment line-up making changes as necessary as well as providing risk based investment models for the participants. On the individual participant level we manage risk based models using the current investment line-up based on risk tolerance of the individual investor.

### Plan Level

We will establish your plan's needs and objectives through an initial meeting to collect data, review plan information, and assist you in developing or updating the plan's provisions. Ongoing services to you may include recommendations regarding the selection and review of unaffiliated mutual funds that, in our judgment, are suitable for plan assets and for you to be invested. We periodically review the investment options you select and make recommendations to keep or replace plan investment options as appropriate. We perform a comprehensive review of potential service providers or vendors and will assist you with converting from your incumbent service provider to a new service provider selected by you. You are under no obligation to follow the recommendations we make.

We will provide quarterly recommendations for investment allocation of your company sponsored retirement plan. Upon receipt we will review your investment options and provide positions for your account in accordance with the management style you have chosen. The analysis with specific fund positions will be sent to you along with an invoice for the quarterly management fees due. You are responsible for making the fund changes within the 401(k) account.

### Participant Level

Services available under the Letter of Engagement permit us to provide financial education to your plan participants. The scope of education provided to participants at your request will not constitute "investment advice" within the meaning of ERISA and participant education will relate to general principles for investing and information about the investment options currently in the plan. We may also participate in initial enrollment meetings and periodic workshops and enrollment meetings for new participants as we agree upon.

All Retirement Plan Advisory Services shall be in compliance with any applicable Federal and State law(s) regulating the services provided by our Agreement. This section applies to an Account that is a pension or other employee benefit plan (a “Plan”) governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). If your Account is part of a Plan and we accept appointments to provide our services to your Account, we acknowledge that we are a fiduciary within the meaning of Section 3(38) of ERISA (but only with respect to the provision of services described in this agreement). You represent that (i) Our appointment and services are consistent with the Plan documents, (ii) You have furnished us true and complete copies of all documents establishing and governing the Plan and evidencing your authority to retain our firm. You further represent that you will promptly furnish us with any amendments to the Plan, and you agree that, if any amendment affects our rights or obligations, such amendment will be binding on us only with our prior written consent. If your Account contains only a part of the assets of the Plan, you understand that we will have no responsibilities for the diversification of the Plan’s investments, and we have no duty, responsibility or liability for the assets that are not in the account. If ERISA or other applicable law requires bonding with respect to the assets in your account, you will obtain and maintain at your expense bonding that satisfies this requirement and covers SMS and any of our affiliates.

### **Financial Planning Services**

Financial advisory services provided by us may include the analysis of your situation and assistance in identifying and implementing appropriate financial planning and investment management techniques to help you meet your specific financial objectives. Such services may include a written financial analysis and specific or general investment and/or planning recommendations.

In preparing your financial plan, we may address any or all of the six areas of financial planning established by the National Endowment for Financial Education and endorsed by the Certified Financial Planner Board of Standards, depending on your specific needs. These include: financial position, protection planning, investment planning, income tax planning, retirement planning, and estate planning.

Our specific services in preparing your plan may include:

- Determination of appropriate income planning strategies for both pre- and post-retirement timeframes.
- Review of existing and proposed investment asset mixes to help you meet your overall financial objectives. This would include a review of risk/return issues and a suggested plan of action consistent with your risk tolerance and overall financial objectives.
- Calculation of your pre-retirement savings and investing needs.
- Assessment of your overall financial position including net worth, cash flow, and debt.
- Comprehensive analysis of IRA-related issues including rollover, distribution, and inheritance planning options.
- Evaluation of strategies designed to maximize the utilization and protection of your IRA assets.

- Estimates of your federal estate taxes and a suggested plan of action to help meet estate planning objectives.
- Review and determination of your life and disability insurance needs.
- Suggestions for minimizing your federal and state income tax obligations.
- Development of investment strategies consistent with your business ownership succession and transition planning, if applicable.

### **Services Provided Through Unaffiliated Investment Advisors (Solicitors)**

We have agreements with unaffiliated investment advisors (hereafter referred to as “solicitors”) whereby we manage some or all of the solicitors’ client assets according to the investment strategy chosen by their client. The decision as to what investment strategy(s) client assets are invested in is based on suitability information gathered and reviewed by the solicitor. We manage these assets based on the investment strategies and not based on overall client suitability.

### **Sub-Advisory Services**

In addition to the separate account services described above, we offer advisory and sub-advisory services to other investment advisor’s clients. If the investment advisor and client agree to include an allocation of their portfolio to an SMS portfolio, an investment advisor may retain SMS as a sub-advisor to their client's account. We may consult with the investment advisor and their client in allocating certain client assets to a SMS portfolio.

If the investment advisor and their client agree to allocate assets to a SMS portfolio, the client must grant investment advisor with discretionary authority to manage such portfolio, and to exercise discretion to retain us as a sub-advisor of such portfolio.

We require discretion from investment advisor to securities pursuant to their client's RAQ. We will thereafter monitor the client's portfolio for changes in the selected model.

### **Sub-Advisory and Tri-Party Agreements**

SMS may engage with independent third-party investment advisers to aid SMS in implementing investment strategies for its clients. In certain circumstances, SMS may allocate a portion of a portfolio to an independent third-party investment adviser (“separate account manager”) for separate account management based upon individual client circumstances and objectives, including, but not limited to, client account size and tax circumstances. Upon the recognition of such situations, in coordination with the client, SMS will engage a separate account manager or enter into a tri-party agreement with the client and separate account manager for the management of those securities.

### **Administrative Services**

We have contracted with independent registered investment advisers to utilize our technology platforms to support data reconciliation, performance reporting, fee calculation and billing,



research, client database maintenance, quarterly performance evaluations, payable reports, web site administration, models, trading platforms, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, we will have access to client accounts of other investment advisers. Sowell Management Services and the independent registered investment adviser using our back office services are non-affiliated companies. We charge the investment advisers using this service an annual fee for each account administered by SMS. Please note that the fee charged to the client will not increase due to the annual fee the investment advisers pays to SMS.

### **Risk Based Investment Modeling Services**

SMS offers risk based investment modeling services through Envestnet Asset Management, Inc. (“Envestnet”). Envestnet is a “turnkey asset management provider” (“TAMP”), which provides risk based investment modeling services to clients of broker/dealers and registered investment advisers throughout the United States. SMS uses Charles Schwab & Co., Inc. (“Schwab”) as custodian and tax reporter for these accounts. There is no relationship between SMS and either Envestnet or Schwab, other than contractual relationships for their services..

### **General Information on Advisory Services**

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

### **Wrap Fee Programs**

In addition to the advisory business described above, we also participate in some wrap fee programs. Under the wrap fee programs, investment advice and costs of trade executions are provided to clients for an all-inclusive wrap fee. This means that under wrap fee programs, we pay the trading costs out of the advisory fee that we receive from you. The wrap fee programs are only available on select platforms. There is no difference between how we manage wrap fee accounts and how we manage other accounts. We will receive a portion of the wrap fee for our services.

### **Assets**

As of December 31, 2014, we managed \$367,377,605 in client assets on a discretionary basis and \$13,904,821 on a non-discretionary basis.

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## ITEM 5 - FEES AND COMPENSATION

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### Portfolio Management Service Fees

Our fee includes compensation for the advisory and consulting services, trade entry, and other account-related services. We do not charge for transactions. However, the custodian may charge custodial fees, transaction costs, redemption fees, retirement plan and administrative fees or commissions for non-wrap accounts. In addition, some mutual fund assets deposited in the account may have been subject to deferred sales charges and 12b-1 fees and other mutual fund annual expenses as described in the fund's prospectus. Furthermore, some existing variable annuities may be subject to trailing service fees, deferred sales charges, and mortality and expense fees. These fees are independent of our fees and should be disclosed by the custodian or contained in each fund's prospectus. You should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

The annual fee for portfolio management services is typically billed monthly in advance based on the market value of the assets on the last day of the preceding month as reported by the custodian. We may on a rare occasion send a direct invoice for fees. In this case the fees are billed on a monthly or quarterly basis. Fees are assessed pro rata in the event the Investment Advisor Agreement is executed at any time other than the first day of a calendar month. The pro-rata fee will be deducted in arrears at the end of the first partial month. The fee is based on a percentage of assets under management. The annualized fees for portfolio management services are based on a flat percentage or tiered fee schedule, depending on the fee agreement. Fees are assessed on all assets under management, including securities, cash and money market balances. Margin debit balances do not reduce the value of assets under management.

Our investment advisory fees shall not exceed 2.5%. The specific advisory fees are set forth in your Investment Advisory Agreement. In certain circumstances, our fees and the timing of the fees may be negotiated.

At our discretion, we may allow accounts of members of the same household to be aggregated for purposes of determining the advisory fee. We may allow such aggregation, for example, where we service accounts on behalf of your minor children, individual and joint accounts for a spouse, and other types of related accounts. This consolidation practice is designed to allow you the benefit of an increased asset total, which could potentially cause your account(s) to be assessed a reduced advisory fee based on the breakpoints available in our fee schedule. These accounts are not included in determining household values.

You authorize us to debit your account for our fee. The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. Written authorization permitting the fees to be paid directly from your account held by the qualified custodian is included in the Investment Advisory Agreement. Further, the qualified custodian agrees to deliver an account statement at least quarterly directly to you indicating all the amounts disbursed from the account including the amount of advisory fees. You are

encouraged to review your account statements for accuracy. We have access to client information from the custodian's platform.

Either party, upon written notice from the terminating party, may terminate the Investment Advisory Agreement. If the agreement is terminated prior to the last day of the calendar month, a prorated portion of the fee paid for that month based on the number of days remaining will be refunded to you. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets.

### **Variable Annuity and Variable Life Management Fees**

For variable product accounts, management fees are debited as described above from the sub-accounts of the product held at the sponsor, in advance on a monthly basis. The management of these products is limited to the investment options made up of sub-accounts within each particular variable product. We do not give advice as to the purchase/sale/exchange of Variable Products from one contract or sponsor to another.

You have the right to cancel this agreement or liquidate your account at any time by notifying us in writing. We may cancel this agreement at any time by providing written notice to you. The management fee will be pro-rated for the month in which the cancellation notice was given and any unearned fees will be refunded to you.

### **Sowell Risk Management System**

When an account uses the Risk Management System, an extra 25bps will be added to the percentage used to calculate the advisory fee. The Risk Management System is only applied to the equity position of a portfolio and can be utilized within any brokerage account with an equity component. This is not available within variable products or 401(k), 403(b) and 457 accounts.

### **Retirement Plan Advisory Fees**

SMS' bills quarterly for retirement plan advisory services. The fee is negotiated on a case-by-case basis and is disclosed in the agreement with the plan..

The fee for portfolio management services is billed quarterly in advance based on the market value of the assets on the last day of the preceding month as reported by the custodian. Fees are assessed pro rata in the event the Agreement is executed at any time other than the first day of a calendar month. The pro-rata fee will be deducted in arrears at the end of the first partial month. The fee is based on a percentage of assets under management. Fees are assessed on all assets under management, including securities, cash and money market balances. Margin debit balances do not reduce the value of assets under management.

This agreement may be terminated by you, effective on the last day of the then current fiscal quarter month, provided that you provide at least 30 days prior written notice of termination; or by SMS effective three (3) business days after the sending of a written notice of termination to you. You may cancel this agreement within five (5) days after written notice.

## **Financial Planning Fees**

Your fee for the designated financial advisory services is a negotiated fee. Under the negotiated fee arrangement, any fee will be agreed upon by you and your advisor in advance of services being performed. The fee will be determined based on factors including the complexity of your financial situation, agreed upon deliverables, and whether or not you intend to implement any recommendations through your financial advisor.

Your fee for the designated financial advisory services will be based on one of the following ways:

### Fixed Fee

Under a fixed fee arrangement, any fee will be agreed upon by you and your advisor in advance of services being performed. The fee will be determined based on factors including the complexity of your financial situation, agreed upon deliverables, and whether or not you intend to implement any recommendations through SMS.

The type of fee and, in the case of a fixed fee, the amount of the fee will be agreed to by you and your advisor prior to the signing of the Financial Planning Agreement. One half of the total fee will be due and payable at the time you enter into the Financial Planning Agreement, with the balance due and payable at the time the financial plan is delivered.

Typically, we complete a plan within a week or two and will present it to you within 90 days of the contract date, provided that you have provided us all information needed to prepare the financial plan. If the work is not completed in such a time, we may refund your fee on a pro-rated basis. The financial planning flat fee refund is calculated as follows: within the first week of signing the agreement, if the client cancels we will refund 50% of the fee. Fixed fees shall not exceed \$5,000.

### Hourly Rate

Under an hourly rate agreement, your total cost for financial planning services will be based on the amount of time your advisor and our staff spend developing your financial plan. This includes time spent meeting with you, analyzing your financial objectives, and evaluating and documenting your strategies. Our hourly rates vary between \$150.00 and \$500.00. The hourly rate will be agreed upon by you and your advisor in advance of services being performed. The fee and the number of hours will be determined based on factors including, the complexity of your financial situation, agreed upon deliverables and the level of experience of the advisor(s) completing your plan. Either party may terminate the agreement. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you.

In no case are our fees based on, or related to, the performance of your funds or investments.

When both investment management or plan implementation and financial planning services are offered, there is a potential conflict of interest since there is an incentive for the party offering financial planning services to recommend products or services for which we may receive compensation. However, we will make all recommendations independent of such considerations and based solely on our obligations to consider your objectives and needs. As a financial planning client, you are under no obligation to act upon any of our recommendations or effect the transaction(s) through us if you decide to follow the recommendations.

We will not require prepayment of more than \$1,200 in fees per client, six (6) or more months in advance of providing any services.

You may terminate the Financial Planning Agreement by providing us with written notice. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you based on the hourly rate charged.

### **Services Provided Through Unaffiliated Investment Advisors (Solicitors)**

When we manage client assets for solicitors, the fees are either paid to the solicitor or shared by an agreement with SMS with the fees paid to us and the agreed upon percentage of the fee remitted to the solicitor. These services may be part of the other advisors wrap fee program or as a third party management agreement.

The solicitor charges an advisory fee that is separate from our fee. The solicitor, at their choosing, may mark up our base fee. The total fee is disclosed to you in the Solicitor's Written Disclosure Document. The total fee shall not exceed 2.50%. Fees are billed in advance and payable at the beginning of each month. Your Solicitor will provide you with a disclosure statement listing the total advisor fees for your account(s) at the time the account is opened.

You have the right to cancel this agreement or liquidate your account at any time by notifying us in writing. We may cancel this agreement at any time by providing written notice to you. If the account is terminated before the month ends, the fee will be calculated based on the value of the account on the day of termination and prorated for the number of days in the month the account was under management and refunded to you.

### **Sub-Advisory or Tri-Party Fees**

For our sub-adviser services the investment adviser shall pay to SMS a fee of Twenty Five (25 bps) or 0.25%. to Fifty basis points (50 bps) or 0.50 %.

Fees for sub-advisory services shall be payable monthly in advance. Fees are applied to the account asset value on a pro-rated basis, billed monthly in advance, and shall be calculated based upon the total value of the investment advisers allocation as of the nearest valuation date immediately preceding the end of the prior quarterly period. The market value will be determined as reported by the Custodian.

Monthly periods shall be determined on a calendar basis. If the management of assets commences other than at the beginning of a calendar month, the fee will be a pro rata charge for the period commencing on the date the assets are established and ending on the last day of the calendar month. Fees shall be due and paid by the tenth business day following each calendar month.

If this Agreement is terminated prior to the end of a calendar month, the fee will be calculated based on the valuation on the effective date of the termination and pro-rated daily to the effective date of termination.

### **Risk Based Investment Modeling Services Fees**

Clients electing to use the risk based asset modeling services offered through Envestnet are billed a "Management Fee" equal to a percentage of assets under management, quarterly in advance. The percentage charge ranges between 0% and 2.5% per annum, depending upon the aggregate value of all accounts within a client household. Management fees cannot exceed 2.5% of assets under management for these accounts. Fees are billed directly to, and debited from, the client's account by the Custodian, monthly in advance.

### **General Information on Fees**

Cash withdrawals from or additions to accounts greater than \$500 receives a pro-rated refund or prorated fee in the next month's billing invoice.

Clients should note that similar advisory services may or may not be available from other registered (or unregistered) investment advisers for similar or lower fees.

### **Additional Fees and Expenses**

SMS may provide advice regarding investment company securities. You should be aware that, in addition to the advisory fees you pay in connection with any SMS program, each investment company also pays its own separate investment advisory fees and other expenses. Such fees and expenses are disclosed in the mutual fund's prospectus. In addition, clients should be aware that mutual funds may be purchased separately, independent of the investment management services of SMS.

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your Account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your Account(s) under our management.

- Brokerage commissions
- Transaction fees, with the exception for portfolios managed with Fidelity as custodian and that specific option exercised at an additional cost
- Exchange fees

- SEC fees
- Advisory fees and administrative fees charged by Mutual Funds or ETFs
- Custodial fees
- Deferred sales charges (on MF or annuities)
- Odd-Lot differentials
- Transfer taxes
- Wire transfer and electronic fund processing fees
- Commissions or mark-ups / mark-downs on security transactions

Please refer to the “Brokerage Practices” Items 12 for discussion of SMS brokerage practices.

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

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We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance based fees). Our advisory fee compensation is charged only as disclosed above in Fees and Compensation.

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## ITEM 7 - TYPES OF CLIENTS

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We provide investment advice to individuals, banks or thrift institutions, pension and profit sharing plans, trusts, foundations, estates, charitable organizations, corporations, or other business entities.

The account minimums are as follows;

- ☐ All AMPS = \$50K minimum
- ☐ Global Allocation ETF, Alternative Income and TAP Stock-Bond Enhanced = \$100K minimum
- ☐ TAP 1x, 2x, 3x and U.S. Stock Bond Complete Market and Global Leaders = \$50K minimum
- ☐ All Flagship = \$200K minimum
- ☐ All PPP = \$500K minimum
- ☐ Adaptive Strategies = \$200K minimum

Note: the minimum will NOT apply if the account is a member of a larger Household or part of a Retirement Plan. Any account less than \$50K will be restricted to Global Leaders or TAP 1x, 2x or 3x portfolios. We reserve the right to accept accounts for less than the minimum.



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

### Methodologies

We manage the strategies in each of these categories by utilizing one or more of the following investment methodologies: risk management, consisting of both risk budgeting and strategic/active asset allocation as well as dynamic and tactical allocation.

#### Strategic/Active Asset Allocation

Strategic/Active Asset Allocation is a management portfolio strategy that seeks to add value by actively adjusting a portfolio by overweighting attractive market exposures and underweighting unattractive market exposures. Non-risk management strategies utilizing an active asset allocation methodology may hold more concentrated portfolios than portfolios managed using a risk-management methodology. Increased concentration may lead to a wider range of performance over time. Additionally, portfolios holding concentrated investments in a particular market segment or sector make the portfolio more susceptible to any single economic, market, political or regulatory occurrence affecting that particular segment or sector than a more diversified portfolio.

#### Dynamic Allocation

Dynamic Allocation is a methodology that adjusts the mix of assets as markets rise and fall and the economy strengthens and weakens based on equity price factors. As prices change, the more likely the allocations will adjust in response to market movements.

The method of analysis we utilize can be both fundamental and technical depending on the management style selected. We gather our information for investment purposes from financial newspapers, magazines, research prepared by others, corporate rating services, company press releases, annual reports, prospectuses and filings with the Securities and Exchange Commission.

Sowell recognizes that a solid and disciplined sell strategy is just as important as its buy approach. Consequently, when the characteristics of an individual holding in a portfolio venture out of the criteria to hold the security, the position will be sold and the proceeds invested in a new opportunity.

#### Tactical Allocation

Tactical Allocation is a moderately active portfolio strategy using quantitative investment models to systematically exploit inefficiencies or temporary imbalances in values among different asset classes or market segments. Examples include trend analysis, benchmark timing, and relative strength techniques to produce excess returns. A form of market timing is utilized to take advantage of different asset class strengths based on market analysis. This

strategy utilizes portfolios consisting of fixed income only, equity and fixed income, and equity only positions based on anticipated market performance within the next six months.

## **Strategies**

We offer you a number of different strategies to choose from which we classify into four broad categories: Mutual Funds, Exchange Traded Funds, Individual Equities, and Separately Managed Accounts.

### Asset Management Portfolio (“AMP”) Program

Our investment planning program involves researching and selecting a mix of mutual funds, ETFs, and other investment products using our own proprietary process. We screen potential fund investments on key criteria which may include, but is not limited to:

- Fund objectives and investment styles
- Superior performance relative to fund peer groups over a number of years
- Asset size providing liquidity and maneuverability
- Consistent fund management
- Relatively low expense ratios - After investments are selected for a portfolio we monitor your account closely to ensure that each fund continues to be aligned with the portfolio’s specific needs while enhancing its return.

### Exchange Traded Funds Portfolio Program

Our investment planning program involves researching and selecting a mix of ETFs. We screen potential ETF investments on key criteria which may include, but is not limited to:

- Fund objectives and investment styles
- Superior performance relative to fund peer groups over a number of years
- Asset size providing liquidity and maneuverability
- Targeted relative strength of the asset class to the overall market
- Relatively low expense ratios - After investments are selected for a portfolio we monitor your account closely to ensure that each fund continues to be aligned with the portfolio’s specific needs while enhancing its return.

### Sowell Flagship and Platinum Plus Separately Managed Account Portfolio Program

Our investment planning program involves researching and selecting individual stocks using our own proprietary process. We screen potential individual stock investments on key criteria, which may include, but is not limited to:

- Superior performance relative to peer groups over a number of months and/or years
- Individual asset size providing liquidity and maneuverability
- Targeted relative strength of the individual stock asset class to the overall market
- Heavy “insider purchasing” as disclosed in the SEC EDGAR System

- High expected dividend yields as well as a long track record of earnings growth, dividend growth and low price betas
- Low priced stocks in relation to earnings and cash flow valuations
- Individual stocks with high earnings and earnings estimate revisions
- Individual stocks with high return on assets and equity expectations of future earnings are rising

### Risk Management System

The objective of the Sowell Risk Management System is to use a rules-based model of models to determine if the current market environment is a good environment to be in the stock market, or the sidelines in cash, or short the stock market. This system is an “opt-in” system and is applied to half the equity position of the account (and only to the equity portion of the portfolio).

### **Risks**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, we are unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

You should be aware that your account is subject to the following risks:

- Stock Market Risk – The value of securities in the portfolio will fluctuate and, as a result, the value may decline suddenly or over a sustained period of time.
- Managed Portfolio Risk – The manager's investment strategies or choice of specific securities may be unsuccessful and may cause the portfolio to incur losses.
- Industry Risk – The portfolio's investments could be concentrated within one industry or group of industries. Any factors detrimental to the performance of such industries will disproportionately impact your portfolio. Investments focused in a particular industry are subject to greater risk and are more greatly impacted by market volatility than less concentrated investments.
- Non-U.S. Securities Risk – Non-U.S. securities are subject to the risks of foreign currency fluctuations, generally higher volatility and lower liquidity than U.S. securities, less developed securities markets and economic systems and political and economic instability.
- Emerging Markets Risk – To the extent that your portfolio invests in issuers located in emerging markets, the risk may be heightened by political changes and changes in taxation or currency controls that could adversely affect the values of these investments. Emerging markets have been more volatile than the markets of developed countries with more mature economies.
- Currency Risk – The value of your portfolio's investments may fall as a result of changes in exchange rates.
- Interest Rate Risk - The value of fixed income securities rises or falls based on the underlying interest rate environment. If rates rise, the value of most fixed income securities could go down.
- Credit Risk - Most fixed income instruments are dependent on the underlying credit of the issuer. If we are wrong about the underlying financial strength of an issuer, we may purchase securities where the issuer is unable to meet its obligations. If this happens, your portfolio could sustain an unrealized or realized loss.
- Inflation Risk - Most fixed income instruments will sustain losses if inflation increases or the market anticipates increases in inflation. If we enter a period of moderate or heavy inflation, the value of your fixed income securities could go down.
- ETF and Mutual Fund Risk – When we invest in an ETF or mutual fund for a client, the client will bear additional expenses based on its pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with us varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio.
- Options Risk - Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

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**ITEM 9 - DISCIPLINARY INFORMATION**

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In 2009, the State of Arkansas found that William Sowell mistakenly allowed his Investment Advisor Representative registration to lapse while continuing to engage in investment advisor activities. The State required Mr. Sowell to pay a fine and waived the exam requirement. Mr. Sowell is now properly registered in the State of Arkansas.

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

### **Broker/Dealer**

Certain Investment Advisor Representatives (“IAR”) of SMS may be registered representatives of a securities broker/dealer, and will be compensated for effecting securities transactions or providing advisory services. A portion of the time of some of our IARs is spent in connection with broker/dealer activities.

Broker/dealers engage in a broad range of activities normally associated with securities brokerage firms. Pursuant to the investment advice given by SMS or its IARs, investments in securities may be recommended for clients. As the broker/dealer, its registered representatives, including certain IARs of SMS, may receive commissions for executing securities transactions. When IARs of SMS receive commissions in connection with the advice given to advisory clients, SMS may reduce a portion of its fees by the amount of the commissions earned by SMS IARs.

You are advised that as the broker/dealer, the transaction charges may be higher or lower than the charges you may pay if the transactions were executed at other broker/dealers. You should note, however, that you are under no obligation to purchase securities through these IARs of SMS or the broker/dealer.

Moreover, you should note that under the rules and regulations of Financial Industry Regulatory Authority (“FINRA”), broker/dealers have an obligation to maintain certain client records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives. These obligations require the broker/dealer to coordinate with, and have the cooperation of its registered representatives that operate as, or are otherwise associated with, investment advisors other than that of the broker/dealer. Accordingly, the broker/dealer may limit the use of certain custodial and brokerage arrangements available to clients of SMS and the broker/dealer may collect as paying agent of SMS the investment advisory fee remitted to SMS by the account custodian.

Certain IARs of SMS may ( in their capacity as a registered representatives or as agents appointed with various life, disability or other insurance companies) receive commissions, 12(b)-1 fees, trails, or other compensation from the respective product sponsors and/or as a result of effecting securities transactions for clients. As previously noted, when commissions or fees are received these IARs in connection with the advice given to advisory clients, SMS may, but is not obligated to, reduce its fee proportionate to the amount of the commission or fee earned by SMS or its IARs. However, clients should note that they are under no obligation to purchase any investment products through these IARs of SMS.

### **Other Business Activities**

IARs of SMS may act as agents appointed with various life, disability or other insurance companies, receive commissions, trails, or other compensation from the respective product

sponsors and/or as a result of effecting insurance transactions for clients. However, clients should note that they are under no obligation to purchase any insurance products through SMS or its IAR.

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

SMS and persons associated with us are allowed to invest for their own accounts or have a financial interest in the same securities or other investments that we recommend or acquire for your account, and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any potential conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information and other situations where there is a possibility for conflicts of interest. The Code of Ethics is designed to protect our clients by deterring misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of SMS, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether personnel are complying with the firm's ethical principles.

We have established the following restrictions in order to ensure its fiduciary responsibilities:

1. A director, officer or employee of SMS shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No director, officer or employee of SMS shall prefer his or her own interest to that of the advisory client.
2. We maintain a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of SMS.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
4. We emphasize the unrestricted right of the client to select and choose any broker/dealer (except in situations where we are granted discretionary authority) he or she wishes.
5. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. Any individual not in observance of the above may be subject to termination.

You may request a complete copy of our Code of Ethics by contacting us at the address, telephone or email on the cover page of this Part 2; attn.: Chief Compliance Officer.



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## ITEM 12 - BROKERAGE PRACTICES

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We recommend that if you need brokerage and custodial services to utilize Fidelity Institutional Wealth Services, a business unit of Fidelity Investments ("Fidelity Institutional"), TD Ameritrade Institutional, a division of TD Ameritrade, Inc., Pershing Advisor Solutions ("PAS"), Charles Schwab Advisor Services or Interactive Brokers. We feel that these custodians will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on several factors, including the broker's ability to provide professional services, competitive commission rates, volume discounts, execution price negotiations, and other services.

Our custodians are unaffiliated SEC-registered broker/dealer and FINRA members. These custodians offer to independent investment advisors, services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from these custodians through its participation in their programs. (Please see the disclosure under Item 14 below).

In the event you request us to recommend a broker/dealer custodian for execution and/or custodial services, we generally recommend your account to be maintained at one of the custodian's listed above. We may recommend that you establish accounts with one of these custodians to maintain custody of your assets and to effect trades for your accounts. You are under no obligation to act upon any recommendations, and if you elect to act upon any recommendations, you are under no obligation to place the transactions through any broker/dealer we recommend. Our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability and compatibility with the client. You may be able to obtain lower commissions and fees from other brokers and the value of products, research and services given to us is not a factor in determining the selection of broker/dealer or the reasonableness of their commissions.

We do not select or recommend broker/dealers based upon receiving client referrals from a broker/dealer or third party. We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage.

We place trades for your account subject to our duty to seek best execution and other fiduciary duties. We may use broker-dealers other than your custodian to execute trades for your account, but this practice may result in additional costs to you so that we are more likely to place trades through your custodian rather than other broker-dealers. Your custodian's execution quality may be different than other broker-dealers.

In certain instances where we participate as a manager in an unrelated wrap fee program, your assets may be required to be custodied at the broker/dealer or advisor that is sponsoring the program.

We will aggregate trades for ourselves, our associated persons and other clients with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully disclosed separately to our existing clients (if any) and the broker/dealer(s) through which such transactions will be placed.
2. We will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our Investment Advisory Agreement with you for which trades are being aggregated.
3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction.
4. We will prepare procedures specifying the participating client accounts and how to allocate the order among those clients.
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, it will be allocated pro-rata based on the allocation statement.
6. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in our allocation procedure if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is approved by our compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed.
7. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
8. Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker/dealers, and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker/dealer as soon as practicable following the settlement.
9. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.
10. Individual advice and treatment will be accorded to each advisory client.

As a matter of policy and practice, we do not utilize research, research-related products and other services obtained from broker/dealers, or third parties, on a soft dollar commission basis.

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### ITEM 13 - REVIEW OF ACCOUNTS

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A review is performed at least quarterly and may be reviewed as frequently as weekly for some accounts. The reviews are contingent on you maintaining a current advisory relationship with our Firm. The Investment Committee monitors Client portfolios to identify situations that may warrant either a more detailed review or specific action on behalf of our Clients. The frequency of account review within that range is based on the complexity of the accounts, the nature of the advisory plan recommendations, and changes in tax or market conditions. More frequent reviews may be triggered by material changes in variables such as your individual circumstances, or the market, political or economic environment. You are urged to notify us of any changes in personal circumstances.

If you are a client of other investment advisors, it is the responsibility of the other advisor's representatives to review the account with you and determine ongoing suitability and investment objectives. Any changes to account information should be provided to us by these representatives.

Reports are provided to you on a quarterly basis or as otherwise agreed upon with the client. The reports will include market analysis and performance summary.

**You are urged to compare the reports provided by SMS against the account statements you receive directly from your account custodian.**

Financial Planning/Consulting clients (i.e. those who have no assets under management with us in our advisory program) will receive no regular reports from the Firm.

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**ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

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As disclosed under Item 12 Brokerage Practices, we participate in the institutional customer programs for TD Ameritrade, Pershing Advisor Solutions, and Fidelity Institutional Wealth Services, Charles Schwab Advisor Services and Interactive Brokers. Accordingly, we may recommend one of these custodians to you for custodial and brokerage services. There is no direct link between our participation in the program and the investment advice we give to you, although we receive economic benefits through our participation in their programs that are typically not available to retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from your account; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. These custodians may also have paid for business consulting and professional services received by our associated persons. Some of the products and services made available by the custodians through their programs may benefit us, but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at these custodians. Other services made available by the custodians are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel through participation in the programs do not depend on the amount of brokerage transactions directed to the custodians. As part of its fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by us or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of custodians for custody and brokerage services.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Although receipt of these travel expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

We maintain written referral agreements with third parties by which the third party refers clients that may establish accounts and enter into advisory relationships with us. In such circumstances, we agree to pay the third party a referral fee equal to a percentage of fees received by us from the referred client. The referral fee may be split between third parties who have jointly participated in referring a client to SMS. All referral agreements will be governed by and comply with Rule 206(4)-3 under the Investment Advisors Act of 1940.

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## ITEM 15 - CUSTODY

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Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

SMS is deemed to have custody of client funds and securities whenever SMS is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody SMS will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which SMS is deemed to have custody, the firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from SMS. When clients have questions about their account statements, they should contact SMS or the qualified custodian preparing the statement.

**When fees are deducted from an account, SMS is responsible for calculating the fee and delivering instructions to the custodian.**

## ITEM 16 - INVESTMENT DISCRETION

We have authority to supervise and direct on an ongoing basis your investments in accordance with your investment objectives and guidelines or your written Investment Policy Statement. We are authorized, in its discretion and without prior consultation with you to: (1) buy, sell, exchange and otherwise trade any stocks, bonds or other securities or assets, (2) determine the amount of securities to be bought or sold, and (3) place orders with the custodian. Any limitations to such authority will be communicated by you to us in writing.

You may specify in writing the markets or broker/dealers to execute the securities transactions directed by us. In the absence of such specification, we shall employ such broker/dealers and such markets as we, in our sole discretion, shall decide. We will not, however, employ a broker/dealer affiliated with us without first disclosing the affiliation to you and obtaining your written consent, we shall not be liable for any act or omission of any broker/dealer (other than an affiliated broker/dealer employed with your written consent). You may instruct us in writing not to effect transactions through any particular broker/dealer. Executing securities transactions through such designated broker or dealer, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the Account than would otherwise be the case.

The limitations on investment and brokerage discretion held by SMS for you are:

1. For discretionary clients, we require that it be provided with authority to determine which securities and the amounts of securities to be bought or sold, as well as the broker/dealer to be used and the commission rates to be paid.
2. Any limitations on this discretionary authority shall be included in this written authority statement. You may change/amend these limitations as required. Such amendments shall be submitted in writing.
3. If you request that a particular broker/dealer be used to execute transactions in your account (we will not as a matter of policy) negotiate such commission rates unless specifically requested to do so by you in writing. We deem the designation of a broker/dealer by you as a direction by you and you are willing to pay such broker/dealers normal commission rates. This could result in you paying higher commissions than otherwise may be available.
4. If you do not designate a broker/dealer for your account, we will determine in good faith the broker/dealer to be used based upon the following factors:
  - a. Commission rates
  - b. The value of research products or services provided by the broker/dealer to us which research products or services provide lawful and appropriate assistance to us in the performance of our investment decision making responsibilities. Research products and services received by us from broker/dealers will be used to provide services to all our clients.
  - c. Other brokerage services provided by the broker/dealer to you such as collection of dividends, exchange or transfer of securities, and custody of securities and cash.

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**ITEM 17 - VOTING CLIENT SECURITIES**

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We exercise voting authority with respect to securities on the LPL Financial Services Platform. All other platforms, we do not vote proxies. For the LPL Financial Services Platform, we have adopted written proxy voting policies and procedures. To facilitate our proxy responsibilities, we have contracted with EC Proxy Voting Service, Inc. to vote all proxies on the LPL Financial Services Platform. Prior to any proxy vote, recommendations are reviewed by one of our portfolio managers, with the reasons for any votes that are contrary to EC Proxy Voting Service recommendations being documented. Those on the LPL Financial Services Platform do not have the option to vote your proxies. Upon receipt of a request for more information, we will provide you with a copy of the proxy policy and/or how we voted proxies for you pursuant to this policy. It is our policy not to disclose how we voted your proxy to third parties.

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**ITEM 18 - FINANCIAL INFORMATION**

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This item is not applicable to this brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.