

SOWELL MANAGEMENT SERVICES

a Registered Investment Adviser

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March 18, 2016

www.sowellmanagement.com

This brochure provides information about the qualifications and business practices of Sowell Management Services (hereinafter “Sowell Management Services” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at this telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at www.adviserinfo.sec.gov. The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

Item 2. Material Changes

In this Item, Sowell Management Services is required to discuss any material changes that have been made to the brochure since the last annual amendment dated March 17, 2015. Sowell Management Services has the following material changes to disclose:

We no longer have a wrap fee program.

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 Jeremy at 501-219-2434 or jeremy@sowellmanagement.com. We encourage you to read this document in its entirety.

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Item 4. Advisory Business

Sowell Management Services is a fee-based investment adviser located in North Little Rock, Arkansas, specializing in investment portfolios for individuals, retirement plans, corporations, registered investment advisers 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. As of March 18, 2016, Sowell Management Services had \$493,126,806 assets under management, \$486,046,547 of which was managed on a discretionary basis and \$7,080,259 of which was managed on a non-discretionary basis.

Sowell Management Services is committed to helping clients build, manage, and preserve wealth, and to provide assistance to clients to help achieve their stated financial goals.

Sowell Management Services offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to Sowell Management Services rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with Sowell Management Services setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

While this brochure generally describes the business of Sowell Management Services, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Sowell Management Services’ behalf and is subject to the Firm’s supervision or control.

Investment Management Services

Sowell Management Services manages client investment portfolios on a discretionary or non-discretionary basis. Sowell Management Services primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), and individual debt and equity securities in accordance with their stated investment objectives.

Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios. Clients may engage Sowell Management Services to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, Sowell Management Services directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the

product's provider.

Sowell Management Services begins its investment management services by using a confidential Risk Assessment Questionnaire ("RAQ") that provides questions regarding a client's time horizon, long-term goals and expectations, and short term risk attitudes. The RAQ will help clients identify their most comfortable style of management and provide the client with a list of Sowell Management Services Portfolios. The RAQ is used by the Firm as the primary reference for managing client portfolios. Clients may also indicate any special instructions or limits in managing assets.

Through continuous monitoring of asset class segments' return and risk factors, the Firm may change portfolio asset mixes in an effort to help meet 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 the Firm's intent to maintain a risk exposure commensurate with each client's objectives by using the various investment portfolio choices available under the strategy selected by that client.

Sowell Management Services is compliant with the Global Investment Performance Standards (GIPS®) and has prepared and presented Annual Disclosure Presentations in compliance with the GIPS standards.

Sowell Management Services has been independently verified. For latest verification information, please contact the Firm, or refer to the Firm's website (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 assesses 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 Management Services tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. Sowell Management Services consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. When acting as a sub-advisor for other registered investment advisers, the Firm relies upon this information to be provided by that investment adviser and the Firm does not work directly with the individual client. Clients are advised to promptly notify Sowell Management Services if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if Sowell Management Services determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

Financial Planning and Consulting Services

The Firm's investment management services may include the analysis of a client's situation and assistance in identifying and implementing appropriate financial planning and investment management techniques to help meet specific financial objectives.

Sowell Management Services' financial planning and consulting services may include any or all of the following functions:

- Determination of appropriate income planning strategies for both pre- and post-retirement.
- Review of existing and proposed investment asset mixes.
- Calculation of pre-retirement savings and investing needs.
- Assessment of overall financial position including net worth, cash flow, and debt.
- Comprehensive analysis of IRA-related issues.
- Estimates of federal estate taxes and a suggested plan of action to help meet estate planning objectives.
- Review and determination of life and disability insurance needs.
- Suggestions for minimizing federal and state income tax obligations.
- Development of investment strategies consistent with business ownership succession and transition planning.

In performing these services, Sowell Management Services is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. Sowell Management Services may recommend clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage Sowell Management Services or its affiliates to provide additional services for compensation. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by Sowell Management Services under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Sowell Management Services' recommendations and/or services.

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.

Sowell Management Services 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 the Firm manages the investment line-up making changes as necessary as well as providing risk based investment models for the participants. On the individual participant level the Firm manages risk based models using the current investment lineup based on risk tolerance of the individual investor.

Plan Level

Sowell Management Services will establish the plan's needs and objectives through an initial meeting to collect data, review plan information, and assist in developing or updating the plan's provisions. Ongoing services may include recommendations regarding the selection and review of unaffiliated mutual funds that, in the Firm's judgment, are suitable for plan assets to be invested. The Firm periodically reviews the investment options selected and makes recommendations to keep or replace plans investment options as appropriate. Sowell Management Services performs a comprehensive review of Investment options and will assist with converting from incumbent service providers to a new service provider if appropriate.

Sowell Management Services will provide quarterly recommendations for the plan's investment allocation. Upon receipt the Firm will review the investment options and provide positions for accounts in accordance with the management style chosen by the client. The analysis with specific fund positions will be sent to the client along. Clients are responsible for making the fund changes within the account.

Participant Level

The Firm can also be engaged to provide financial education to plan participants. The scope of education provided to participants 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. Sowell Management Services may also participate in initial enrollment meetings and periodic workshops and enrollment meetings for new participants.

Wrap Fee Programs

We do not place any client assets into a wrap fee program.

Item 5. Fees and Compensation

Investment Management Fees

Sowell Management Services offers investment management services for an annual fee based on the amount of assets under the Firm's management. This management fee generally varies up to 2.5% per annum, depending upon the size and composition of a client's portfolio, the type of services rendered and the investment adviser representative providing the advice and managing the client relationship. The fact

that the investment adviser representative working with the client can determine the advisory fee may result in clients with similar circumstances paying different fees to the Firm.

The annual fee is typically prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Sowell Management Services on the last day of the previous billing period.

If assets in excess of \$10,000 are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted in the next billing cycle to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), Sowell Management Services may negotiate a fee rate that differs from the range set forth above.

Sub-Advisory or Tri-Party Fees

As discussed above, there will be occasions where Sowell Management Services acts as a sub-adviser to other registered investment advisers. In those circumstances, the other investment adviser maintains the primary client relationship, and the Firm merely manages the assets based upon the parameters provided by that investment adviser. Sowell Management Services charges up to 90 basis points (0.90%) of assets under management for such services.

Fee Discretion

Sowell Management Services may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

Financial Planning and Consulting Fees

Sowell Management Services generally charges a fixed and/or hourly fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but will be up to \$5,000 on a fixed fee basis and/or from \$150 to \$500 on an hourly basis, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, Sowell Management Services may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and Sowell Management Services generally requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is generally due upon delivery of the financial plan or completion of the agreed upon services. Typically, a plan is completed within two weeks and will be presented to the client within 90 days of the contract date, provided that the Firm is provided with all necessary information. If the work is not completed in such a time, the Firm may refund fees on a prorated basis. If the client cancels the financial planning engagement within the first week of signing the agreement, the Firm will refund 50% of the fee. The Firm does not take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

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.

Additional Fees and Expenses

In addition to the advisory fees paid to Sowell Management Services, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

Direct Fee Debit

Clients generally provide Sowell Management Services and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Sowell Management Services. Alternatively, clients may elect to have Sowell Management Services send a separate invoice for direct payment.

Use of Margin

Sowell Management Services may be authorized to use margin in the management of the client's investment portfolio. In these cases the fee payable will be assessed net of margin such that the market value of the client's account and corresponding fee payable by the client to Sowell Management Services will not be increased.

Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to Sowell Management Services' right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients may withdraw account assets on notice to Sowell Management Services, subject to the usual and customary securities settlement procedures. However, the Firm generally designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Sowell Management Services may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

Item 6. Performance-Based Fees and Side-by-Side Management

Sowell Management Services does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

Item 7. Types of Clients

Sowell Management Services offers services to individuals, banks or thrift institutions, pension and profit sharing plans, trusts, estates, foundations, charitable organizations, corporations, business entities and other registered investment advisers.

Minimum Account Value

Sowell Management Services generally imposes a minimum portfolio value of \$50,000. Sowell Management Services may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. Sowell Management Services only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Sowell Management Services may aggregate the portfolios of family members to meet the minimum portfolio size.

Certain Independent Managers may, however, impose more restrictive account requirements and billing practices from the Firm. In these instances, Sowell Management Services may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

In addition, the Firm generally imposes a minimum quarterly fee of \$25 per account. This is not aggregated for the entire client relationship so clients with multiple accounts are subject to this minimum for each account. This minimum fee may cause clients with smaller and/or numerous accounts to incur an effective fee rate that is higher than the Firm's stated fee schedule.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis & Investment Strategies

Sowell Management Services employs multiple styles, managers, strategies and investing methodologies. The firm utilizes both internal and external research to formulate a broad range of investment solutions.

Sowell employs multiple investing styles which consist of but are not limited to the following: i) Strategic Allocation; ii) Tactical Allocation; iii) Individual Equity Selection; and iv.) Customized Portfolio Design. Within each style "sleeve" the firm offers multiple portfolio management strategies also referred to as "programs." Below is a summary of the management styles offered.

Strategic Allocation

Portfolio strategies focused on preset targeted allocations for various asset classes and the periodic rebalancing of the portfolio back to the original targets. Portfolio rebalancing can occur on a calendar basis (quarterly, semi-annually, or annually) and/or when current allocations deviate significantly from the initial targets. In the latter approach, the timing of rebalancing decisions are made by the Sowell investment committee.

Tactical Allocation

Portfolio strategies employing quantitative models designed to take advantage of inefficiencies or temporary imbalances in values among different asset classes or market segments as well as perceived opportunities. Tactical allocation strategies take many forms and include trend analysis, benchmark

timing, model-based risk management, risk parity, and relative strength. Tactical strategies can include the use of leveraged and/or inverse securities.

Individual Equity Selection

Portfolio strategies focused on the selection of individual equities (stocks). Sowell employs multiple equity selection strategies/factors including but not limited to: cap-size, style (growth/value), income, momentum, valuation, earnings momentum, earnings strength, insider buying, and relative strength.

Customized Portfolio Design

The Firm defines customized portfolios as combinations of investing strategies/programs designed to fit an investors objectives and risk tolerance.

Risk of Loss

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, the firm is 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.

Investors should be aware that accounts are 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.
- **Timing Risk** – The risk that a client takes when trying to buy or sell a stock based on future price predictions. Timing risk is the potential for missing out on beneficial movements in price due to an error in timing. This could cause harm to the value of your portfolio because of purchasing too high or selling too low.
- **Leverage Risk** – Leverage is used to increase potential return on an investment. If leverage is used to make an investment and the investment moves against the investor, the loss is much greater than it would have been if the investment had not been leveraged. Leverage typically magnifies both gains and losses.

Item 9. Disciplinary Information

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

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed.

Registered Representatives of a Broker/Dealer

Certain of the Firm's Supervised Persons are registered representatives of Commission Broker-Dealer and may provide clients with securities brokerage services under a separate commission-based arrangement.

Commissions and Sales Charges for Recommendations of Securities

Clients can engage certain persons associated with Sowell Management Services (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with Sowell Management Services.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of certain Broker-Dealers ("Commission Broker-Dealer"), may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons may be entitled to a portion of the brokerage commissions paid to Commission Broker-Dealer, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. Sowell Management Services may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with Commission Broker-Dealer.

A conflict of interest exists to the extent that Sowell Management Services recommends the purchase or sale of securities where its Supervised Persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that Sowell Management Services, in its sole discretion, deems appropriate, Sowell Management Services may provide its investment advisory services on a fee-offset basis. In this scenario, Sowell Management Services may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of Commission Broker-Dealer.

Licensed Insurance Agents

A number of the Firm's Supervised Persons are licensed insurance agents and may offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that Sowell Management Services recommends the purchase of insurance products where its Supervised Persons may be entitled to insurance commissions or other additional compensation. The Firm does not share in any compensation earned by the Supervised Persons in this capacity and when not recommended as part of a financial plan or investment consulting service, the Firm may not supervise such recommendations.

Turnkey Asset Management Program Services

As discussed above, the Firm may provide advisory services to clients that are primarily serviced by another registered investment adviser or through solicitor relationships. In addition to the advisory services provided to clients of those advisers, the Firm may also provide other back office and administrative services to those registered investment advisers (together with the advisory services “TAMP Services”). Advisers pay Sowell Management Services a fee for these TAMP Services. The fee charged to the advisers may be passed on to clients directly or through the advisory fees paid by the client to their primary adviser.

Item 11. Code of Ethics

Sowell Management Services has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. Sowell Management Services’ Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Sowell Management Services’ personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person will access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Sowell Management Services to request a copy of its Code of Ethics.

Item 12. Brokerage Practices

Recommendation of Broker/Dealers for Client Transactions

Sowell Management Services generally recommends that clients utilize the custody, brokerage and clearing services of Fidelity Institutional Wealth Services (“Fidelity”), Pershing Advisor Solutions (“Pershing”), TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (“TD Ameritrade”), Trust Company of America or Schwab Advisor Services™ (“Schwab” and together with Fidelity, TD Ameritrade, Trust Company of America and Pershing, the “Custodians”) for investment management accounts.

Factors which Sowell Management Services considers in recommending the Custodians to clients include their respective financial strength, reputation, execution, pricing, research and service. The Custodians may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by the Custodians may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Sowell Management Services’ clients to the Custodians comply with the Firm’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution’s services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Sowell Management Services seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other broker-dealers with whom the Firm and its custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the Client may be required to sign an additional agreement, and additional fees are likely to be charged.

Software and Support Provided by Financial Institutions

Sowell Management Services may receive without cost from the Custodians computer software and related systems support, which allow Sowell Management Services to better monitor client accounts maintained at the Custodians. Sowell Management Services may receive the software and related support without cost because the Firm renders investment management services to clients that maintain assets at the Custodians. The software and support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The software and related systems support may benefit Sowell Management Services, but not its

clients directly. In fulfilling its duties to its clients, Sowell Management Services endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Sowell Management Services' receipt of economic benefits from a broker/dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker/dealer over another that does not furnish similar software, systems support or services.

Specifically, Sowell Management Services may receive the following benefits from the Custodians:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its institutional traders;
- 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.

The Firm participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA, an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. Sowell Management Services receives some benefits from TD Ameritrade through its participation in the program. There is no direct link between Sowell Management Services' participation in TD Ameritrade's institutional customer program and the investment advice it gives to its clients, although Sowell Management Services receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, Sowell Management Services may receive the following benefits from TD Ameritrade through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered 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. The Firm also has the ability deduct advisory fees directly from client accounts; 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 the Firm by third party vendors. TD Ameritrade may fund business consulting and professional services received by Sowell Management Services' related persons.

Some of the products and services made available by TD Ameritrade through the program may benefit Sowell Management Services but not its client. These products or services may assist Sowell Management Services in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Sowell Management Services manage and further develop its business enterprise. The benefits received by Sowell Management Services' participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade.

Brokerage for Client Referrals

Sowell Management Services does not consider, in selecting or recommending broker/dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

Trade Aggregation

Transactions for each client generally will be effected independently, unless Sowell Management Services decides to purchase or sell the same securities for several clients at approximately the same time. Sowell Management Services may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Sowell Management Services’ clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Sowell Management Services’ Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Sowell Management Services does not receive any additional compensation or remuneration as a result of the aggregation.

Item 13. Review of Accounts**Account Reviews**

Sowell Management Services monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the Firm’s Investment Committee and/or investment adviser representatives. The frequency of reviews will depend upon the complexity of the accounts, the nature of the advisory recommendations, changes in tax or market conditions, as well as other conditions and material changes to the client’s situation. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Sowell Management Services and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Account Statements and Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. Clients may also receive written or electronic reports from Sowell Management Services and/or an outside service provider on a quarterly basis, which contain certain account and/or market-related information, such as an inventory of account

holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Sowell Management Services or an outside service provider.

Item 14. Client Referrals and Other Compensation

Client Referrals

In the event a client is introduced to Sowell Management Services by either a solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. If the client is introduced to the Firm by an unaffiliated solicitor, the solicitor is required to provide the client with Sowell Management Services' written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of Sowell Management Services is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

Item 15. Custody

The Advisory Agreement and/or the separate agreement with any Financial Institution generally authorize Sowell Management Services and/or the Independent Managers to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Sowell Management Services.

In addition, as discussed in Item 13, Sowell Management Services may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from Sowell Management Services.

Item 16. Investment Discretion

Sowell Management Services may be given the authority to exercise discretion on behalf of clients. Sowell Management Services is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. Sowell Management Services is given this authority through a power-of-attorney included in the agreement between Sowell Management Services and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Sowell Management Services takes discretion over the following

activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The broker-dealer that executes trades (in the case of a prime brokerage relationship); and
- The Independent Managers to be hired or fired.

Item 17. Voting Client Securities

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, Sowell Management Services has adopted and implemented written policies and procedures governing the voting of client securities for LPL. All proxies that Sowell Management Services receives will be treated in accordance with these policies and procedures.

Sowell Management Services has engaged the services of Broadridge's ProxyEdge platform to vote and maintain records of all proxies.

Sowell Management Services complete proxy voting policy, procedures, and those of its proxy voting service providers, are available for client review. In addition, our complete proxy voting record is available to our clients, and only to our clients.

Sowell Management Services has also contracted with Broadridge as provider to file Class Actions "Proof of Claim" forms.

Occasionally, securities held in the accounts of clients will be the subject of class action lawsuits. Sowell Management Services has retained the services of Broadridge to provide a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. Broadridge actively seeks out any open and eligible class action lawsuits. Additionally, Broadridge files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of our clients.

Clients should contact Sowell Management Services at the phone number on the front of this document if they have any questions or if they would like to review any of these documents.

Item 18. Financial Information

Sowell Management Services is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.