

# **Sorrento Pacific Financial, LLC**

## **Firm Brochure**

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**March 30, 2016**

**This Brochure provides information about the qualifications and business practices of Sorrento Pacific Financial ("SPF"). If you have any questions about the contents of this Brochure, please contact the SPF Compliance Department at 858/805-7900. 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.**

**SPF is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training.**

**Additional information about SPF also is available on the SEC's website at**

**[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## **Item 2 – Material Changes**

This Brochure contains changes from the last annual updating amendment to the Brochure on March 31, 2015. The following is a summary of the material changes. In Section 4, Ascensus® was revised to reflect that it is now an Ascensus® Company. In Section 5, Fees and Compensation, fees were updated and additional disclosures were added. The firm also added the ability to provide management on variable annuity subaccounts and this required changes to Items 5, 12 and 15.

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#### **Item 4 – Advisory Business**

Sorrento Pacific Financial, LLC ("SPF") provides financial planning and investment advisory services through individuals associated with SPF as Investment Advisor Representatives ("IARs") consistent with the individual clients' financial and tax status and risk/reward objectives. Since July 2009, SPF has been registered as an investment advisor ("RIA") with the Securities and Exchange Commission and a broker/dealer member of the Financial Industry Regulatory Authority ("FINRA"). SPF, as an investment advisory firm offers the following advisory programs: AssetMark, Inc., CAM, Financial Planning, Morningstar, Partnervest STAR, Ascensus®, SEI and SPF Advisor Directed Non-Discretionary Advisory Account.

Sorrento Pacific Financial, LLC is a California limited liability company. SPF is owned by Avtech, Inc, a California Corporation. Avtech, Inc. is owned by BBB Family Trust, Valorie Seyfert, Trustee and CJT Family Trust, Amelia and Taylor Beattie, Trustees.

Total non-discretionary assets under management as of December 31, 2015 were \$ 67,275,031. SPF does not have discretion over advisory accounts.

#### **CUSO Asset Management Program ("CAM")**

The CAM Program offers clients access to mutual fund and separately managed accounts through Envestnet Portfolio Solutions, Inc. ("Envestnet"), a registered investment advisor. Envestnet acts in the capacity of service provider and Account Manager to the CAM Account (excluding CAM Direct and CAM Direct II), monitoring performance, providing statements, generating research and analysis in relation to sub-advisor selection, when applicable. SPF acts as the investment adviser for CAM

In opening a CAM account, clients complete an Investment Strategy Report to provide the IAR with the client's necessary financial data including investment goals, income requirements, time horizon and risk tolerance. The IAR then assists the client in setting appropriate investment objectives and goals. The IAR will meet with the client periodically to determine whether the investment strategy should be modified or continued and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity or risk tolerance. Based on the information obtained, Envestnet will construct and manage a portfolio for the client. Envestnet periodically monitors each client's portfolio and when deemed appropriate makes changes in both asset allocation and security selection. Client shall retain the ability to modify their investment strategy at any time.

Envestnet shall have unlimited investment discretion with respect to any changes to investments in the Program Accounts, within the parameters of the selected portfolio model. This includes discretion to adjust asset allocations and replace or reduce ETFs in the Program Accounts. All transactions in the Program Accounts shall be initiated by Envestnet. Subject to the limitations described in the client's responses to the Profile or other appropriate suitability analysis (including any reasonable restrictions the client may place on Program Account investments) the Account Manager shall have full authority to supervise and direct the investment of the monies contributed by client to the Program Account without prior consultation except as set forth below. SPF and its IAR's shall not have discretionary investment authority in the Program Accounts. CAM Direct and CAM Direct II are non-discretionary accounts therefore the client must approve all transactions.

There are several different CAM Programs available, each using a different investment vehicle as follows:

#### CAM Program Eligible Assets

1. CAM Funds - variety of mutual funds from various fund families.
2. CAM ETF- exchange-traded funds
3. CAM Index Fund- mutual funds (including index mutual funds) and exchange-traded funds
4. CAM UMA- general securities, mutual funds, Exchange Traded Funds stocks, and bonds.
5. ActivePassive Funds-a series of third party index mutual funds as well as one or more actively managed funds from the PMC Fund Family, a proprietary fund family of Envestnet.
6. CAM Managers-Equities
7. CAM Third Party Strategists- mutual funds and ETF's whereby third party asset managers acting as a Model Provider construct an asset allocation and select the underlying investments.
8. CAM Direct and CAM Direct II
  - a) Equities, convertible preferred securities, convertible bonds, shares of closed-end investment companies, UIT's and American Depositary Receipts.
  - b) Equity index options and equity options, and any warrants or rights on equities.
  - c) Exchange Traded Funds
  - d) Front-end load fund shares that are transferred to, but were not purchased in the CAM Direct or CAM Direct II Account.
  - e) Cash, assets in deposit accounts that may be maintained or established by or for the Client, and money market fund shares.
  - f) No-load fund shares or shares that have had the front-end load waived.
  - g) Fixed income instruments such as U.S. Treasury and federal agency securities, corporate rate medium term notes and bonds, zero coupon bonds, commercial

paper, municipal bonds, mortgage-backed securities and other collateralized mortgage obligations and non-convertible preferred securities.

#### AssetMark, Inc.

AssetMark offers consulting services for mutual funds and exchange traded funds (ETFs) as well as AssetMark's Privately Managed Accounts. The CFS IAR obtains the necessary financial data from the client, assists the client in determining suitability of asset management and assists the client in setting the appropriate investment objective.

Mutual Funds and ETFs- AssetMark has established relationships with independent investment management firms (the Strategists), to create a variety of strategic asset allocation model portfolios (Models) comprised with mutual funds (both independent and affiliated) and ETFs. The Strategist will select and monitor the performance of the mutual funds and ETFs in their Models and will periodically adjust and rebalance the portfolios in accordance with their investment strategies.

The Strategists are selected by AssetMark to provide a wide range of investment options. Each Strategist will provide a range of Models corresponding to a specific risk-return profiles ranging from conservative to aggressive. The Models will be generally rebalanced quarterly. Any proprietary AssetMark funds will be fully identified when the client is making their model selection.

Privately Managed Accounts-Additionally, AssetMark may offer Privately Managed Accounts, in which clients will engage AssetMark to act as an overlay manager. In this situation, AssetMark will contract with institutional investment management firms (Sub-Advisors) to provide model portfolios of individual securities. As overlay manager, AssetMark has limited discretionary authority to execute transactions on behalf of clients to track the model portfolios, provide tax management transactions, or to implement client-requested restrictions. Clients will retain discretion to choose the Models, mutual funds and ETFs for their account, and will have the opportunity to periodically rebalance their portfolio, and to change investment components within the selected Models. All transactions will be effected automatically through software administered by AssetMark.

#### Financial Planning Services

SPF, through its IARs, provides financial plans and investment advice consistent with a client's financial status, investment objectives and tax status. IARs should have a current subscription to approved financial planning software. IARs will obtain the necessary financial data from the client to prepare the financial plan or provide investment advice. The financial plan may include information regarding asset allocation, budgeting and cash flow analysis, business succession planning, corporate 401(k) analysis, disability insurance, education planning, estate planning, investment objectives and goal setting, investment strategies, life insurance needs, long term care, major purchase planning, portfolio analysis,

retirement income/longevity planning, retirement planning, risk management, and risk tolerance assessment. Client may receive a written financial plan from the IAR.

IARs may also provide investment advice to clients with respect to assets held within a participant-directed retirement account held on a third-party platform. The services are provided by the IAR on a non-discretionary basis, and include initial fund selection and asset allocation recommendations. In addition, the IAR will meet periodically with the client to discuss whether or not the funds continue to meet the client's objectives and to recommend rebalancing transactions if necessary.

SPF is not licensed to engage in the practice of law or accounting and, consequently, will not offer legal or accounting advice when preparing the personal financial plan or providing financial advice. None of the fees for services under this program relate to legal or accounting services. If such services are necessary, it shall be the responsibility of the client to obtain them. Clients are not required to implement their financial plan through SPF and may elect any broker/dealer.

#### Morningstar

The Morningstar Program offers clients access, through SPF IARs, to Morningstar Investment Services ("MIS") an unaffiliated investment advisor. The primary purpose of MIS' investment adviser operations is to provide discretionary investment advice on portfolios consisting of no-load and load-waived open-end mutual funds and/or exchange-traded funds ("Funds"). MIS delegates certain services to the SPF IAR such as assisting each client in completing a questionnaire and/or other applicable account opening forms for determining suitability. The questionnaire helps in determining such things as client risk tolerance, investment objectives, and financial goals and identifies any reasonable restrictions that clients wish to place on the management of their account assets. Additionally, the SPF IAR will meet periodically with clients to obtain any changes in their financial situation and acting as liaison.

Pursuant to the discretionary authority granted by the client to MIS, MIS initiates transactions in fund shares to rebalance and/or to reallocate account assets to be consistent with the client's selected portfolio and restrictions, if any, and as frequently as MIS deems necessary. The SPF IAR will not have discretion.

#### Ascensus®

Ascensus® offers a web-based, daily valuation record-keeping platform for employer-sponsored retirement plans including 401(k), 403(b) and 457 plans. The platform makes available a selection of no load and load waived mutual funds to the retirement plans (the "Plan"). SPF provides certain investment advisory services to the Plan Sponsors of these retirement plans.

SPF, through its IARs, will assist the Plan Sponsor in securing an administrative/ record-keeping services agreement with Ascensus® to establish and maintain their retirement

plan. Additionally, the IAR will assist the Plan Sponsor in selecting a menu of mutual funds across diverse asset classes or with the selection of a third-party (identified as 3(21) or 3(38)) fiduciary to select and monitor those investments for them. The final decision as to which investment options will be offered under the Plan is solely the responsibility of the Plan Sponsor. The IAR will meet with the Plan Sponsor periodically to assist with their review of the Plan's investments, performance, and objectives.

Plan participants will self-direct their investment accounts via their online account access through the Ascensus® website. Neither SPF nor the IAR have any discretionary trading authority. To help employees with their retirement readiness and achieve a successful retirement outcome the IAR will provide periodic educational and enrollment meetings to acquaint and reinforce the ideals of participating in the Employer's retirement plan. The IAR may not provide investment advice to the Plan participants and may not be involved in directing or placing any transactions on behalf of Plan participants. The IAR will be available on an ongoing basis as a resource to Plan participants to provide general investment-related education and plan-related information.

## SEI

SEI is an independent and unaffiliated third party custodian. SPF acting as the investment advisor may use the SEI Asset Management Program. In the SEI Management Program, SPF (i) assists clients in completing a suitability questionnaire, (ii) educates the clients about SEI asset allocation investment styles, (iii) recommends an appropriate allocation of SEI model portfolios and (iv) provides ongoing client assistance in monitoring performance. Clients retain the authority to change the portfolio selected.

## SPF Advisor Directed Non-Discretionary Advisory Accounts

The Advisory Account is a non-discretionary advisory program. Therefore, the Client must review and approve each trade before it is placed. The IAR assists the Client in completing an Investment Policy Guideline based on the Client's stated financial information, investment goals, time horizon and risk tolerance. With this information, the IAR creates an asset allocation plan. Once the proper allocation is determined the IAR can present the Client with a wide range of eligible investment vehicles designed to achieve their risk and allocation parameters.

## STAR™ Program

SPF, through its IARs, offers the Partnervest Advisory Services ("Partnervest") STAR Program. STAR stands for "Strategic Tactical Allocation Risk" and denotes the general attributes of each STAR program. There are two STAR products available through SPF: (1) STAR IV Managed Collar, and (2) STAR IV Covered Call Strategy (collectively, "STAR") programs. Although STAR differs in their specific approach, the programs invest in a variety of securities but mostly Exchange Traded Funds ("ETF"s) and mutual funds. STAR accounts



are managed by Partnervest and their subadvisor: Anfield Capital Management, LLC on a discretionary basis. Neither SPF nor the IAR will have trading discretion. All SPF clients opening a STAR account will also receive a copy of the Form ADV Part 2A, or relevant substitute disclosure document, for Partnervest. Please refer to Item 8 below and the Partnervest disclosure document for further information about the STAR program.

## **Item 5 – Fees and Compensation**

All advisory fees may be subject to negotiation. SPF retains a portion of the advisory fee and pays a portion to the IAR managing the account.

Specific program fees are discussed below. In general, the fee charged by SPF is established in a client's written agreement with SPF. SPF will bill its fees on a monthly or quarterly basis depending on the program. Clients will be billed either in advance or arrears each calendar month or quarter depending on the program selected. These programs charge fees in advance as specified in the advisory agreement. Clients will be billed directly for fees by authorizing SPF to directly debit fees from client accounts. Management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar month or quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar month or quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Accounts may be terminated by providing written notice to SPF.

Some programs may include transaction fees., SPF's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisors and other third parties such as fees charged by managers, custodial fees, 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.

When Pershing is the custodian and executing broker/dealer, SPF receives a portion of the following fees: outgoing transfers, wired funds, inactive accounts, stop payments, direct registration of securities, margin extensions, ticket charges, IRA maintenance and termination fees, as well as asset-based fees on money market positions, uninvested cash balances, margin balances and cash sweeps to bank accounts. The IAR does not receive a portion of these fees.

In addition to the investment advisory fees and transaction charges, accounts may also incur certain charges imposed by third parties in connection with investments made

through the program. These may include, but are not limited to, the following: mutual fund or money market 12b-1 fees, mutual fund, money market or ETF management fees and administrative expenses, mutual fund transaction fees, other transaction charges and service fees, IRA and qualified plan fees, and other charges required by law. SPF and IAR may receive a portion of these fees. Further information regarding charges and fees assessed by a mutual fund are available in the appropriate prospectus.

Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to SPF's fee, and SPF shall not receive any portion of these commissions, fees, and costs. Clients may generally avoid additional fees by purchasing funds directly from a fund family and not receiving investment advice.

Variable annuities also charge mortality, expense and administrative charges, fees for additional riders purchased by client on the contract, and charges for excessive transfers within a calendar year if imposed by the variable annuity sponsor.

A customized program account may cost the client more or less than purchasing program services separately. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include: the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client related services provided to the account.

The costs associated with a program account may be more than costs associated with a traditional brokerage account arrangement where the client pays a commission for each transaction but does not receive ongoing investment advice. This is particularly true for clients that intend to have a low number of transactions or follow a buy-and-hold approach. If the client intends to follow a buy and hold investment strategy, or does not wish to purchase ongoing investment advice or management services, the client should consider opening a commission-based brokerage account rather than an advisory account.

In advisory accounts, the client is paying for ongoing investment advice from the IAR. The IAR recommending a program account to the client receives a portion of the advisory fee as a result of the client's participation in the program. In some circumstances, this compensation will be more than what the IAR would receive if the client participated in brokerage accounts available through SPF and the IAR. As a result, there may be a financial incentive to recommend advisory programs or services over brokerage programs or services. Notwithstanding, SPF and its IARs take their responsibility to clients seriously, and will recommend an advisory program or service to a client only if it is believed to be in the client's best interest.

The compensation to the IAR also varies between advisory programs and services. Therefore, there may also be a financial incentive to recommend one advisory program or service over other advisory programs or services. As stated above, recommendations will

be made based on the best interests of the client and not based on the potential compensation to be received.

In certain circumstances, IARs are also registered representatives with SPF. In such capacity, he or she may sell securities through SPF and receive normal and customary commission as a result of purchases and sales as well as 12b-1 fees from mutual funds held in client accounts. To the extent that the IAR recommends that a client invest in a security, which results in a commission being paid to IAR in their capacity as a registered representative, this presents a potential conflict of interest. SPF conducts ongoing review of IAR commission and advisory fees to ensure suitability for source of funds for new advisory deposits. The focus of the review includes the IAR's past compensation on the advisory assets.

### CAM Fees

CAM clients pay an annualized fee ("Account Fee") not to exceed 2.3% and is based on the type of CAM account and the total assets under management (AUM). Please refer to the grids below for clarification. The Program Fee is shared between SPF and Envestnet. There is also a statement surcharge fee of 75 cents per statement plus a \$5 confirm fee.

#### *CAM Funds, ETF and Index Plus*

Account Size	Program Fee	IAR Fee	Total Account Fee
First \$300k	0.45%	1.00%-1.75%	1.45% - 2.20%
Next \$300k	0.40%	1.00%-1.55%	1.40% - 1.95%
Next \$400k	0.30%	1.00% -1.30%	1.30% - 1.60%
Next \$2MM	0.28%	.85% -1.05%	1.13% - 1.33%
Over \$3MM	0.25%	.80% - 1.00%	1.05% - 1.25%

#### *UMA*

<b>Account Size</b>	<b>Program Fee</b>	<b>IAR Fee</b>	<b>Total Account Fee</b>
First \$250k	1.10%	1.00%-1.10%	2.10% -2.20%
Next \$250k	1.05%	.95%-1.05%	2.00% -2.10%
Next \$500k	1.00%	.90% -1.00%	1.90% -2.00 %
Next \$1MM	0.85%	.85% -.95%	1.70% - 1.80%
Next \$3 MM	0.65%	.75% -.85%	1.40% - 1.50%
Over \$5MM	0.55%	.65% -.75%	1.20% - 1.30%

*CAM Managers*

<b>Account Size</b>	<b>Program Fee</b>	<b>IAR Fee</b>	<b>Total Account Fee</b>
First \$750k	.96%	1.00%-1.23%	1.96% -2.19%
Next \$250k	.93%	.86%-1.06%	1.79% -1.99%
Next \$1 MM	.84%	.56% -76%	1.40% - 1.60%
Next \$1MM	.79%	.49% -.56%	1.25% - 1.35%

Over \$3MM	.74%	.16% -.26%	.90% - 1.00%
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*ActivePassive Portfolios®*

Account Size	Program Fee	IAR Fee	Total Account Fee
First \$250k	.15%	1.00%-1.75%	1.15% -1.90%
Next \$250k	.10%	1.00%-1.55%	1.10% -1.65%
Next \$500k	.08%	1.00% -1.30%	1.08% - 1.38%
Next \$1MM	.06%	.85% -1.05%	.91% - 1.11%
Over \$2MM	.05%	.80% -1.00%	.85% - 1.05%

*CAM Third Party Strategists*

Account Size	Program Fee	IAR Fee	CFS Fee	Total Account Fee
Up to \$250K	.20%-.62%	1.00%-1.70%	0.15%	1.35%-2.47%
\$250K-500K	.19%-.61%	1.00%-1.40%	0.15%	1.34%-2.16%
\$500K-1M	.17%-.59%	.80%-1.10%	0.15%	1.12%-1.84%
\$1M-2M	.15%-.57%	.70%-1.10%	0.15%	1%-1.82%
Above \$2M	.13%-.55%	.50%-1.0%	0.15%	.78%-1.75%

*CAM Direct- no transaction fees (The first 30 transactions per year are covered and after that the client is responsible for paying the transaction costs incurred)*

<b>Account Size</b>	<b>Program Fee</b>	<b>IAR Fee</b>	<b>Total Account Fee</b>
First \$500k	0.35%	1.00%-1.70%	1.35%-2.05%
Next \$500k	0.25%	1.00%-1.40%	1.25%-1.65%
Next \$1 MM	0.20%	1.00%-1.10%	1.00%-1.30%
Next \$3 MM	0.17%	.70%-1.00%	.87%-1.17%
Next \$5 MM	0.15%	.50%-.90%	.65%-1.05%

*CAM Direct II- includes a transaction fee per trade.*

<b>Account Size</b>	<b>Program Fee</b>	<b>IAR Fee</b>	<b>Total Account Fee</b>
First \$500k	0.25%	1.00%-1.70%	1.25%-1.95%
Next \$500k	0.20%	1.00%-1.40%	1.20%-1.60%
Next \$1 MM	0.18%	.80%-1.10%	.98%-1.28%
Next \$3 MM	0.15%	.70%-1.00%	.85%-1.15%
Over \$5 MM	0.12%	.50%-.90%	.62%-1.02%

*CAM Direct II Transaction Fees*

<b>Trade Execution</b>	<b>Transaction Charge</b>
Equities	\$15.00
Options	\$15.00 plus \$0.75/contract
Fixed Income	\$30.00
Mutual Funds	\$14.00
Mutual Fund Surcharge	\$10.00

Mutual Fund Exchanges (per trade)	\$5.00
Systematic Purchase and Redemptions	\$2.00
Short Term Redemption Fee	\$50.00
Foreign Securities	\$85.00

The Account Fee is negotiable with minimums and is payable monthly in arrears based on the average daily balance of the aggregate client accounts during the preceding calendar month. For purposes of calculating Account Fees and providing performance reports, the account month begins on the day on which the account is funded. The initial Account Fee is due at the end of the calendar month following execution of the CAM Investment Advisory Agreement and may include a prorated fee for the initial quarter. Subsequent Account Fee payments are due and assessed at the end of each month based on the average daily value of the assets under management as of the close of business on the last business day of that month as valued by an independent pricing service, where available, or otherwise in good faith reflected on the client's quarterly performance report.

#### AssetMark

A quarterly fee on assets under management will be assessed by SPF to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged in advance on the aggregate account balance at the end of each calendar quarter. If the program selected includes only AssetMark or their affiliate's proprietary mutual funds, there is no Program Fee since AssetMark will receive a management fee from the underlying funds. In addition to the below fees, the account will also be charged a custodian fee the amount of which varies per custodian. The custodian fee may be a fixed amount ranging from 0-\$250. Other custodians charge a percent of assets under management ranging from 0-.28%.

<b>Program Fee Range</b>	<b>3<sup>rd</sup> Party Manager Range (if applicable)</b>	<b>Maximum IAR Fee</b>	<b>Total Fee Range</b>

0-.90%	.35%-.60%	1.45%	1.45%- 2.95%
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### Financial Planning Fees

The fee for Financial Planning Services is \$250 per hour up to a maximum of \$2,500. Fees and services for financial planning are agreed upon with the customer prior to the commencement of the planning process. Fees for financial planning services are determined as a flat fee or as an hourly fee and are negotiable and charged as services are rendered. In limited cases, fees may be charged in advance and any unearned portion will be refunded to the client if services are terminated prior to completing the plan. Financial Planning services may be terminated upon written notice without penalty. Financial Planning fees may be refunded to clients who open an investment account through their IAR within 12 months of payment.

The financial plan or investment advice may include generic recommendations as to general types of investment products or specific securities, which may be appropriate for the Client to purchase given his financial situation and objectives. The Client is under no obligation to purchase such securities through SPF and the IAR in his/her capacity as a registered representative of SPF. However, if the Client desires to purchase securities or advisory services in order to implement the financial plan, this may result in the payment of normal and customary commissions or advisory fees to SPF and the IAR. To the extent that the IAR recommends that the Client invest in products that will result in compensation being paid to the IAR, this is a potential conflict of interest. In order to mitigate this conflict of interest, the financial planning fee may be reimbursed up to the amount of commissions and/or advisory fees received by SPF in implementing the financial plan within 12 months of payment.

### Participant Directed Retirement Account Fees

A quarterly fee on assets under management will be assessed by CFS to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter. The fee may be assessed to one account if multiple accounts exist.

The fees are based on a flat rate with a maximum Fee of 1.5% or on a sliding scale below:

<b>Account Balance</b>	<b>Annual Fee</b>
\$0-\$500,000	1.50%



\$500,001-\$1,000,000	1.25%
Over \$1,000,000	1.00%

## Morningstar

### Mutual Funds

	<b>0-\$500k</b>	<b>Next \$500k</b>	<b>Next \$1 M</b>	<b>Over \$2 M</b>
Morningstar	0.40%	0.35%	0.30%	0.20%
SPF	1.10%	1.05%	1.00%	0.90%
Total	1.50%	1.40%	1.30%	1.10%

### ETF Portfolio

	<b><u>First</u></b> <b><u>\$MM</u></b>	<b><u>Next</u></b> <b><u>\$4MM</u></b>	<b><u>Thereafter</u></b>
<u>Morningstar</u>	<u>0.30%</u>	<u>0.25%</u>	<u>0.20%</u>
<u>CFS</u>	<u>1.10%</u>	<u>1.10%</u>	<u>1.10%</u>
<u>Total</u>	<u>1.40%</u>	<u>1.35%</u>	<u>1.30%</u>

Annual Minimum MIS Advisory Fee: \$150

### Stock Basket Portfolio

	<b><u>First</u></b>	<b><u>Next</u></b>	<b><u>Thereafter</u></b>

	<u><b>\$MM</b></u>	<u><b>\$4MM</b></u>	
Morningstar	0.55%	0.50%	0.45%
CFS	1.10%	1.10%	1.10%
Total	1.65%	1.60%	1.55%

Annual Minimum MIS Advisory Fee (Custom Series): \$1,375

Annual Minimum MIS Advisory Fee (Strategist Series): \$550

#### Ascensus®

The Plan will pay fees to Ascensus® and SPF in connection with self-directed retirement plan programs. The fees paid to and retained by Ascensus® are listed below, and are subject to agreement between the Plan Sponsor and Ascensus® in the service agreement. The fees due to Ascensus® and applicable to the Plan Sponsor are billed separately by Ascensus® to the Plan Sponsor as incurred. The fees due to Ascensus® and applicable to the Plan participants are deducted from participant's account on a quarterly basis by Ascensus®.

#### **EMPLOYER PAID FEES**

##### Set-up / Conversion Fee

<b>PLAN ASSETS</b>	<b>New Plan</b>	<b>\$1.00 - \$999,000.</b>	<b>\$1M - \$3,999,999.</b>	<b>\$4M - \$7,999,999.</b>	<b>\$8M+</b>
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<b>Ascensus® (Full service)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
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##### Annual Admin.

<b>PLAN ASSETS</b>	<b>\$1.00 - \$999,000.</b>	<b>\$1M - \$3,999,999.</b>	<b>\$4M - \$7,999,999.</b>	<b>\$8M+</b>
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**Ascensus® (Full service)    \$3475\*            \$3475\*            \$3475\*            \$3475\***  
**\$3475**

**Ascensus® Individual(k)™    \$315            \$315**

\* Minus administrative fee credits from plan investments. A third party (Paying Agent) will collect certain of these fees from the investment options and remit them to the plan's trustee or custodian for credit to the AFC account. The Paying Agent will retain 5% of the amounts it collects in exchange for its services. Excess administrative fee credits may be available to pay other eligible plan expenses or to allocate to plan participants with written direction from the plan.

#### **PARTICIPANT PAID FEES:**

##### **Participant Annual Account Fee**

PLAN ASSETS	\$0 -	\$1M -	\$4M -	\$8M+
	\$999,000.	\$3,999,999.	\$7,999,999.	

**Ascensus® (Full service)    \$0-\$75            \$0-\$75            \$0-\$75            \$0-\$75**

**Ascensus® Individual(k)™    \$0            \$0**

#### **SEI**

A quarterly fee on assets under management will be assessed by SPF to the client's account or accounts based on the Fee Schedule below. SEI does not charge a program fee on their mutual fund portfolios since they are using proprietary fund family within their models. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter.

<b>Maximum Fee</b>	<b>Amount Invested</b>
1.90%	For the first \$1 Million assets under management
1.10%	For the next \$2 Million assets under management
1.00%	For the next \$2 Million assets under management

SPF Advisor Directed Non-Discretionary Advisory Account (N6Y)

<i>Eligible Assets</i>	FEES	
	Annual Fee	Max
Equities, Mutual Funds, ETF's, Options, Fixed Income, Cash, Money Market	.40%	1.5%

The Program Fee will be paid every calendar quarter in advance, based on the value of Eligible Assets in the Account on the average of the last business days of the prior three month-ends, and it will be due within the first 5 business days of the calendar quarter. If billable asset values for three month-ends are not available, the most recent month-end will be used. The minimum annual Program Fee under this Agreement will be \$125.00. There will be a \$15 flat fee ticket charge for all transactions.

SPF Advisor Directed Non-Discretionary Advisory Account (QQA)

The below annual asset-based fee is prorated and payable quarterly in arrears.

<i>Eligible Assets</i>	FEES	
	Annual Fee	Max
Equities, Mutual Funds, ETF's, Options, Fixed Income, Cash, Money Market, CD's, Variable Annuities	.40%	1.5%

Accounts deemed to have excessive trading may be assessed additional trading costs. Other administrative or miscellaneous account fees may be assessed such as wired funds fees plus certain other fees required by law, SEC sales fees or fees for products and services that are not included in the Program.

### STAR™ Program

A quarterly fee on assets under management will be assessed by SPF to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter.

#### STAR IV Managed Collar and Covered Call

<b>Amount Invested</b>	<b>Maximum Fee</b>
All Assets	2.00%

In addition to the Fees, STAR accounts will pay a transaction charge to the custodian to cover the cost of trade execution. Neither the IAR nor Partnervest will receive any portion of the transaction charges. CFS may receive a portion of these fees. The transaction charges are as follows:

Trade Execution	Transaction Charge
Equities	\$15.00
Options	\$15.00 plus \$0.75/contract
Fixed Income	\$30.00
Mutual Funds	\$14.00
Mutual Fund Surcharge	\$10.00
Mutual Fund Exchanges (per trade)	\$5.00
Systematic Purchase and Redemptions	\$2.00
Short Term Redemption Fee	\$50.00
Foreign Securities	\$85.00

The Mutual Fund Surcharge applies to a transaction in any mutual fund where Pershing as custodian does not receive networking fees. This is in addition to the transaction charge noted above for Mutual Funds.

STAR accounts without any transactions during a 12-month period based on anniversary will also be responsible for paying an annual inactive account fee of \$25.00 for accounts holding solely mutual funds and \$50.00 for accounts holding a combination of mutual funds and other securities. There is also a statement surcharge fee of 75 cents per statement plus

a \$5 confirm fee both of which do not apply if the client opts for paperless statements/confirmations.

#### SPF Margin Interest Rates

Margin Account Balance	SPF Margin Interest Rates
Less than \$24,999	1.50% above Base Lending Rate
\$25,000 to \$49,999.99	1.00% above Base Lending Rate
\$50,000 and up	0.50% above Base Lending Rate

Advisory programs offer varying pricing structures, which may or may not result in a higher fee to the client. For additional program information, please refer to Item 12 – Brokerage Practices.

#### Item 6 – Performance-Based Fees

SPF does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### Item 7 – Types of Clients

SPF provides portfolio management services to individuals, corporate pension and profit-sharing plans, charitable institutions, corporations, foundations, endowments, and trusts.

##### Minimum Account Size

None	Ascensus, Financial Planning, SEI Mutual Funds
\$10,000	SPF Advisor Directed Non-Discretionary Advisory Account (N6Y)
\$25,000	CAM ActivePassive,
\$50,000	CAM Funds, CAM ETF, CAM Index Plus, AssetMark Mutual Funds, Morningstar
\$100,000	CAM Direct, CAM Direct II, AssetMark ETF's, SEI ETF

\$200,000	SPF Advisor Directed Non-Discretionary Advisory Account (QQA)
\$250,000	CAM UMA, SEI SMA, AssetMark GPS
\$750,000	CAM Managers

CAM Direct should not be used for day trading or other high volume or extremely speculative trading activity, including, without limitation, excessive options trading or trading in mutual funds based on market timing. If SPF, in its sole discretion, determines that the trading activity in a CAM Direct Account is excessive, SPF reserves the right to restrict trading or terminate the account if the quantity of trades exceeds sixty (60) trades per annum, and to impose a surcharge equal to the maximum commission rate on those trades beyond the maximum stated above that would have applied based on rates applicable if the trades had been made in a standard SPF brokerage account.

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

### **Analysis and Strategies**

Advisors may utilize varying techniques in formulating investment advice or managing assets for clients. The third party managers determine the method and source of their analysis and investment strategies. Please refer below and to the ADV brochure for the third party managers for more information.

### CAM

IARs obtain detailed financial and other pertinent data from clients. This assists in determining the appropriate investment strategy for the account. All security analysis methods, sources of information with respect to securities, and investment strategies are determined by SPF IARs for the CAM Direct Program and Financial Planning Services.

### CAM Direct and CAM Direct II

Clients may elect to purchase and sell equity options and/or equity index options within the CAM Direct and CAM Direct II account. All CAM Direct and CAM Direct II accounts that wish to invest in options of any type must be approved for option trading in advance of any option transactions. Buying and selling options entails additional risks. These risks will be disclosed in writing to clients prior to signing an option approval form to receive approval for options. Clients should fully understand and agree to the risks associated with the type of option transactions that they will authorize in the CAM Direct and CAM Direct II account prior to signing the option approval form.

### Structured Products

Clients may also elect to purchase structured products within the CAM Direct and CAM Direct II account. Structured products are securities derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. Structured products have a fixed maturity, but typically contain two components – a note and a derivative (which may be an option). Structured products are issued by financial institutions, such as investment banks, and are senior, unsecured debt of the issuing institution. As such, structured products are subject to the credit worthiness of the issuer even if they are structured to offer principal protection, and any payments due at maturity are dependent on the issuer's ability to make payment. In addition to this credit risk, other risks of investing in structured products include, but are not limited to, liquidity risk, limitations on upside participation, and the tax treatment may be different from other investments in the CAM Direct and CAM Direct II account.

### Financial Planning Services

SPF, through its IARs, provides financial plans and investment advice consistent with a client's financial status, investment objectives and tax status. IAR will obtain the necessary financial data from the client to prepare the financial plan or provide investment advice.

### Ascensus

Through Ascensus Retirement Plans My Way™, SPF provides certain investment advisory services to the Plan Sponsors. SPF, through its IARs, will assist the Plan Sponsor in establishing a service agreement with Ascensus. The IAR obtains the necessary financial data, investment goals and objectives from the Plan Sponsor. Additionally, the IAR will assist the Plan Sponsor in selecting a menu of mutual funds across diverse asset classes to be offered to the self-directed participants of the Plan by providing information to the Plan Sponsor. The final decision as to which mutual funds to offer in the Plan to participants is the responsibility of the Plan Sponsor. Neither SPF nor the IAR have any discretionary trading authority. The IAR will meet with the Plan Sponsor periodically to review investment choices, performance, plan objectives and any requested changes.

### SEI

SEI provides asset allocation advice to Clients based on the financial objectives, investment objectives, risk tolerance and investment restrictions of the Client. SEI uses a proprietary asset allocation model to make its recommendation. The model uses estimates developed by SEI of the long-term rates of return, volatility and correlations of various asset classes. SEI also provides comparisons of performance to relevant benchmarks. Client's assets are invested in pooled investment vehicles, including the SEI Funds, and collective funds and partnerships to which affiliates of SEI Investment Management Corporation provide services or are separately managed by other registered investment advisers who have contracted with SEI. SEI performs quarterly rebalancing based on standard variances.



### SPF Asset Management Account

The SPF IAR completes a client investment suitability review and creates an asset allocation plan with the client. Once the proper allocation is determined, IARs can present the client with a wide range of investment vehicles designed to achieve their risk and allocation parameters. All trades entered per the plan are non discretionary only. IAR will provide at a minimum annual account reviews and make recommendations to client regarding ongoing allocation and rebalancing.

### STAR™ Program

The following describes the investment strategy and methodology used by Partnervest and its subadvisors in managing assets within each of the various STAR™ programs. For further information, client should refer to the Form ADV Part 2A or other relevant disclosure document for Partnervest.

#### STAR™ IV Managed Collar and Covered Calls

##### Managed Collar

The Managed Collar Strategy is an option overlay strategy that establishes a price band around a stock position, primarily to protect profits with a secondary objective of generating income in the form of earned option premiums. A Collar is a protective strategy in which covered calls and protective puts are established against a previously owned long stock position. For example, if the investor previously purchased XYZ Corporation at \$46 and it rose to \$62, a 'collar' involving the purchase of an October 60 put and the writing of a July 65 call could be established as a way of protecting some of the unrealized profit in the XYZ corporation stock position.

Unlike a static collar, the Managed Collar strategy is designed to avoid the risk of assignment or exercise by actively managing the two legs of the collar as necessary in conjunction with the price movement of the underlying stock and other conditions such as levels of implied volatility, ex-dividend dates, etc. However, the risk of assignment cannot be completely avoided. In general, the Managed Collar is designed to establish a floor under the current price of the underlying stock. In the event of a price decline, some or all of the protective puts would likely be sold and new puts purchased, rather than exercising the puts, which would be treated as a sale for tax purposes. Additionally, in the event of price appreciation, some shares of the underlying stock may be sold and the proceeds used to repurchase the current calls. The amount of shares sold would depend on the strike price of the covered calls and the amount of time remaining until expiration; however, it would not exceed the total dollar cost of the calls. New calls would then be sold at a higher strike price. It is possible that rapid price movements would prevent the manager from unwinding the position in a timely manner and the entire stock position could be called away.

In general, it is expected that the credit received from the covered calls will exceed the cost of the protective puts over a reasonable time frame, generally defined as 12 months or longer. There can be no guarantee that this will be the case, as certain variables, such as the price of the underlying stock and the value of the options are depended on market factors.

While the intent is to manage the strategy and avoid assignments, the entire position may be called away at the call option strike price. There are some additional risks associated with a Managed Collar Strategy. For detailed risk information, refer to the Partnervest ADV Part 2A.

### Covered Calls

Under the Covered Calls (only) strategy, the client may at their choosing elect to have their stock position managed without the benefit of protective puts, only writing covered calls. While covered calls alone are risk reducing by nature, they carry more potential risk in the event of a stock decline, than covered calls used in conjunction with protective puts. This strategy consists of writing a call that is covered by an equivalent long stock position. It provides a small hedge on the stock, limited to the premium received on selling the call, and allows an investor to earn premium income, in return for temporarily forfeiting much of the stock's upside potential. The benefit of only writing covered calls without protective puts is that in general, it will allow the client to retain more of the income from the sale of the calls because the cost of protective puts is not incurred. There are other risks with this strategy including that the underlying stock position may be called away.

The Covered Calls (only) strategy only involves the risk of covered calls. The maximum loss is limited but substantial. The worst that can happen is for the stock to become worthless. In that case, the investor will have lost the entire value of the stock. However, that loss will be reduced somewhat by the premium income from selling the call option. The maximum gains at expiration are limited by the strike price. If the stock is at the strike price, the covered call strategy itself reaches its peak profitability, and would not do better no matter how much higher the stock price might be. The strategy's net profit would be the premium received, plus any stock gains (or minus stock losses) as measured against the strike price.

Client acknowledges that their stated Objectives may not be met by this strategy. Downside protection is extremely limited in a covered call strategy as compared to a collar strategy and should not be a primary client objective. Please refer to the Investment Policy Guidelines for additional risk disclosures.

## Investment Characteristics

Clients need to be aware that investing in securities involves risk of loss that the client needs to be prepared to bear. Risks related to investing include, but are not limited to, the possible loss of principal. The risk of specific investments and strategies are described below.

### *Margin Accounts*

If an account is approved for trading on margin and the client enters into a margin agreement with the account custodian, the client will be charged margin interest on any credit extended to or maintained by the client. SPF will retain a portion of any margin interest charged for accounts custodied at Pershing on behalf of CFS. This interest charge is in addition to the annual investment advisory fee charged. Moreover, the total account value including the margined securities is used to determine the annual advisory fee.

Clients should be aware that borrowing on margin involves additional risks. Margin borrowing will result in increased gain if the value of the securities increase, but will result in increased losses if the value of the securities in the account go down. The custodian, acting as the client's creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if timing would be disadvantage to the client.

### *Option Trading*

Partnervest employs the use of options in its management strategy and, thus, all STAR™ III Accounts must be approved for option trading. Option trading may be highly speculative in nature. On certain days, option trading may cease which could result in financial loss. The risks of covered call writing include the potential for the market to rise sharply. Writing or selling an option contract (such as call, put, or straddle) without depositing the underlying security, the risk of loss is potentially unlimited. The risks of cash-secured put writing include when the underlying security declines significantly and the put writer is assigned, the purchase price for the shares can be above current market price. The client must be willing and able to assume the financial risks and hazards of option trading. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put. Option Transactions are subject to the rules, regulations, customs, and usages of The Options Clearing Corporation and of the registered national securities exchange, national securities association, clearing organization, or market where such transaction was executed.

### *Structured Products*

The risks associated with many structured products, especially those products that present risks of loss of principal due to market movements, are similar to those risks involved with options. In the case of a "principal protected" product, these products may only be insured by the issuer, and thus have the potential for loss of principal in the case of solvency problems with the issuing company. Additionally, there may be a relative lack of liquidity due to the highly customized nature of the investment.

### *Exchange Traded Funds*

ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market. An ETF is only as good as the index it tracks. Equity-based exchange traded funds are subject to risks similar to those of stocks; fixed income-based ETFs are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Foreign investments have unique and greater risks than domestic investments.

### *Performance*

There is no assurance that any advisory program strategy will be successful or result in a profit for the client.

## **Item 9 – Disciplinary Information**

SPF is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SPF or the integrity of SPF's management. SPF has no information applicable to this Item.

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

SPF is a registered broker-dealer and a member of FINRA (CRD 127787). This is the primary business of SPF. In addition, a SPF is qualified to sell insurance products in California and various states. SPF has financial services agreements ("FSA") with other institutions that include banks whereby SPF provides advisory services to bank clients through Investment Advisory Representatives. Pursuant to the FSA, SPF shares a portion of advisory fees with the bank.

SPF entered into a services agreement for back office support with an affiliated entity, CUSO Financial Services, LP ("CFS") which is a FINRA broker/dealer and a SEC Registered Investment Advisor. SPF and CFS share some common owners and officers.

SPF recommends the service of a third party manager who has agreed to share a portion of its management fee with and/or provide additional advisory services and discounts ("benefits") to SPF as opposed to other managers who have not agreed to the same. IARs do not receive any of these fees. Compensation and benefits provided to SPF from third party managers may vary. The fees for such third party managed programs may be higher or

lower than if clients directly obtained the services of the third party manager if available, or if clients obtained the advisory services separately. Additionally, SPF currently offers IAR's enhanced benefits on advisory fees earned whereby IAR's may obtain non-cash benefits such as reimbursement of expenses to attend educational and sales conferences.

IARs may also be registered representatives with SPF. SPF conducts ongoing review of IAR commission and advisory fees to ensure suitability for source of funds for new advisory deposits. The focus of the review includes the IAR's past compensation on the advisory assets.

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

SPF places significant value on ethical conduct for all advisory business. In addition to SPF's obligation to comply with the federal securities laws, SPF has also established a standard of business conduct required of all our Supervised Personnel in the SPF Code of Ethics. The SPF Code of Ethics is designed to protect clients by deterring misconduct and preventing fraud by reinforcing fiduciary principles that must govern the conduct of SPF and our personnel. An Adviser, as a fiduciary to its clients, is responsible for providing professional, continuous, and unbiased investment advice. Fiduciaries owe their clients a duty of honesty, good faith, and fair dealing. In order to ensure that our IARs and employees strictly adhere to the highest of conduct and integrity in conducting business on behalf of our clients, we require that each sign our Code of Ethics.

In addition, the Code of Ethics governs personal trading by each employee of SPF deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of SPF are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates. SPF collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve potential conflicts of interest.

SPF will furnish a copy of its Code of Ethics to clients upon request. Clients can contact their IAR or the SPF home office at 858-530-7900.

On occasion, IARs may recommend a security in which they or SPF own shares or have some other financial interest. When the IAR recommends a security, SPF's procedures require the IAR to determine that the investment is suitable to the client's needs and risk profile. In the event that a IAR wishes to buy or sell for himself/herself a security that has also been recommended to a client, the client's order(s) are given priority.

No agency cross transactions or principal trades will be effected in an advisory account.

## Item 12 – Brokerage Practices

Depending on the advisory program selected by the client, the broker/dealer for execution of trades varies. There are four possible scenarios. First, SPF may require a specific broker/dealer as with CAM, STAR and SPF Asset Management Account. Second, the third party managers may select the broker/dealer. Third, clients may have the option to elect a broker/dealer as with AssetMark. Fourth, the product sponsor will determine the custodian as with variable annuity contracts.

SPF is also a broker/dealer, and in such capacity clears its securities transaction through Pershing, LLC. (“Pershing”). Pershing is a BNY Mellon company and is located at One Pershing Plaza, Jersey City, NJ 07399. For the CAM and STAR programs, SPF requires that the client appoint SPF as the broker/dealer for trade execution. The client should understand that not all advisors require their clients to direct brokerage. This presents a conflict of interest because of the clearing relationship between SPF and Pershing. By directing brokerage to SPF, SPF may not be able to achieve most favorable execution of client transactions, and this practice may cost the client more money.

SPF makes every reasonable attempt to obtain the best execution possible, but it may not be possible given the requirement to trade through Pershing. Best execution is the full range and quality of a broker's services in placing brokerage, encompassing not only the overall cost of a client's trade, but also qualitative factors such as the broker's areas of expertise, the price at which the trade was executed relative to other trades in the security, and the broker's integrity and responsiveness. To carry out this ongoing evaluation of best execution practices, the SPF Pricing and Best Execution Committee investigates and evaluates the costs and services available from other clearing or execution firms in an effort to secure lower trading costs and more efficient and accurate clearing services. As part of our obligation to providing our clients with exemplary service, our Committee regularly reviews SPF reports, and produces an annual best execution report that reviews execution quality and execution speed of SPF and its clearing firm.

In the CAM and STAR Programs, SPF is appointed sole and exclusive broker-dealer with respect to handling of securities transactions for client accounts as directed by the IAR. No agency cross transactions or principal trades will be effected in the CAM Program.

Due to the nature of SPF's current advisory business, SPF only effects block trades for third party money managers with discretionary authority. In such cases, the third party money manager will provide SPF with allocation instructions. blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g. for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of the investment advisory agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation

of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. Orders may be allocated in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

Ascensus provides all transaction capability for Retirement Plans My Way <sup>™</sup> and similar programs. The Plan Sponsor, through execution of the service agreement with Ascensus, will appoint MG Trust Company as the custodian of Plan assets. All transactions placed by Plan participants will be processed through Matrix Settlement and Clearing Services (MSCS). MG Trust and MSCS are subsidiaries of Matrix Capital Bank, but are not affiliated with Ascensus or SPF.

Within the SPF Advisor Directed Non-Discretionary Advisory Accounts, the IAR may recommend and transact purchases and sales within the variable annuity subaccount if elected by the client. All such subaccount transactions are placed through the variable annuity sponsor or insurance company issuing the variable annuity contract.

SPF does not have soft dollar arrangements.

### **Item 13 – Review of Accounts**

For asset management accounts, each IAR is responsible for reviewing copies of periodic account statements and quarterly performance reports for his/her clients. The accounts are reviewed to ensure that the allocations and selected investments continue to fit the risk profile and investment objective of each client. Changes to asset allocations or investments are made when deemed appropriate by the IAR or the third party investment advisor responsible for managing the account as described in the relevant program description in Items 4 and 8 above.

SPF also reviews CUSO Asset Management (“CAM”) Direct and CAM Direct II Program accounts using exception reports triggered by various criteria such as number of trades, percent stock allocation, percent cash allocation, position concentration, and account

performance. The reviews are conducted on a quarterly basis by Compliance Department Analysts. Analysts are not assigned a specific number of exceptions or accounts to review.

Financial planning services terminate upon delivery of the financial plan. Thus, there are no ongoing reviews conducted by SPF. However, Advisor offers clients the opportunity for reviews as desired. The client may also choose to engage SPF for subsequent services to review and update the written plan at any time due to major life events or changes in the economic environment. Upon re-engaging SPF for an updated plan, the client would enter into a new investment advisory agreement for services. All financial planning updates or reviews are conducted by an IAR.

Clients will receive, at a minimum, quarterly account statements describing positions and activity. SPF does not provide the statements. All statements are provided by the custodian of the account. SPF urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Performance reports are provided by the third party manager. For any month there is additional activity in the account, the client will receive monthly statements detailing that month's activity. Moreover, clients will receive quarterly performance reports detailing asset allocation and returns.

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

### Solicitation Activities and Receipt of Referral Fee

SPF also acts as a solicitor for various third party investment advisors pursuant to solicitation agreements. In connection with these arrangements, SPF and IAR will receive solicitation compensation for referring clients to the third party investment advisors for investment advisory services. The amount of compensation is disclosed to the client in writing at the time of the referral.

### Other Compensation

SPF receives compensation (sometimes referred to as revenue sharing) from certain Third Party Advisors to assist in paying for ongoing marketing and sales support activities including, but not limited to, training, educational meetings, due diligence reviews, and day-to-day marketing and/or promotional activities. Not all Third Party Advisors pay such compensation. Participating Third Party Advisors may change over time. Current participating Third Party Advisors are: Curian, Envestnet, AssetMark, Morningstar, Partnervest and SEI.

The compensation arrangements vary, and may generally be structured as follows:



- A stated percentage of gross sales generally not exceeding .03% of gross sales with the Third Party Advisor.
- A stated percentage of assets under management generally not exceeding .02% of assets under management with the Third Party Advisor.
- A stated percentage of net cash flow generally not exceeding .04% net cash flow with the Third Party Advisor.
- A stated percentage of the management fee charged by the Third Party Advisor generally not exceeding 20%.
- A flat fee, fixed payment generally not exceeding \$20,000.
- A combination of the above.

A potential conflict of interest may exist where SPF receives such compensation because there may be an incentive to recommend these Third Party Advisors over other investment opportunities in order to generate additional revenue for the firm. However, our IARs are not required to recommend any Third Party Advisor providing additional compensation, nor do they directly share in any of this compensation.

#### **Item 15 – Custody**

Pershing, LLC serves as a qualified custodian of assets for all CAM, SPF Asset Management Account, and STAR advisory accounts. While SPF does not hold client funds or securities, SPF assists in effecting client requests on behalf of Pershing, which deems SPF to have custody per the definitions of securities regulations. Such activity includes the withdrawal of advisory fees, withdrawal or transfer of funds and securities from the account and transfers of funds and securities between SPF accounts requested by clients. Requests for withdrawals and account asset transfers to third parties must be made in writing by the client. Additionally, clients are reminded to make all checks and securities payable/endorsed to Pershing, the qualified custodian of the advisory program, and not to SPF.

Clients will receive at least quarterly statements from the broker-dealer, third party advisor or other qualified custodian that holds and maintains client's investment assets. See below for specific programs. SPF urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please keep in mind that these reports do not take replace the official statements received from the custodian of your Program account assets.

#### **CAM**

Clients will receive statements Pershing monthly and quarterly performance reports from Envestnet. For accounts opened after January 1, 2013 clients will receive a monthly statement from Pershing and access to an online quarterly performance report produced by Envestnet.

#### Ascensus

The custodians vary depending on the program selected. Plan Sponsor and Plan participants can view account information (i.e., account balances, transactions, and performance) via the online system made available by Ascensus. In addition, Ascensus provides the Plan Sponsor and Plan participants with a statement at the address of record maintained on the system on an annual basis.

#### AssetMark

For the AssetMark program, clients may elect one the following custodians: Pershing, Asset Mark Trust and TD Ameritrade. Statements may be monthly or quarterly depending on the selected custodian. AssetMark provides a quarterly performance report.

#### SEI

SEI will act as the custodian of assets. Clients will receive monthly account statements and quarterly performance reports.

#### SPF Advisor Directed Non-Discretionary Advisory Accounts

Pershing will act as the custodian of all assets except variable annuity contracts. The insurance company will serve as the custodian for the variable annuity contract. Clients will receive monthly account statements from Pershing that will reflect all assets within the account, and will also reflect the variable annuity contract value. However, the insurance company will provide the official statement for the variable annuity to the client. The client will also receive quarterly performance reports.

#### SPF Asset Management Account

Clients will receive statements from the custodian either monthly or quarterly depending on whether there is activity in the account. Clients will also receive quarterly performance reports from Pershing.

#### STAR

SPF will be listed on the STAR account as broker/dealer of record. Clients will receive periodic accounts statements directly from Pershing on a monthly or quarterly basis, depending on activity. Clients will receive quarterly performance reports from Partnervest.

## **Item 16 – Investment Discretion**

SPF does not exercise discretion over client assets. Third party advisors may be granted the authority to select investments for customers on a discretionary basis. Discretionary authority includes the authority to determine the security and the amount to be bought or sold without obtaining the prior consent of the client. This discretionary authority is obtained by the third party as part of a written client agreement and is signed by the client.

## **Item 17 – Voting Client Securities**

Neither SPF nor the IAR will vote proxies for any advisory program. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios except on CAM separate managed accounts under which a client may elect to have proxies voted by the designated separate account manager. For the CAM UMA Program, the client may elect to have proxies voted by Envestnet.

Clients will receive proxy solicitations from their custodian and/or transfer agent. Clients should contact the person identified by the issuer in the proxy materials with any questions about a particular solicitation.

## **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about SPF's financial condition. SPF has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.