

## **ADV Part 2A, Firm Brochure**

**Simply Money™ Advisors  
SEC File # 801-49136**

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**March 28, 2017**

**This Brochure provides information about the qualifications and business practices of Simply Money™ Advisors. If you have any questions about the contents of this Brochure, please contact us at (513) 469-7500 and/or [kenm@simplymoneyadvisors.com](mailto:kenm@simplymoneyadvisors.com). 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 Simply Money™ Advisors is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Any references to Simply Money™ Advisors as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Since the most recent Annual Amendment filing on February 18, 2016, this Firm Brochure has been materially amended throughout to reflect the appointment of Kenneth Madsen as Chief Compliance Officer. Although not material, the Firm Brochure has also been amended at Items 4 and 5 to better reflect the firm's advisory service offerings and related fees, and the Firm's website has been updated at Item 1.

## **Item 3           Table of Contents**

Item 1	Cover Page .....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents .....	2
Item 4	Advisory Business.....	3
Item 5	Fees and Compensation.....	9
Item 6	Performance-Based Fees and Side-by-Side Management.....	11
Item 7	Types of Clients.....	11
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9	Disciplinary Information .....	13
Item 10	Other Financial Industry Activities and Affiliations .....	13
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	14
Item 12	Brokerage Practices.....	15
Item 13	Review of Accounts .....	18
Item 14	Client Referrals and Other Compensation.....	18
Item 15	Custody.....	19
Item 16	Investment Discretion.....	19
Item 17	Voting Client Securities .....	19
Item 18	Financial Information .....	20
	PRIVACY NOTICE .....	21

## Item 4      **Advisory Business**

- A. Simply Money™ Advisors (“SMA”) is an investment advisory firm offering a variety of advisory services customized to the client’s individual needs. The services are more fully described below.

SMA has been registered as an investment advisory firm with the United States Securities and Exchange Commission since April 20, 1995. The principal owners of SMA are Nathan Bachrach and Edward Finke. Nathan serves as the CEO and Edward serves as the President to SMA. Additional business information about Nathan Bachrach and Edward Finke is disclosed in the Brochure Supplement which is available upon request.

- B. As discussed below, SMA offers to its clients (individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and financial planning and related consulting services.

SMA tailors its services to the specific needs of its clients after a consultation and interview. That process enables SMA and the client to determine if the relationship is a good fit and for the client to understand the services SMA offers. SMA will utilize a combination of interviews, completion of a new account information form, and other data gathering forms. The client should expect the data gathering process to take approximately three meetings.

Depending on the services the client desires, SMA will gather various financial information and history from the client including, but not limited to:

- Retirement and financial goals
- Financial information
- Assets and retirement plans
- Budget
- Social security income
- Liabilities
- Insurance
- Risk score
- Spending needs at retirement
- Retirement age

In addition, SMA will generally provide limited financial planning services at the onset of the client relationship, according to the terms and conditions of a *Limited Financial Planning Agreement*. These services, which are provided free of charge, may include preparation of, analysis of, or engagement in the following services: cash flow analysis, goal setting (which includes retirement needs analysis) assistance, and net worth statement creation.

### **INVESTMENT ADVISORY SERVICES**

The client can engage SMA to provide: discretionary investment advisory services on a wrap *fee* basis; or services limited to the discretionary management of the investment sub accounts of certain variable annuity products on a non-wrap fee basis as described below.

SMA and its financial advisors act as fiduciaries for assets it manages on your behalf. It is SMA’s and its financial advisors’ legal obligation to act in the best interest of our clients.

## **SIMPLY MONEY™ ADVISORS –WRAP PROGRAM**

SMA provides investment management services on a wrap fee basis in accordance with SMA's investment management wrap fee program (the "Program"). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure a copy of which is presented to all prospective Program participants. Under the Program, SMA is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees.

The services included in a wrap fee agreement will depend upon each client's particular need. The terms and conditions for client participation in the Program are set forth in detail in the Wrap Fee Program Brochure. The Wrap Fee Program Brochure is incorporated into this Brochure by reference. All prospective Program participants should read both SMA's Firm Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program. TD Ameritrade, Inc., an unaffiliated SEC-registered broker-dealer and FINRA/SIPC member ("TD Ameritrade") shall serve as the custodian for Program accounts.

## **Investment Portfolios**

SMA primarily manages client accounts on a discretionary basis, guided by each client's objectives and/or risk profile. SMA offers US portfolios, global portfolios and tax-efficient portfolios. SMA utilizes an asset allocation strategy when investing client funds and the allocations are adjusted periodically as market conditions warrant.

The asset allocation strategy SMA uses is known as a Core-Satellite approach. The Core portion of the portfolio has investments that have displayed long-term steady results. The Satellite segment of the portfolio is positioned to take advantage of opportunities we see in today's markets. SMA may change the Satellite segment of the portfolio more frequently than changing the Core segment of the portfolio. While asset allocation helps manage risk, it does not ensure profits or guarantee against losses. In times of extraordinary events, SMA may change your portfolio allocation to a more conservative allocation, even possibly going to cash.

SMA offers the following investment portfolios:

### **Diversified Income**

The Diversified Income strategy is one of two strategies that seek high-income distribution. This strategy focuses on growth and income. It is a domestic asset allocation portfolio managed consistent with the risk orientation of a moderate investor with an intermediate to long-term time horizon. The strategy invests in income-producing securities such as dividend-paying stocks, preferred stocks, and high-yield bonds.

### **Balanced Income**

The Balanced Income strategy is one of two strategies that seek high-income distribution. This strategy focuses income. It is a domestic asset allocation portfolio managed consistent with the risk orientation of a conservative investor with a short, intermediate, or long-term time horizon. The strategy invests in income-producing securities such as dividend-paying stocks, preferred stocks, high-yield bonds, and government bonds.

### **Conservative Income**

The Conservative Income strategy focuses on income. This global or domestic asset allocation portfolio is geared towards clients with a conservative risk tolerance and short, intermediate or long-term time horizon. The neutral allocation for this strategy is approximately 0% stocks and

100% bonds, but this can change depending on our view of the markets and can include alternative assets.

### **Income**

The Income strategy has an emphasis income. It is a global or domestic asset allocation portfolio managed consistent with the risk orientation of a conservative investor with an intermediate to long-term time horizon. The neutral allocation for this strategy is approximately 20% stocks and 80% bonds, but this can change depending on our view of the markets and can include alternative assets.

### **Conservative Growth**

The Conservative Growth strategy focuses on income and growth. This global or domestic asset allocation portfolio is managed consistent with the risk orientation of a moderately conservative investor with an intermediate to long-term time horizon. The neutral allocation for this strategy is approximately 40% stocks and 60% bonds, but this can change depending on our view of the markets and can include alternative assets.

### **Moderate Growth**

The Moderate Growth strategy focuses on growth and income. It is a global or domestic asset allocation portfolio managed consistent with the risk orientation of a moderate investor with an intermediate to long-term time horizon. The neutral allocation for this strategy is approximately 60% stocks and 40% bonds, but this can change depending on our view of the markets and can include alternative assets.

### **Growth**

The Growth strategy has an emphasis on growth. This global or domestic asset allocation portfolio is managed consistent with the risk orientation of a growth investor with an intermediate to long-term time horizon. The neutral allocation for this strategy is approximately 80% stocks and 20% bonds, but this can change depending on our view of the markets and can include alternative assets.

### **Aggressive Growth**

The Aggressive Growth strategy focuses on growth. It is a global or domestic asset allocation portfolio for investors with an aggressive risk tolerance and an intermediate or long-term time horizon. The neutral allocation for this strategy is approximately 100% stocks and 0% bonds, but this can change depending on our view of the markets and can include alternative assets.

\*Also available as an overlay strategy to all investment portfolios with fixed income (except for Diversified Income) is a tax-advantage strategy utilizing municipal bond securities. Many factors will be considered when determining whether or not it is appropriate for an individual investment portfolio to have exposure to municipal bonds including an investor's income tax rate.

**Please Note:** As indicated in the Wrap Fee Program Brochure, participation in the Program may cost more or less than purchasing such services separately. If the client were to purchase these services in a non-wrap fee basis, the client would select individual services on an unbundled basis, paying for each service separately (i.e. asset management, brokerage, custody). When managing a client's account on a wrap fee basis, SMA shall receive as payment for its asset management services, the balance of the wrap fee after the fee to the custodian is deducted, which is based on a percentage of the assets SMA manages. As also indicated in the Wrap Fee Program Brochure, the Program fee charged by SMA for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

### **VARIABLE ANNUITY ADVISORY PROGRAM**

The client can also engage SMA to provide discretionary investment advisory services through its Variable Annuity Advisory Program (the “VA Program”). Under the VA Program, SMA allocates client investment assets on a non-wrap, discretionary basis among the investment sub accounts of certain variable annuity products. SMA generally proposes allocations to exchange traded funds and mutual funds, consistent with the client’s designated objectives. Once allocated, SMA provides ongoing monitoring and review of sub account performance, asset allocation, and client investment objectives.

### **FINANCIAL PLANNING SERVICES (STAND-ALONE)**

SMA may provide financial planning services (including over investment and non-investment related matter such as estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging SMA to provide planning services, clients are required to enter into a *Financial Planning Agreement* with SMA setting forth the terms and conditions of the engagement, describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to SMA commencing services. SMA may recommend the services of other professionals for implementation purposes, including certain of SMA’s representatives as licensed insurance agents. (see **conflict of interest** disclosure at Item 10C below). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from SMA. **Please Note:** If the client engages any such unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client’s responsibility to promptly notify SMA if there is ever any change in client’s financial situation or investment objectives for the purpose of reviewing/evaluating/revising SMA’s previous recommendations and/or services.

### **LIMITED CONSULTING SERVICES**

To the extent requested by the client, SMA may provide limited consulting services which could include: aggregation of accounts for reports and performance; review performance of accounts managed by other financial advisors and portfolio managers; advice regarding 401(k) allocation; research and recommendations regarding products and portfolio managers; asset allocation analysis; liaison services between the client other portfolio managers and/or financial advisors; and research regarding unique investment opportunities. Prior to engaging SMA to provide limited consulting services, clients are required to enter into a *Limited Consulting Agreement* with SMA setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to SMA commencing services.

### **IMPORTANT DISCLOSURES:**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by the client, SMA may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. SMA does not serve as a law firm or accounting firm, and no portion of its services should be construed as legal or accounting services. Accordingly, SMA does not prepare estate planning documents or tax returns. To the extent requested by a client, SMA may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of SMA in their separate individual capacities as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The

client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from SMA and/or its representatives. **Please Note:** If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note-Conflict of Interest:** Certain SMA's representatives are licensed insurance agents in their individual capacities, and may recommend the purchase of limited insurance-related products (see Variable Annuity Advisory Program above), the liquidation of insurance products to invest in the Program, and/or recommend an unaffiliated firm to assist with the review of client's insurance needs and to offer appropriate insurance products. The recommendation to purchase an insurance product through the Variable Annuity Advisory Program or to liquidate an insurance product to invest in the Program presents a ***conflict of interest***, as it may provide an incentive to make such a recommendation based on financial incentives, rather than on a particular client's need. No client is under any obligation to follow an SMA representative's recommendation to purchase a variable annuity product or to liquidate any insurance product. For those clients that are referred to an unaffiliated firm, clients are reminded that they may purchase insurance products recommended through other non-affiliated insurance agents. Finally, SMIA may receive compensation from insurance products that were purchased through SMIA prior to February 2017. **SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

**Affiliated Private Funds.** SMA is under common control with Gatewood Analytics I, L.P., a private investment fund (the "Fund"), the complete description of which (the terms, conditions, risks, conflicts and fees, including incentive compensation) is set forth in the Fund's offering documents. SMA does not serve as the investment adviser to the Fund. The Fund's general partner provides investment advice directly to the Fund and is exempt from registration as an investment adviser under federal and state law.

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions.**

**Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If SMA recommends that a client roll over their retirement plan assets into an account to be managed by SMA, such a recommendation creates a conflict of interest if SMA will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by SMA. **SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**Financial Advisor conflict of interest** – Financial Advisors of SMA do not receive commissions on any product purchased by clients. Financial Advisors’ compensation is salary based. There are financial incentives to Financial Advisors on a number of factors including client retention, referrals, new monies deposited into client accounts, and on overall SMA results. These incentives create a potential conflict of interest to open and maintain a wrap account with SMA and to add additional funds when it may not be in the best interest of the client. **SMA’s Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

**ByAllAccounts and MoneyGuidePro.** SMA, in conjunction with the services provided by ByAllAccounts, Inc, and/or the MoneyGuidePro Platform may also provide a comprehensive investment summary which can incorporate all of the client’s investment assets, including those investment assets that are not part of the assets managed by SMA (the “Excluded Assets”). **The client and/or his/her/its other advisors that maintain trading authority, and not SMA, shall be exclusively responsible for the investment performance of the Excluded Assets.** SMA’s service relative to the Excluded Assets is limited to reporting and non-discretionary consulting services only, which does not include investment implementation. SMA does not have trading authority for the Excluded Assets. As such, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not SMA, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. SMA shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that SMA provide investment management services (whereby SMA would have trading authority) with respect to the Excluded Assets, the client may engage SMA to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between SMA and the client. In addition, SMA shall not be responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the ByAllAccounts and/or MoneyGuidePro platforms without SMA’s assistance or oversight.

**Client Obligations.** In performing any of its services, SMA shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Furthermore, unless the client indicates to the contrary in writing, SMA shall assume that there are no restrictions on its services, other than to manage the account in accordance with the client’s designated investment objective. **Moreover, it remains each client’s responsibility to promptly notify SMA if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising SMA’s previous recommendations and/or services.**

**Disclosure Statement.** A copy of SMA’s written disclosure statement as set forth on Part 2A and/or Appendix 1 of Part 2A on Form ADV, as well as SMA’s ADV Part 2B Brochure Supplement shall be provided to each client prior to or contemporaneously with the execution of the applicable form of client Agreement.

- C. SMA shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client’s investment objective(s) and risk tolerance. Thereafter, SMA shall allocate and/or recommend that the client allocate investment assets consistent with the client’s investment



objective(s) and/or risk tolerance. The client may, at any time, impose reasonable restrictions, in writing, on SMA's services.

- D. If a client determines to engage SMA on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client's particular need. **Please Note:** When managing a client's account on a wrap fee basis, SMA shall receive as payment for its investment advisory services, the balance of the wrap fee after the custodian deducts its fee based on a percentage of SMA's assets under management.
- E. As of December 31, 2016, SMA had \$711,616,000 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can engage SMA to provide: discretionary investment advisory services on a wrap fee basis; or services limited to the discretionary management of the investment sub accounts of variable annuity products under the VA Program on a non-wrap fee basis.

### **1. INVESTMENT ADVISORY SERVICES**

#### **SIMPLY MONEY™ ADVISORS. WRAP PROGRAM**

If a client decides to engage SMA to provide investment management services on a wrap fee basis in accordance with SMA's Program, the services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants. Under the Program, SMA is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees.

The current annual Program fee ranges from .35% to 1.85%, depending upon the amount and type of the Program assets, typically charged according to the following tiered fee schedule:

<b>Portfolio Value</b>	<b>Tiered Fee</b>
\$0 - \$250,000	1.85%
\$250,001 - \$500,000	1.60%
\$500,001 - \$1,000,000	1.25%
\$1,000,001 - \$3,000,000	.95%
\$3,000,001 - \$5,000,000	.75%
\$5,000,001-\$10,000,000	.60%
\$10,000,001 -\$25,000,000	.50%
\$25,000,000+	.35%

For example, if a client deposits \$400,000, the client will be charged 1.85% on the first \$250,000 and will be charged 1.60% on the remaining balance of \$150,000.

In certain limited circumstances, SMA may agree to reduce its Program fee for clients that are also SMA employees, friends, and related accounts, or based on dollar amount of assets to be managed.

## **2. VARIABLE ANNUITY ADVISORY PROGRAM**

If the Client engages SMA under the VA Program, the annual fee for those services shall be equal to 1.00% of the market value of the sub account assets under management, which shall be charged quarterly in advance. Clients who participate in the VA Program may also incur custodial fees to the annuity sponsor, which is currently \$20 per month for clients whose annuities are held with Jefferson National. Clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

## **3. FINANCIAL PLANNING SERVICES FEES (STAND-ALONE)**

SMA may determine to provide financial planning (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Fees charged according to an executed *Financial Planning Agreement* generally range from \$250 to \$5,000 on a fixed fee basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

## **4. LIMITED CONSULTING SERVICES**

To the extent requested by the client, SMA may provide limited consulting services described in Item 4B above. Prior to engaging SMA to provide limited consulting services, clients are required to enter into a *Limited Consulting Agreement* with SMA setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to SMA commencing services. SMA's fees for limited consulting services are negotiable, but generally range between \$250 to \$5,000 on a fixed fee basis, and from \$125 to \$375 on an hourly rate basis. For certain clients, SMA may be engaged for limited consulting services on an annual retainer basis (with a maximum annual fee of \$100,000) or a percentage of net worth basis (with a maximum annual fee of 1.00%).

- B. **Fee Payment:** SMA's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Clients must elect to have SMA's advisory fees deducted from their custodial account. Both the respective form of client agreement that SMA's client's sign and the custodial/clearing agreement authorizes the custodian to debit the account for the amount of SMA's investment advisory fee and to directly remit that management fee to SMA.

The *Investment Advisory Agreement* between SMA and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, SMA shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, SMA will recommend that TD Ameritrade serve as the broker-dealer/custodian for client investment management assets. In addition to SMA's investment management fee, and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees, operating expenses, and other fund expenses). Transactions in ETF's, which are securities, have a bid/ask spread, which means there is a cost difference between buying a security and selling a security. In addition,

broker-dealers, such as TD Ameritrade, charge service fees such as closing account fees and certain fees regarding checking that client will be charged for separately. **Please Note:** SMA's investment programs may involve above-average portfolio turnover which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

- D. Neither SMA nor its any of its supervised persons accept compensation from the sale of securities or other investment products.

## **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither SMA nor any supervised person of SMA accepts performance-based fees.

## **Item 7            Types of Clients**

SMA's clients shall generally include individuals, business entities, trusts, estates, and charitable organizations. **Please Note:** Similar advisory services may be available from other investment advisers for similar or lower fees. **ANY QUESTIONS:** SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client may have regarding its advisory fee schedule.

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

- A. SMA uses a Core-Satellite approach. The Core portion of a client's portfolio has investments that have displayed long-term steady results. Because these holdings have displayed long-term benefits, they do not change on a frequent basis. The Satellite segment of the client's portfolio is positioned to take advantage of opportunities that SMA sees in today's market. The Core and Satellite portions of the portfolios are reviewed at least monthly by SMA's Investment Committee.

SMA conducts economic analysis to attempt to develop a strategic outlook for the global economy. SMA also conducts fundamental analysis to assess a security's or asset class' value based on factors such as sales, assets, markets, management, products and services, earnings, and financial structure. SMA will conduct technical analysis where SMA will study movements in a security's or asset class' price, trading volume, and other market-related factors in an attempt to discern patterns.

SMA will combine the economic, fundamental, and technical analysis into a cohesive investment vision that results in the formation of various asset allocated, investment models. These models will have varying degrees of risk associated with them where risk is defined as beta (or sensitivity) to the US stock market with the S&P 500 Index considered a proxy for the US stock market. Asset allocation does not guarantee against losses, but it attempts to minimize portfolio risk.

SMA's asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as SMA's model allocation programs, with a non-exclusive safe harbor from the

definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to SMA's management of client assets:

1. Initial Interview – at the opening of the account, SMA, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly SMA shall notify the client to advise SMA whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, SMA shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
5. Consultation Available – SMA shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct SMA not to purchase certain securities;
8. No Pooling – the client's beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

SMA believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the *Investment Advisory Agreement*; and (2) the fees charged by other investment advisers offering similar services/programs. However, SMA's annual investment management fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to SMA's annual investment management fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees, operating fees and other fund expenses).

Accounts are actively managed; if a client is participating in SMA's model account management, SMA will make strategic/tactical changes based on market conditions. Accounts are rebalanced on an as needed basis depending on market and economic conditions. The determination to adjust allocations is determined by SMA based on the aforementioned factors. Cash balances are determined by client liquidity needs as well as market conditions.

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by SMA) will be profitable or equal any specific performance level(s). Investing in securities involves risk of loss that clients should be prepared to bear.

- B. SMA's methods of analysis and investment strategies do not present significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis SMA must have access to current/new market information. SMA has no control over the

dissemination rate of market information; therefore, unbeknownst to SMA, certain analyses may be compiled with outdated market information, severely limiting the value of SMA's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

SMA primarily allocates client's investment assets to ETFs. The prices of ETFs are directly affected by market conditions and prices will fluctuate throughout the trading day. While ETFs typically try to mirror the performance of an index, they may trade at a discount or premium to their net asset value. Additionally, there may be limitations on trading of a particular ETF. To a lesser extent, SMA may also allocate client investment assets to mutual funds. The risks with mutual funds include, but are not limited to, the costs and expenses within the fund which impact performance, change of fund managers, market and/or interest rate risks, and funds straying from its objective. Open ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day.

Past performance is not indicative of future results. For more detailed information on ETF's and mutual funds, please visit the SEC website at: <https://www.sec.gov/investor/pubs/inwsmf.htm>

- C. Currently, SMA primarily allocates client investment assets among ETFs on a discretionary basis in accordance with the client's designated risk tolerance and/or investment objective(s). See Section B above for an explanation of risks.

## **Item 9            Disciplinary Information**

SMA has not been the subject of any disciplinary actions.

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

- A. Neither SMA, nor its representatives, are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer except as follows: Ken Madsen, the firm's Chief Compliance Officer, is registered in a non-sales capacity with an unaffiliated broker/dealer. See BrokerCheck at FINRA.org for more information.
- B. Neither SMA, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Licensed Insurance Agents.** SMA is under common control with Simply Money Insurance Agency, which is a licensed insurance agency ("SMIA"). Certain SMA's representatives are licensed insurance agents of SMIA in their individual capacities, and may recommend the purchase of limited insurance-related products (see Variable Annuity Advisory Program above), the liquidation of insurance products to invest in the Program, and/or recommend an unaffiliated firm to assist with the review of client's insurance needs and to offer appropriate insurance products.

**Conflict of Interest:** The recommendation to purchase an insurance product represents a *conflict of interest* as the firm would receive additional revenue in addition to the Program fee. The

recommendation by certain of SMA's representatives that a client liquidate an insurance product through SMIA presents a ***conflict of interest***, as it may provide an incentive to recommend the liquidation of insurance products based on financial incentives, rather than on a particular client's need. No client is under any obligation to follow an SMA representative's recommendation to purchase a variable annuity product or to liquidate any insurance product. For those clients that are referred to an unaffiliated firm, clients are reminded that they may purchase insurance products recommended through other non-affiliated insurance agents. Finally, SMIA may receive compensation from insurance products that were purchased through SMIA prior to February 2017. **SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- D. **Affiliated Private Funds.** SMA is under common control with Gatewood Analytics I, L.P., a private investment fund (the "Fund"), the complete description of which (the terms, conditions, risks, conflicts and fees, including incentive compensation) is set forth in the Fund's offering documents. SMA does not serve as the investment adviser to the Fund. The Fund's general partner provides investment advice directly to the Fund and is exempt from registration as an investment adviser under federal and state law. **Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment. **SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions.**

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

- A. SMA maintains an investment policy relative to personal securities transactions. This investment policy is part of SMA's overall Code of Ethics, which serves to establish a standard of business conduct for all of SMA's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, SMA also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by SMA or any person associated with SMA.

- B. As disclosed above, SMA is under common control with the Fund. In addition, certain of SMA's related persons have material financial interests in the Fund. The terms and conditions for participation in the Fund, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the Fund's offering documents. **SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflicts of interest such arrangement may create.**
- C. SMA and/or representatives of SMA may buy or sell securities that are also recommended to clients. This practice may create a situation where SMA and/or representatives of SMA are in a

position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a **potential conflict of interest**. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if SMA did not have adequate policies and procedures in place to prohibit and detect such activities. In addition, these policies and procedures can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of SMA’s clients) and other potentially abusive practices.

SMA has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of SMA’s “Access Persons.” SMA’s securities transaction policy requires that an Access Person of SMA must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date SMA selects; provided, however that at any time that SMA has only one Access Person, he or she shall not be required to submit any securities report described above. Under current procedures, each Access Person must provide the Chief Compliance Officer or his/her designee copies of personal brokerage statements on a monthly or quarterly basis which include the Access Person’s current securities holdings.

- D. SMA and/or representatives of SMA may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where SMA and/or representatives of SMA are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a **potential conflict of interest**. As indicated above in Item 11.C, SMA has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of SMA’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that SMA recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct SMA to use a specific broker-dealer/custodian), SMA will recommend that investment management accounts be maintained at TD Ameritrade. Prior to engaging SMA to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with SMA setting forth the terms and conditions under which SMA shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that SMA considers in recommending TD Ameritrade (or any other broker-dealer/custodian to clients) include historical relationship with SMA, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by SMA’s clients shall comply with SMA’s duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where SMA determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly,

although SMA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, SMA's investment management fee. SMA's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. **Research and Additional Benefits.** Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, SMA may receive from *TD Ameritrade* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, mutual fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist SMA to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by SMA may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by SMA in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist SMA in managing and administering client accounts. Others do not directly provide such assistance, but rather assist SMA to manage and further develop its business enterprise.

SMA's clients do not pay more for investment transactions effected and/or assets maintained at *TD Ameritrade* or another broker-dealer/custodian as a result of this arrangement. There is no corresponding commitment made by SMA to *TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

#### **TD Ameritrade Institutional Advisor Program**

SMA participates in the Institutional Advisor Program (the "TD Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. SMA receives some benefits from TD Ameritrade through its participation in the TD Program.

SMA typically recommends TD Ameritrade to clients for custody and brokerage services. SMA compensates TD Ameritrade for these services based on a percentage of total assets under management. There is no direct link between SMA's participation in the TD Program and the investment advice it gives to its clients, although SMA receives economic benefits through its participation in the TD Program that are not typically available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from 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 SMA by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by SMA. Some of the products and services made available by TD Ameritrade through the TD Program may benefit SMA but may not benefit its client accounts. These products or services may assist SMA in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help SMA manage and further develop its business enterprise. TD Ameritrade may also pay or reimburse certain expenses (which may include meals, general conference expenses and entertainment expenses) for SMA's representatives to attend conferences or meetings relating to the TD Program or to TD Ameritrade's advisor custody and brokerage services generally. The benefits received by SMA or its representatives through participation in the TD Program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by SMA or its representatives in and of itself creates a **potential conflict of interest** and may indirectly influence SMA's recommendation of TD Ameritrade for custody and brokerage services. **SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. SMA does not receive referrals from broker-dealers.
3. SMA does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements the client will negotiate terms and arrangements for their account with that broker-dealer, and SMA will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by SMA. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs SMA to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through SMA. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client or prospective client may have regarding the above arrangements.**

- B. To the extent that SMA provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless SMA decides to purchase or sell the same securities for several clients at approximately the same time. SMA may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate shares equitably among SMA's clients. There may be differences in prices and commissions or other transaction costs had such orders been placed independently. Under this bunching procedure, transactions will be averaged as to price and will

be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. SMA shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13          Review of Accounts**

- A. For those clients to whom SMA provides investment advisory services, account reviews are conducted periodically by SMA's Principals and representatives. All investment advisory clients are advised that it remains their responsibility to advise SMA of any changes in their investment objectives and/or financial situation. All clients (in person, email or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with SMA on an annual basis.
- B. SMA may conduct account reviews on other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market conditions and client request.
- C. Clients are provided, at least quarterly, with written transaction details and holding information in account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. SMA may also provide a written periodic report summarizing account activity and performance. **Please note:** The records provided from the custodian (TD Ameritrade for SMA or other custodians for assets held away) should be relied upon by the client as the official and accurate record.

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

- A. As referenced in Item 12.A.1 above, SMA receives economic benefits from TD Ameritrade. SMA, may also receive other support services and/or products from TD Ameritrade without cost (and/or at a discount). The ways in which SMA addresses the potential conflict of interest that results is addressed in Item 12 above. SMA's clients do not pay more for investment transactions effected and/or assets maintained at TD Ameritrade as a result of this arrangement.

SMA also receives certain additional economic benefits ("Additional Services") from TD Ameritrade that may or may not be offered to other independent investment advisors. Specifically, the Additional Services include the provision of: Salesforce.com (web-based client relationship management software which SMA uses to store client intake information, a log of client contacts and respective notes); Orion (web-based portfolio management software which computes performance data, quarterly reports and a client portal so clients can access their accounts and run reports, e.g. realized gain/loss). The combined cost of these services that are paid by TD Ameritrade is approximately \$136,000.

TD Ameritrade provides the Additional Services to SMA in its sole discretion and at its own expense, and SMA does not pay any fees to TD Ameritrade for the Additional Services. SMA and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services. SMA's receipt of Additional Services raises **potential conflicts of interest**. In providing Additional Services to SMA, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, SMA's client accounts maintained with TD Ameritrade. TD Ameritrade

has the right to terminate the Additional Services Addendum with SMA, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, SMA may have an incentive to recommend to its clients that the assets under management by SMA be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. SMA's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

**SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest such arrangement may create.**

- B. SMA does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

## **Item 15      Custody**

SMA shall have the ability to have its advisory fee for each client debited by the custodian. Clients are provided, at least quarterly, with transaction and holding details provided in regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Clients should rely on the information provided directly from the custodian and/or program sponsor and not on summary documents produced by SMA. SMA may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that SMA provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by SMA with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of SMA's advisory fee calculation.

## **Item 16      Investment Discretion**

The client can decide to engage SMA to provide investment advisory services on a discretionary basis. Prior to SMA assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming SMA as the client's attorney and agent in fact, granting SMA full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage SMA on a discretionary basis may, at anytime, impose restrictions, **in writing**, on SMA's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, etc.).

## **Item 17      Voting Client Securities**

- A. SMA does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact SMA to discuss any questions they may have with a particular solicitation.

**Item 18          Financial Information**

- A. SMA does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. SMA is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. SMA has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: SMA's Chief Compliance Officer, Ken Madsen, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**

## **PRIVACY NOTICE**

SMA maintains physical, electronic, and procedural safeguards that comply with federal standards to protect its clients' nonpublic personal information ("information"). Through this policy and its underlying procedures, SMA attempts to secure the confidentiality of customer records and information and protect against anticipated threats or hazards to the security or integrity of customer records and information.

It is the policy of SMA to restrict access to all current and former clients' information (i.e., information and records pertaining to personal background, investment objectives, financial situation, tax information/returns, investment holdings, account numbers, account balances, etc.) to those employees and affiliated/nonaffiliated entities who need to know that information in order to provide products or services in furtherance of the client's engagement of SMA. In that regard, SMA may disclose the client's information: (1) to individuals and/or entities not affiliated with SMA, including, but not limited to the client's other professional advisors and/or certain service providers that may be recommended or engaged by SMA in furtherance of the client's engagement of SMA (i.e., attorney, accountant, insurance agent, broker-dealer, investment adviser, account custodian, record keeper, proxy management service provider, etc.); (2) required to do so by judicial or regulatory process; or (3) otherwise permitted to do so in accordance with the parameters of applicable federal and/or state privacy regulations. The disclosure of information contained in any document completed by the client for processing and/or transmittal by SMA to facilitate the commencement/continuation/termination of a business relationship between the client and/or between SMA and a nonaffiliated third party service provider (i.e., broker-dealer, investment adviser, account custodian, record keeper, insurance company, etc.), including, but not limited to, information contained in any document completed and/or executed by the client in furtherance of the client's engagement of SMA (i.e., advisory agreement, client information form, etc.), shall be deemed as having been automatically authorized by the client with respect to the corresponding nonaffiliated third party service provider.

SMA permits only authorized employees and affiliates who have signed a copy of SMA's Privacy Policy to have access to client information. Employees violating SMA's Privacy Policy will be subject to SMA's disciplinary process. Additionally, whenever SMA hires other organizations to provide services to SMA's clients, SMA will require them to sign confidentiality agreements and/or the Privacy Policy.

**Should you have any questions regarding the above, please contact Ken Madsen, Chief Compliance Officer.**