



\*SPC0002\*



A Registered Investment Advisor

## **FORM ADV PART 2A RETIREMENT PLAN PROGRAM BROCHURE**

**300 Parkland Plaza, Ann Arbor, MI 48103**

(734) 663-1611

spcinfo@bdops.com  
www.spc4clients.com  
3.31.2018

This brochure provides information about the qualifications and business practices of SPC with regard to qualified retirement plans covered by ERISA and other retirement plans. If you have any questions about the contents of this brochure, please contact us at 734-663-1611. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about SPC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for SPC is 110692.

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

## Item 2. Material Changes

### Annual Update

This section highlights material changes made to this brochure since its last update in March 2017.

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

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

- The “Advisory Business” section was updated to disclose, in greater detail, the available options for clients to establish an account with a third-party investment adviser (“TPIA”). These options include direct relationships (both solicitor and co-advisor), the Envestnet platform, and risk tolerance software providers. The “Fees and Compensation” section was also updated to disclose the various forms of compensation that SPC receives from TPIAs and the conflicts of interest associated therewith.
- The “Advisory Business” section was updated to disclose that as of December 31, 2017, SPC managed \$3,341,673,488 in client assets on a discretionary basis and \$9,595,750 in client assets on a non-discretionary basis.
- The “Fees and Compensation” section was updated to disclose new or additional information pertaining to the following conflicts of interest: (i) IAR outside business activities; (ii) the inclusion of cash/money market positions in SPC’s management fee calculations; (iii) additional revenue received by SPC from Envestnet; (iv) ticket charge mark-ups from equity and exchange-traded fund (“ETF”) transactions that generate soft dollars for SPC; (v) SPC’s revenue-sharing agreement with Fidelity involving the 12b-1 fees generated by mutual funds held in clients’ accounts; (vi) SPC’s tier sponsor revenue-sharing agreements with certain TPIAs; (vii) IARs’ payout grids; (viii) forgivable loans, bonuses, and personal loans granted by SPC to IARs; (ix) IARs’ succession plans; and (x) SPC’s sharing of its Program Fee with certain IARs.
- The “Methods of Analysis, Investment Strategies and Risk of Loss” section was updated to disclose that leveraged and inverse ETFs, as well as alternative mutual funds, are more speculative in nature and come with greater risks than traditional ETFs and mutual funds.
- The “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” section was updated to disclose that SPC limits IARs’ political contributions to \$150 for any one official per election.
- The “Brokerage Practices” section was updated to disclose, in greater detail, the various benefits and compensation that SPC receives as a result of selecting Fidelity to be the custodian for client accounts, including soft dollars and computer software, along with the various conflicts of interest arising from SPC’s selection of Fidelity as custodian.
- The “Review of Accounts” section was updated to disclose the conflicts of interest associated with valuing securities held in clients’ accounts as well as the manner in which SPC seeks to fulfill its cybersecurity obligations.
- The “Custody” section was updated to disclose that SPC has restricted the asset Movement Authority on all client accounts. Consequently, all client wire instructions require either a client signature or a standing written instruction to be on file.

The most recent copy of this brochure can be requested at any time by calling the SPC Department at (888) 744-6264 or via download at [www.spc4clients.com](http://www.spc4clients.com). SPC strongly encourages clients to review this important document in its entirety.

## Item 3. Table of Contents

Item 3. Table of Contents .....	3
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation.....	9
Item 6. Performance-Based Fees and .....	14
Side-By-Side Management.....	14
Item 7. Types of Clients .....	14
Item 8. Methods of Analysis, Investment Strategies.....	15
and Risk of Loss .....	15
Item 9. Disciplinary Information.....	19
Item 10. Other Financial Industry Activities and Affiliations .....	19
Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	20
Item 12. Brokerage Practices.....	20
Item 13. Review of Accounts .....	24
Item 14. Client Referrals and Other Compensation .....	25
Item 15. Custody.....	25
Item 16. Investment Discretion.....	26
Item 17. Voting Client Securities .....	26
Item 18. Financial Information.....	26

## Item 4. Advisory Business

### The Nature of Sigma Planning Corporation's Business

Sigma Planning Corporation ("SPC") is registered with the United States Securities and Exchange Commission as an investment adviser. SPC is a corporation formed under Michigan law in 1983. SPC is also under common ownership and control with Sigma Financial Corporation ("SFC") and Parkland Securities, LLC ("Parkland"). SFC and Parkland are independent broker-dealer firms that are each members of the Financial Industry Regulatory Authority, Inc. ("FINRA") as well as the Securities Investor Protection Corporation ("SIPC"). Moreover, SFC and Parkland are both registered as insurance agencies with various state insurance regulators. Jerome Rydell is the principal owner of SPC, SFC, and Parkland.

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

With a commitment to personal service, SPC partners with IARs looking to grow their practices in a professional and ethical manner. We provide investment management, financial planning and consulting services, and other services which allow our IARs to manage the assets of Middle American investors.

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

SPC has an arrangement with National Financial Services LLC and Fidelity Brokerage Services, LLC (collectively, and together with their affiliates, "Fidelity") through which Fidelity provides SPC and its IARs with custodial services and other services and benefits in order to help them conduct their business and serve all types of clients. SPC is independently owned and operated and is not affiliated with Fidelity. National Financial Services LLC is also the clearing firm utilized by SFC and Parkland.

The following pages describe our services and fees with regard to employer-sponsored retirement plans, particularly those covered by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). However, depending on the circumstances, we can also offer our services to retirement plans that are not covered by ERISA due to one or more federal exemptions.

Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to the individual needs of such retirement plans. In certain cases we will provide clients with a complimentary general consultation to discuss available services, to give a potential client time to review desired services, and to determine the possibility of a client-adviser relationship.

### Types of Retirement Plan Services Offered

We offer a variety of services to employer-sponsored retirement plans and their participants, including discretionary investment management services, nondiscretionary fiduciary services, and non-fiduciary retirement plan consulting services. Depending on the type of retirement plan and the specific arrangement with the plan's sponsor (the "Sponsor"), we will provide one or more of these services. Upon being engaged by the Sponsor, we will provide the Sponsor with a copy of this brochure, our Privacy Policy, and a Qualified Plan Account Application & Service Agreement (the "Agreement").

The Sponsor can engage our IARs to perform retirement plan services by completing the Agreement. The Agreement outlines the terms and the nature of our relationship with the plan and the Sponsor, including a description of the services to be provided and the fees to be charged. Moreover, the Agreement enables us to obtain important information about the plan, including the plan's design, the plan's objectives, investment risk

tolerance information, plan participant demographics, and third-party service providers. The Sponsor must sign and submit the Agreement to SPC before any services are provided.

Our retirement plan services are described below in greater detail.

### **ERISA § 3(38) Investment Fiduciary Services**

These services are designed to allow the Sponsor (or plan fiduciary) to delegate responsibility for managing, acquiring, and disposing of plan assets that meet the requirements of ERISA. We will perform these investment management services through our IARs and will charge a fee for the investment management services, as described in this brochure and the Agreement. We will perform these services for the plan as an investment manager under ERISA § 3(38) and will act with the degree of diligence, care, and skill that a prudent person rendering similar services would exercise under similar circumstances.

The Sponsor can engage us to perform any of the following services by selecting the appropriate boxes in Appendix B of the Agreement:

#### **1. Selection, Monitoring, and Replacement of the Plan's Designated Investment Alternatives ("DIAs")**

We will review the investment objectives, risk tolerance, and goals of the plan with the Sponsor (or plan fiduciary). We will also provide the Sponsor (or plan fiduciary) with an investment policy statement ("IPS")—if it does not already have one—that contains criteria from which we will select, monitor, and replace the plan's DIAs. We will review the investment options available to the plan and will select the plan's DIAs in accordance with the criteria set forth in the IPS. On a periodic basis, we will monitor and evaluate the DIAs and replace any DIAs that no longer satisfy the IPS criteria.

#### **2. Creation and Maintenance of Model Asset Allocation Portfolios ("Model Portfolios")**

We will review the investment objectives, risk tolerance, and goals of the plan with the Sponsor (or plan fiduciary). We will also provide the Sponsor (or plan fiduciary) with an IPS (or other documentation)—if it does not already have one—that contains criteria from which we will select, monitor, and replace the plan's Model Portfolios. We will create a series of risk-based Model Portfolios comprised solely of the plan's DIAs and, on a periodic basis or upon reasonable request, we will reallocate and rebalance the Model Portfolios in accordance with the IPS or other guidelines approved by the Sponsor (or plan fiduciary).

#### **3. Selection, Monitoring, and Replacement of Qualified Default Investment Alternatives ("QDIAs")**

We will review the investment objectives, risk tolerance, and goals of the plan with the Sponsor (or plan fiduciary). We will also provide the Sponsor (or plan fiduciary) with an IPS (or other guidelines)—if it does not already have one—which contains criteria from which we will select, monitor, and replace the plan's QDIAs. Once the Sponsor (or plan fiduciary) confirms the plan's desired type of QDIAs, we will select, monitor, and replace the plan's QDIAs in accordance with the IPS or other guidelines approved by the Sponsor (or plan fiduciary).

#### **4. Participant Investment Management**

We will meet with plan participants, periodically and upon reasonable request, to collect information necessary to complete an investor profile to identify the participant's investment objectives, risk tolerance, time horizon, etc. Based upon each participant's profile we will invest the participant's plan account among one or more of the plan's DIAs or Model Portfolios, if applicable. We will have sole discretion over the investment of the participant's account.

### **ERISA § 3(21)(A) Nondiscretionary Fiduciary Services**

These services are designed to allow the Sponsor (or plan fiduciary) to retain full discretionary authority and control over the plan's assets. We will solely make recommendations to the Sponsor (or plan fiduciary). We will perform these nondiscretionary investment advisory services through our IARs and will charge a fee for these fiduciary services, as described in this brochure and the Agreement. We will perform these investment advisory services for the plan as a fiduciary under ERISA § 3(21)(A) and will act with the degree of diligence, care, and skill that a prudent person rendering similar services would exercise under similar circumstances.

The Sponsor can engage us to perform one or more of the following nondiscretionary investment advisory services by selecting the appropriate boxes in Appendix B of the Agreement:

### **1. Recommendations to Establish or Revise the Plan's Investment Policy Statement**

We will review the investment objectives, risk tolerance, and goals of the plan with the Sponsor (or plan fiduciary). If the plan does not have an IPS, we will recommend investment policies to assist the Sponsor (or plan fiduciary) in establishing an appropriate IPS. If the plan has an existing IPS, we will review it for consistency with the plan's objectives. If the IPS does not represent the objectives of the plan, we will recommend revisions to the Sponsor (or plan fiduciary) that will establish investment policies which are congruent with the plan's objectives.

### **2. Recommendations to Select and Monitor the Designated Investment Alternatives**

Based on the plan's IPS or other guidelines established by the plan, we will review the investment options available to the plan and will make recommendations to assist the Sponsor (or plan fiduciary) in selecting the DIAs to be offered to plan participants. Once the Sponsor (or plan fiduciary) selects the DIAs, we will provide reports, information, and recommendations, on a periodic basis or upon reasonable request, to assist the Sponsor (or plan fiduciary) with monitoring the investments. If the IPS criteria require an investment to be removed, we will provide information, analysis, and recommendations, on a periodic basis or upon reasonable request, to assist the Sponsor (or plan fiduciary) with evaluating replacement investment alternatives.

### **3. Recommendations to Select and Monitor Qualified Default Investment Alternatives**

Based on the plan's IPS or other guidelines established by the plan, we will review the investment options available to the plan and will make recommendations to assist the Sponsor (or plan fiduciary) in selecting the plan's QDIAs for plan participants that fail to direct the investment of their accounts. Once the Sponsor (or plan fiduciary) selects the QDIAs, we will provide reports, information, and recommendations, on a periodic basis or upon reasonable request, to assist the Sponsor (or plan fiduciary) with monitoring the investments. If the IPS criteria require an investment to be removed, we will provide information and analysis to assist the Sponsor (or plan fiduciary) with evaluating replacement investment alternatives.

### **4. Recommendations to Allocate and Rebalance Model Asset Allocation Portfolios**

Based on the plan's IPS or other investment guidelines established by the plan, we will review the investment options available to the plan and will make recommendations to assist the Sponsor (or plan fiduciary) in creating and maintaining Model Portfolios. Once the Sponsor (or plan fiduciary) approves the Model Portfolios, we will provide reports, information, and recommendations, on a periodic basis, designed to assist the Sponsor (or plan fiduciary) with monitoring the plan's investments. If the IPS criteria require an investment to be removed, we will provide information and analysis to assist the Sponsor (or plan fiduciary) with evaluating replacement investment alternatives to be included in the Model Portfolios. Upon reasonable request, we will make recommendations to the Sponsor (or plan fiduciary) to rebalance the Model Portfolios to maintain their desired allocations.

### **5. Recommendations to Select and Monitor Investment Managers**

Based on the plan's IPS or other guidelines established by the plan, we will review the potential investment managers available to the plan and will make recommendations to assist the Sponsor (or plan fiduciary) in selecting one or more investment managers. Once the Sponsor (or plan fiduciary) approves the investment manager, we will provide reports, information, and recommendations, on a periodic basis, to assist the Sponsor (or plan fiduciary) with monitoring the plan's investment managers. If the IPS criteria require an investment manager to be removed, we will provide information and analysis to assist the Sponsor (or plan fiduciary) with evaluating replacement investment managers.

## **ERISA Non-fiduciary Retirement Plan Consulting Services**

We offer retirement plan consulting services designed to assist the Sponsor (or plan fiduciary) in satisfying its fiduciary duties to administer the plan in the best interests of plan participants and their beneficiaries. Retirement plan consulting services are limited to non-fiduciary services under ERISA.

The plan's custodian, not SPC, will be responsible for arranging for the execution of securities transactions through a broker-dealer that it believes can provide best execution. We will not have any discretionary authority or discretionary responsibility over the administration of the plan, or any authority to interpret plan documents, approve the distributions to be made by the plan, or determine participant eligibility, benefits, or vesting. We will not perform record-keeping or brokerage services on behalf of the plan, nor will we assume the duties of a trustee or plan administrator (as defined in ERISA § 3(16)).



The Sponsor (or plan fiduciary) can elect for us to provide any of the following services:

### 1. Administrative Support

Assisting the Sponsor (or plan fiduciary) with:

- Reviewing plan objectives and options available through the plan
- Reviewing retirement plan committee structure and administrative policies and procedures
- Recommending participant education and communication policies under ERISA § 404(c)
- Coordinating and reconciling participant disclosures under 29 C.F.R. § 2550.404a-5
- Developing requirements for responding to participant requests
- Assisting with the development and maintenance of a fiduciary audit file and document retention policies
- Delivering fiduciary training and/or education periodically or upon reasonable request

### 2. Oversight of Relationships with Service Providers

Assisting the Sponsor (or plan fiduciary) with:

- Developing a process to select, monitor, and replace service providers
- Reviewing covered service provider ("CSP") disclosures under ERISA § 408(b)(2) and fee benchmarking
- Providing reports and/or information designed to assist with monitoring CSPs
- Reviewing ERISA spending accounts or plan expense recapture accounts ("PERAs")
- Preparing and reviewing requests for proposals ("RFPs") and/or requests for information ("RFIs")
- Coordinating CSP replacements and conversions

### 3. Investments

Assisting the Sponsor (or plan fiduciary) with:

- Periodically reviewing the IPS in the context of plan objectives
- Monitoring investment performance
- Analyzing investment managers and Model Portfolios
- Reviewing and recommending designated investment managers ("DIMs") and/or third-party advice providers, as necessary

### 4. Participant Services

Assisting the Sponsor (or plan fiduciary) with:

- Facilitating group enrollment meetings
- Coordinating employee education regarding plan investments and fees
- Helping participants with understanding plan benefits, retirement readiness, and the impact of increasing deferrals

## Third-Party Investment Advisers

As a non-fiduciary service, and based on the plan's IPS or other guidelines established by the plan, we may recommend that the Sponsor (or plan fiduciary) utilize the services of a third-party investment adviser ("TPIA") to manage the plan's investment assets. In this circumstance, the TPIA would serve as the plan's ERISA § 3(38) investment manager.

Factors that we take into consideration when making a recommendation include, but are not limited to, the TPIA's historical performance, manager tenure, strategy, methods of analysis, and fees. When recommending the services of a TPIA, our IAR will provide the Sponsor (or plan fiduciary) with the TPIA's disclosure brochure and compensation disclosure document. Certain TPIAs require minimum portfolio conditions as outlined in each TPIA's disclosure brochure. The Sponsor (and plan fiduciary) are never under any obligation to engage the services of any TPIA that we recommend.

Due to SPC's various business relationships, there are several ways in which a client can establish an account with a recommended TPIA. The three available options consist of the following:

- Direct Relationships. SPC has direct relationships with various TPIAs. A "direct" relationship is one in which SPC has entered into a contractual agreement directly with the TPIA after performing appropriate due diligence on the TPIA. In some instances, SPC functions as a co-advisor providing separate client services from the TPIA. As a result, clients will pay a management fee to the TPIA for its

account management services, and pay a separate fee to SPC (that is collected from the client's account and remitted by the TPIA on SPC's behalf) for the other services agreed upon between the client and IAR including, but not limited to, meeting with the client at least annually (or more often upon request) to discuss and review the TPIA's performance, being available during regular business hours to answer the client's inquiries regarding the TPIA, and periodically monitoring the TPIA's performance on an ongoing basis. However, in most cases, our agreement with the TPIA calls for SPC to function as the TPIA's solicitor, within the meaning of Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act").

- Envestnet. Through the Fidelity platform our IARs also have access to model portfolios and TPIAs that have been made available by Envestnet for use with clients. SPC does not have a direct relationship with most of the TPIAs available through Envestnet, nor does SPC act as a solicitor with respect to TPIA accounts opened through Envestnet.
- Risk Tolerance Software. Certain TPIAs have partnered with risk tolerance software providers to better automate and streamline the process of determining appropriate client account allocations and placing discretionary trades in client accounts. SPC is currently in the process of establishing relationships with several different software providers through which clients will have access to additional TPIAs. If and when we begin recommending these software providers to clients, we will update this brochure accordingly to describe the options in greater detail, including, but not limited to, the applicable policies, procedures, fees, and conflicts of interest associated with each option.

SPC mitigates TPIA conflicts of interest by reviewing each recommendation to open a TPIA account, along with the recommendation to fund the account with the proceeds from liquidated investments, to ensure that the proposed course of action is suitable and consistent with SPC's duties of prudence and loyalty.

The Sponsor (or plan fiduciary) will customarily be required to sign an agreement directly with each recommended TPIA. The Sponsor (or plan fiduciary) will be permitted to terminate its advisory relationship with the TPIA according to the terms of the agreement with the TPIA. The Sponsor (or plan fiduciary) should review each TPIA's disclosure brochure for specific information on how it can terminate its advisory relationship with the TPIA and how it can receive a refund, if applicable. The Sponsor (or plan fiduciary) should contact the TPIA directly for questions regarding the advisory agreement with the TPIA.

TPIAs are responsible for the specialized portfolio management, portfolio reporting services, best execution review, quarterly reporting, trade error resolution, custodial reconciliations, and implementation of trades within their respective programs.

## **Non-ERISA Retirement Plans**

Depending on the circumstances, we can also provide any of the services described above to retirement plans that are not covered by ERISA. In providing services to such plans, we would act as a fiduciary under the Advisers Act, but not as a fiduciary under ERISA § 3(21)(A).

## **Potential Additional Retirement Services Provided Outside of the Agreement**

In providing services to retirement plans, SPC and its IARs are also able to establish client relationships with one or more plan participants or beneficiaries. Such client relationships develop in various ways, including, without limitation: (1) as a result of a decision by the participant or beneficiary to obtain advisory services from SPC not involving the use of plan assets; (2) as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relate exclusively to assets held outside of the plan; or (3) through an Individual Retirement Account rollover ("IRA Rollover") from a retirement plan. IARs will not, however, solicit plan participants or beneficiaries when providing services to the retirement plan.

If SPC is providing services to a retirement plan, the IAR working with the plan will, when requested by a plan participant or beneficiary, arrange to provide services to that participant or beneficiary through a separate agreement that excludes any investment advice on plan assets (but will consider the participant's or beneficiary's interest in the plan in providing that service). If a plan participant or beneficiary desires to complete an IRA Rollover, any decision regarding whether to complete the IRA Rollover or what to do with the IRA Rollover assets remains solely that of the participant or beneficiary.



In providing these optional services, we will provide employers and employees with information regarding other financial and retirement products or services offered by SPC and our IARs.

### Wrap Fee Program

In providing portfolio management services to retirement plans, we do not currently offer any wrap fee programs. If this were to change, we would prepare a separate wrap fee brochure for use with retirement plans. Among other things, this brochure would describe the nature of the wrap program(s), the wrap fees we would receive for our services, and a discussion of whether wrap fee accounts are managed differently from other accounts. The wrap fee program we offer to individuals is described in our Wrap Fee Program Brochure, a copy of which is available upon request.

### Potential Conflicts and Related Policies

Associated persons and affiliates of SPC are permitted to provide other non-fiduciary retirement services to plans, such as record-keeping and third-party administrator services, and receive variable compensation therefrom. This presents a conflict of interest, as any IAR who recommends such non-fiduciary retirement services will receive compensation in connection therewith. However, the Sponsor (or plan fiduciary) is free to obtain such non-fiduciary retirement services from the service provider of its choosing and need not work with the IAR who made the recommendation.

### Assets Under Management

As of December 31, 2017, we manage \$3,341,673,488 in client assets on a discretionary basis and \$9,595,750 in client assets on a non-discretionary basis. In addition, we also have placed significant assets with various TPIAs.

## Item 5. Fees and Compensation

### Compensation for Advisory Business

#### *Retirement Plan Services*

The fees we charge for providing retirement plan services are flexible and negotiable. Depending on the arrangement, the Sponsor (or plan fiduciary) will be charged a percentage fee based upon the value of plan assets under our management, an hourly fee, a flat fee, or a project-based fee. These fees are set forth in the table below.

Fee Type	Fee
Percentage Fee	A level fee decided on a case-by-case basis and calculated based on the value of plan assets under our management. The maximum annual fee that can be charged by any IAR for any amount under management is 2.5%.
Hourly Fee	Maximum of \$300 per hour; maximum of \$35 per hour for staff time.
Flat Fee	No minimum fee; maximum fee to be decided on a case-by-case basis depending on the time, effort, and complexity of the services provided as disclosed in the Agreement.
Project-Based Fee	No minimum fee; maximum fee to be decided on a case-by-case basis depending on the time, effort, and complexity of the services provided as disclosed in the Agreement.

#### How The Retirement Plan Service Fee Is Paid

The Sponsor (or plan fiduciary) can request to be invoiced directly or may authorize the plan's record-keeper or custodian to be invoiced so that our fees will be deducted from the plan's assets. Flat fees and recurring asset-based fees calculated based upon assets under management can be charged monthly or quarterly, whereas project-based fees will be charged in connection with one-time services.

#### How Flat Fees Are Calculated

Flat fees are annual fees which are payable either monthly or quarterly and either in advance of the period for which services are to be rendered or in arrears. At our sole discretion, annual fees can be increased each year with a cost of living adjustment of three percent (3%). The annual fee will be recalculated after one year

and billed either monthly or quarterly.
<b>How Project-Based Fees Are Calculated</b>
Project-based fees are one-time flat fees for non-fiduciary retirement plan consulting services. Such fees are payable upon the earlier of delivery of the services or a specified date to be selected by the parties.
<b>How Asset-Based Fees Are Calculated</b>
<ul style="list-style-type: none"> <li>Asset-based fees are determined by reference to the value of assets held in custody by the plan's custodian. The fees for accounts custodied at Fidelity or other approved custodial platforms will be billed either monthly or quarterly and either in advance or in arrears, depending on the selection of the Sponsor (or plan fiduciary).</li> <li>The initial fee will be prorated based upon the number of days remaining in the initial billing period (i.e., the month or quarter) from the date of the Agreement's execution. The initial fee will be based upon the market value of the plan's assets as of the last business day of the preceding billing period.</li> <li>Thereafter, ongoing asset-based fees will be based upon the market value of the plan's assets as of the last business day of the preceding billing period (without adjustment for anticipated withdrawals by plan participants or beneficiaries or other anticipated or scheduled transfers or distributions of assets).</li> </ul>
<b>Calculation of Fee Upon Termination</b>
<ul style="list-style-type: none"> <li>If the Agreement is terminated prior to the end of the billing period (either a month or quarter), SPC will be entitled to its customary fee, prorated for the number of days in the billing period prior to the effective date of termination, and for asset-based fees, based upon the market value of the plan's assets at the close of business on the effective date of termination. SPC will provide a pro rata refund of any prepaid fees based upon the number of days remaining in the billing period of termination. For more information, please refer to sections 2 and 9 of the Agreement.</li> </ul>

For accounts managed by a TPIA, please refer to the TPIA's Form ADV for a description of its fees and billing practices.

It is possible that sponsors receiving retirement plan services could pay more or less than a client would otherwise pay if obtaining these retirement plan services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the plan, the specific investments made by the plan, the locations and number of the different participants, the retirement plan services offered by other service providers, and the actual costs of retirement plan services obtained elsewhere. In light of the specific retirement plan services we offer, the fees charged could be more or less than those of other similar service providers.

#### *Recommendation of Third-Party Investment Advisers*

When we (through an IAR) recommend a TPIA in our capacity as that TPIA's solicitor, as compensation for our services we receive a referral fee from the TPIA that is typically a portion of the management fee charged by the TPIA (which may include performance-based fees). Our compensation will differ depending upon the individual solicitor agreement we have with each TPIA. Consequently, a conflict of interest arises as a result of our IARs' incentive to recommend TPIAs with whom we have more favorable compensation arrangements over other advisory programs offered by TPIAs with which we have less favorable or no compensation arrangements at all.

Sponsors who open an account with a TPIA through Envestnet will pay a management fee to the TPIA for its account management services, and pay a separate fee to SPC (that is collected from the account and remitted by Fidelity on SPC's behalf) for the other services agreed upon between the Sponsor and IAR.

The advisory fees that will be paid to the TPIA for account management services are determined and payable in accordance with the TPIA's disclosure brochure and/or client agreement. Depending on the TPIA, these fees may or may not be negotiable. The Sponsor (or plan fiduciary) should review the recommended TPIA's disclosure brochure and take into consideration the TPIA's fees along with SPC's fees to determine the total amount of fees that will be paid when utilizing the services of the TPIA.

**PLEASE NOTE THAT ALL OF THE FEES AND COMPENSATION DESCRIBED BELOW IN THE REMAINDER OF THIS SECTION ARE IN ADDITION TO, OR SEPARATE FROM, OUR REGULAR ADVISORY FEES DESCRIBED ABOVE. WE ARE DISCLOSING OUR CONFLICTS OF INTEREST IN CONNECTION WITH OUR DUTY OF LOYALTY.**

## Compensation for the Sale of Securities or Other Investment Products

### *Securities*

IARs providing investment advice on behalf of SPC generally are registered representatives with either SFC or Parkland. In their capacity as registered representatives, these persons receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products (i.e., mutual funds). Compensation earned by these persons in their capacities as registered representatives is separate from and in addition to our advisory fees. This practice presents a conflict of interest because IARs providing investment advice on behalf of SPC who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. SFC and Parkland mitigate this conflict by reviewing such transactions for adherence to FINRA suitability standards, the requirements of state and federal securities laws, and applicable fiduciary standards under state and federal law. You are under no obligation, contractually or otherwise, to buy or sell securities or investment products through SFC, Parkland, or any person affiliated with SPC.

### *Insurance*

SFC and Parkland are licensed insurance agencies with various state insurance regulators, and many IARs are also licensed as independent insurance agents with the ability to sell certain insurance policies and products (e.g., life insurance, health insurance, long-term care insurance, and annuities). Such insurance agents will earn commissions from selling insurance policies and products to our clients. In addition, SFC and Parkland receive compensation in connection with the sale of fixed annuities, indexed annuities, variable annuities, and variable universal life insurance. Insurance commissions earned in this manner are separate from, and in addition to, our advisory fees. The sale of insurance policies and products presents a conflict of interest because individuals providing investment advice on behalf of our firm who are licensed insurance agents have an incentive to recommend insurance policies and products to clients for the purpose of generating commissions rather than solely based on clients' needs. SFC and Parkland mitigate this conflict by reviewing such transactions for adherence to FINRA suitability standards, the requirements of state and federal securities laws, and applicable fiduciary standards under state and federal law. You are under no obligation, contractually or otherwise, to purchase insurance products through SFC, Parkland, or any person affiliated with SPC.

### *Outside Business Activities*

Many IARs are involved in other outside business activities ("OBAs") unrelated to their association with SFC, Parkland, or SPC. Depending on the circumstances, your IAR's OBAs can create conflicts of interest, either because of the additional compensation that the OBAs provide or because of the time that they require. Your IAR's OBAs, if any, are described in your IAR's Form ADV Part 2B brochure supplement.

## Additional Fees and Expenses

### *Money Market Funds*

We utilize unaffiliated money market funds as investment vehicles for the cash balances in client accounts that we manage. In such cases, the overall fees charged on managed account values will include these money market balances. This is a conflict of interest, because our management fee is higher than it otherwise would be if we excluded cash/money market positions when calculating our management fee. Because cash balances are not invested in the market and are included in our management fee, we actively monitor for accounts with larger cash positions using third-party software that alerts our compliance staff to significant money market fund allocations. When an account is flagged, we follow up with the IAR and inquire further.

### *Fund Fees and Expenses*

As part of our investment advisory services, we will very likely invest, or recommend that clients invest, in mutual funds and exchange-traded funds, as these are common investments for client account management. The fees that you pay to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and exchange-traded funds (which are described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses.

### *Custodial Fees and Expenses*

Account custodians are permitted to charge clients various fees, including, but not limited to, account opening, maintenance, transfer, termination, wire transfer, electronic fund, retirement plan, fiduciary, and applicable third-party fees.

Depending on the securities and/or transaction in question, clients may also be subject to deferred sales charges, oddlot differentials, transfer taxes, and other fees and taxes on brokerage. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed.

In order to fully understand the total amount of fees to be paid by the plan and to evaluate the retirement plan services being provided, Sponsors and/or other responsible plan fiduciaries should review the fees charged in connection with the mutual funds and other investment options available to participants of the plan, the custodian's account opening documents, this brochure, the TPIA's brochure (if applicable), the fees and expenses disclosed in the investment prospectuses, and the fees and expenses of other service providers.

#### ***TPIAs and Additional Revenue***

We receive additional revenue from Envestnet that is separate from our regular advisory fee, in an amount ranging from zero to five basis points (0% to 0.05%). We receive this additional revenue in connection with clients who open an account with a TPIA through Envestnet using any of the following four options: (i) a Multi-Manager account; (ii) the Advisor Directed Unified Managed Account Program (UMA); (iii) a Mutual Fund Wrap / ETF Wrap account; or (iv) the Model Management program. This additional revenue represents a portion of the Envestnet platform fee. We also anticipate receiving additional revenue of a similar amount in the future from risk tolerance software providers that work with TPIAs, as such additional revenue is often included as part of contract negotiations. For more information regarding the amount of additional revenue we receive, please review the Revenue Sharing Disclosure posted on the [www.spc4clients.com](http://www.spc4clients.com) website.

Such additional revenue presents a conflict of interest, because our compensation increases whenever clients open accounts with these TPIAs. SPC mitigates this conflict by ensuring that IARs receive none of this compensation, meaning they have no personal financial incentive to recommend such TPIAs. Furthermore, SPC mitigates this conflict by ensuring that SPC does not intentionally direct or incentivize IARs to favor one TPIA over another. Finally, no such revenue-sharing takes place with respect to ERISA accounts.

#### ***Ticket Charge Mark-ups and Additional Charges in Managed Accounts***

Clients with non-wrap accounts will pay ticket charges in connection with account transactions. The base ticket charge amounts are periodically negotiated with Fidelity as our custodian. In the case of equity and exchange-traded fund transactions, we receive a ticket charge mark-up that Fidelity remits to us in the form of soft dollars. However, we do not receive soft dollars from transactions in ERISA accounts. Please see the "Brokerage Practices" section in this brochure for more information.

#### ***Fidelity 12b-1 Revenue-Sharing Agreement***

As a custodian, Fidelity receives 12b-1 fees from various mutual fund companies as a result of mutual funds held in clients' advisory accounts. We have a revenue-sharing agreement with Fidelity whereby we (but not our IARs) receive a portion (40%) of the 12b-1 fees that are remitted to Fidelity by these mutual fund companies. This presents a conflict of interest, because our compensation increases whenever clients acquire these funds in their advisory accounts. SPC mitigates this conflict by ensuring that IARs receive none of this compensation, meaning they have no personal financial incentive to recommend the purchase of such mutual funds. Furthermore, SPC mitigates this conflict by ensuring that SPC does not intentionally direct or incentivize IARs to favor, purchase, or recommend the purchase of any particular mutual funds. Finally, no such revenue-sharing takes place with respect to ERISA accounts.

#### ***Broker-Dealer Tier Sponsorship Agreements***

Our affiliated broker-dealers, SFC and Parkland, have entered into "tier sponsorship" agreements with certain alternative investment, retirement plan, mutual fund, and annuity product sponsors. These agreements provide the sponsors with certain benefits (e.g., presentation opportunities at corporate conferences) in exchange for paying the broker-dealers a fee that is either flat or variable. In the specific case of alternative investments, our affiliated broker-dealers will also customarily receive marketing and due diligence fees from the product sponsors as a reallowance under the terms of the selling agreement. These agreements are made between the broker-dealers and the product sponsor, and the resulting compensation is disclosed on the broker-dealers' public websites. We are disclosing these arrangements for two reasons. First, certain investments issued by some of these sponsors (e.g., alternative investments) are held in SPC advisory accounts, often times for consolidation purposes when such investments are purchased at NAV, although we receive no direct or indirect compensation from the product sponsors in connection therewith other than occasional meals and

entertainment of reasonable value consistent with industry rules and regulations. Second, certain insurance companies offer fee-based versions of their annuities (both variable and fixed) which are intended for use with clients of investment advisers, rather than broker-dealer customers. Although we receive no direct or indirect compensation from the insurance companies in connection with these annuities, other than occasional meals and entertainment of reasonable value consistent with industry rules and regulations, our IARs do recommend such annuities to clients. For more information regarding these tier sponsorship agreements, please review the Revenue Sharing Disclosure posted on the [www.sigma4clients.com](http://www.sigma4clients.com) and [www.parkland4clients.com](http://www.parkland4clients.com) websites.

#### ***SPC Tier Sponsorship Agreements***

SPC has created a tiered sponsorship program whereby participating TPIAs enter into a revenue-sharing agreement with SPC. These agreements provide TPIAs with certain benefits which include, but are not limited to, the following: greater access to our IARs through joint marketing opportunities, the ability to provide education and training for our IARs, and presentation opportunities at our corporate conferences. SPC receives a marketing allowance or "tier sponsorship" fee in exchange for providing these benefits to TPIAs, which presents a conflict of interest. SPC mitigates this conflict of interest by reviewing each recommendation to open a TPIA account, along with the recommendation to fund the account with the proceeds from liquidated investments, to ensure that the proposed course of action is suitable and consistent with SPC's duties of prudence and loyalty. Furthermore, for TPIAs that pay SPC a variable marketing allowance fee that is calculated based upon the assets under management with the TPIA, SPC has instructed the TPIA that the fee calculation must exclude assets attributable to ERISA accounts.

Please note that our IARs do not receive any portion of the payments that SPC receives from TPIAs. All tier sponsorship fees, which are either flat or variable, are remitted by the TPIA directly to SPC and are not derived from client funds or assets. For more information, please review the Revenue Sharing Disclosure posted on the [www.spc4clients.com](http://www.spc4clients.com) website.

#### ***Other Compensation***

Various vendors, product providers, distributors, and others third parties provide SPC with non-monetary compensation by paying some expenses related to training and education, including the expenses of travel and acquiring professional designations. We also occasionally receive payments from such entities to subsidize our own internal training programs. Additionally, certain vendors invite us to participate in conferences or online training and also provide us with access to publications that further IARs' and employees' skills and knowledge. Finally, such entities occasionally provide us with gifts, meals, and entertainment of reasonable value consistent with industry rules and regulations. We do not believe that these benefits create a material conflict of interest given their purpose (e.g., training) or the low amounts involved (e.g., meals). However, we believe it is important to disclose this additional compensation in fulfillment of our duty of loyalty.

It is our policy, however, to not accept additional compensation (monetary or non-monetary) from Fidelity or a vendor, product provider, distributor, TPIA, or other third party when such compensation is tied to or calculated based upon amounts invested by an ERISA-covered plan to which an IAR provides ERISA fiduciary services. Any non-monetary compensation received in connection with the delivery of services to an ERISA-covered plan (e.g., from Fidelity, a plan record-keeper, custodian, etc.) will be separately disclosed to such plan, when applicable.

### **Compensation to Associated Persons**

#### ***Payout Grids***

Each IAR's "total production" is calculated by aggregating his or her annual compensation from (1) providing advisory services through SPC and (2) selling securities through SFC or Parkland, our broker-dealer affiliates. An IAR's total production determines his or her payout percentage under our payout grid. (A "payout grid" uses an escalating series of payout percentages according to which the percentage compensation paid to the IAR increases at certain predetermined thresholds.) By using an escalating payout grid with IARs, we attempt to avoid transmitting firm-level conflicts to IARs by setting the payout percentage thresholds according to neutral factors. That is, our payout grid is prospective in nature, rather than retroactive, employing gradual increases, and is not tied to how lucrative different investments are for the firm. Payout percentages are determined solely according to total production and without regard to specific investments or categories of investments.

#### ***Forgivable Loans and Bonuses***

Our affiliated broker-dealers, SFC and Parkland, may offer new registered representatives either a bonus or a



forgivable loan in order to help defray their transition expenses. The amount of such bonus or forgivable loan, including whether such compensation will even be offered in the first place, is determined by such factors as the individual's regulatory history, past production, and ongoing contractual commitments (e.g., non-solicitation agreements). We are disclosing this compensation because such representatives often choose to associate with SPC as well. In certain circumstances, we may also choose to provide representatives with either a bonus or a forgivable loan, but solely to help defray transition costs.

#### *Succession Plans*

We assist our IARs by facilitating succession plans that involve transitioning a client book of business from one IAR (the "seller") to another (the "buyer"). Such transitions often occur when the seller wishes to retire from the industry and "hand off" his or her client accounts (or "book of business") to the buyer. By assisting with such succession plans, we can help ensure that clients do not experience an interruption in service and also avoid a potential decrease in our overall assets under management due to client attrition. Because the seller will reap an additional profit from monetizing his or her client relationships, and will select a buyer based upon financial considerations rather than in a purely disinterested manner, such transitions naturally create a conflict of interest involving potential self-dealing. We mitigate this conflict of interest by reviewing IARs' transition agreements and requiring disclosure to clients informing them that the transition will result in additional compensation to the seller.

#### *Personal Loans*

Our affiliated broker-dealers, SFC and Parkland, may offer existing registered representatives a non-forgivable personal loan, at an interest rate that meets or exceeds the Applicable Federal Rate at the time of the loan, in order to assist such individuals with expanding their practices (e.g., purchasing another representative's book of business). The amount and the terms of such non-forgivable loans are determined by such factors as the individual's regulatory history, past production, and prior experience with the firm. We are disclosing this compensation because such representatives are often associated with SPC as well. In certain circumstances, we may also choose to provide representatives with a non-forgivable loan for similar purposes.

#### *Program Fee Sharing*

SPC remits two basis points (or 0.02%) of the Program Fee to IARs with more than \$40 million in client assets under management in our managed accounts. This creates a conflict of interest, as IARs have an incentive to recommend discretionary managed accounts to clients in lieu of more traditional nondiscretionary buy-and-hold investments. Furthermore, in connection with a retention agreement involving a large network of financial advisors, SPC remits to the managing partners two basis points (or 0.02%) of the Program Fee derived from the accounts of clients whose IARs are part of the network. We mitigate these conflicts of interest by reviewing each recommendation to open a managed account, along with the recommendation to fund the account with the proceeds from liquidated investments, to ensure that the proposed course of action is suitable and consistent with our duties of prudence and loyalty.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees or recommend to ERISA-covered plans any TPIAs that charge performance-based fees.

## **Item 7. Types of Clients**

We offer investment advisory services to individuals, banks and thrift institutions, retirement plans, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

SPC's retirement plan services are available to clients who are sponsors or other fiduciaries to retirement plans, including, but not limited to, 401(k), 457(b), 403(b), and 401(a) plans. "Plans" include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA. SPC does not require a minimum asset amount for retirement plan consulting services.



For portfolio management services, we require a minimum account size of \$10,000 for accounts maintained at Fidelity or other approved custodial platforms. In our discretion, we may waive these minimums. In addition, TPIAs may impose their own account minimums.

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

### Methods of Analysis and Investment Strategies

IARs work directly with Sponsors (or plan fiduciaries) to evaluate the plan's stated needs and objectives. IARs attempt to measure risk tolerance, time horizon, goals, and objectives through an interview and data-gathering process in an effort to determine investment plans or portfolios that are suitable.

Investment strategies may be based upon a number of concepts and determined by the type of plan or plan participants. IARs each provide individualized advisory services to their clients. The investment advisory strategies utilized by our IARs may range from speculative to conservative, but each is designed to meet the varying needs of our clients. IARs determine which portfolios are suitable after working with clients to define their objectives, risk tolerance, and time horizons. In managing plan assets, IARs shall invest as a prudent investor would, taking into account the purposes, terms, and other requirements expressed in applicable governing instruments, while exercising reasonable care, skill, and caution.

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

IARs may utilize portfolio models which are designed to target specific degrees of investment risk, ranging from conservative to speculative. IARs generally conduct portfolio reviews on a quarterly basis to ensure adherence to the risk objective for each portfolio. IARs may also utilize asset allocation software and historical performance modeling software.

As noted in the "Advisory Business" section above, IARs may recommend to clients the services of TPIAs who offer various investment management platforms. When an IAR recommends and helps place a client with a TPIA, the IAR will review the TPIA's investment strategies and past performance and monitor the TPIA's ongoing performance to the extent available. The methods of analysis and investment strategies utilized by a given TPIA are disclosed in that TPIA's disclosure brochure.

IARs have access to the SPC home office as well as that of SFC and Parkland. IARs may consult with the due diligence staff of our affiliate broker-dealers regarding various investments including mutual funds, alternative investments, variable annuities, and TPIAs.

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

- **Charting and Technical Analysis** – Charting analysis involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which are used to predict future price movements based on price patterns and trends. Technical analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.
- **Fundamental Analysis** – Fundamental analysis involves analyzing individual companies and their industry groups, usually through reviewing a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is then used to estimate the true value of the company's stock

compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a security's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

- **Cyclical Analysis** – Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic and business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may also be difficult to predict with accuracy. The risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- **Long-Term Purchases** – Securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short-Term Purchases** – Securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of short-term price fluctuations.
- **Margin Transactions** – These are securities transactions in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- **Options Trading/Writing** – A securities transaction that involves buying or selling (i.e., writing) an option. If an investor writes an option, and the buyer exercises the option before it expires, the investor will be obligated to purchase or deliver a specific number of shares at a specific price regardless of the current market value of the underlying security. Conversely, purchasing an option gives the holder the right to purchase or sell a specified number of shares at a specified price until the option expires, regardless of the current market value of the underlying security.

TPIAs each have their own methods of analysis, investment strategies, and unique investment risks that you should review and consider before investing.

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

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

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

Retirement plans may make available to plan participants a number of different types of securities, including mutual funds, collective investment funds, guaranteed investment contracts, exchange-traded funds, annuity subaccounts, or other securities. Each different type of security comes with inherent risks that are unique to that specific type of security. Mutual funds, collective investment funds, exchange-traded funds, and annuity subaccounts may also invest in various types of securities which carry these risks.

Options trading is highly speculative and entails more risks than those present when investing in other types of securities. Option prices are generally more volatile than prices of other types of securities. When trading options, clients can run the risk of losing the entire investment in a relatively short period of time. With more risky

option strategies, an investor could theoretically have an unlimited risk of loss.

Similarly, leveraged and inverse exchange-traded funds, as well as alternative mutual funds, are more speculative in nature and come with greater risks than traditional exchange-traded funds and mutual funds. If an IAR determines that it is suitable to utilize leveraged or inverse exchange-traded funds or alternative mutual funds in a client's managed account, that client will be asked to complete and sign our Leveraged and Inverse Exchange-Traded Funds Disclosure Form or Alternative Mutual Fund Disclosure Form, respectively. For more information regarding these products, please visit the FINRA<sup>1</sup> and SEC<sup>2</sup> websites and look for their investor alerts.

All investments involve risk and investment performance can never be predicted or guaranteed. Account values can fluctuate (perhaps significantly) due to market conditions, manager performance, and other factors. The use of any benchmark or index in connection with investment management services is no guarantee that the performance of the plan's particular investments will experience the same results as the index or benchmark, including the results shown on the various reports that are delivered in connection with the retirement plan services. It is not possible to invest directly in an index.

SPC and its IARs may use or provide to the Sponsor (or plan fiduciary) data or other information we receive from third parties in connection with providing investment management services. While we reasonably believe that such information or data is generally reliable, we do not promise that such information or data is accurate, current, or will be consistently available.

The Sponsor (or plan fiduciary) is not required to accept our assistance or follow any recommendations that we provide in connection with our retirement plan services. If the Sponsor (or plan fiduciary) selects us to allocate or rebalance the plan's assets among Model Portfolios or to recommend investment managers, the Sponsor (or plan fiduciary) or plan participant, as the case may be, may freely elect to change allocations or managers.

The Sponsor (or plan fiduciary) is responsible for all of the tax liabilities and/or applicable penalties, fees, or restitution arising from or as a result of any plan-related transactions, including any liabilities arising from the failure to maintain the qualified status of a retirement plan receiving our services. The Sponsor (or plan fiduciary), not SPC or its IARs, shall be responsible for the overall administration of the plan and shall be solely liable for any ERISA violations committed in connection therewith. We advise all Sponsors (or plan fiduciaries) to seek and follow the advice of ERISA legal counsel when administering a retirement plan.

## **Cost Basis Reporting**

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

## **Risk of Loss**

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

## **Material Risks of Recommendations to Select and Monitor Investment Managers, QDIAs, and DIAs**

As part of our services to provide recommendations to select and monitor investment managers, QDIAs, or DIAs, we may provide the Sponsor (or plan fiduciary) with a list of investments, including mutual funds, to

<sup>1</sup> <https://www.finra.org/investors/alerts/leveraged-and-inverse-etfs-specialized-products-extra-risks-buy-and-hold-investors>

<sup>2</sup> [https://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_altmutualfunds.html](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_altmutualfunds.html)

consider as options for the plan, and we may also provide a list of investment managers to manage the assets of the plan. Any such lists are for informational purposes only. The Sponsor (or plan fiduciary) retains full authority to select all plan investments in such circumstances. Such lists should not be considered a primary basis for the Sponsor's (or plan fiduciary's) decision.

### **Material Risks of Recommendations to Establish or Revise the Plan's IPS**

We will consider information regarding the plan provided by the Sponsor (or plan fiduciary) when assisting with the preparation of, or recommending changes to, the plan's IPS. It is important that the Sponsor (or plan fiduciary) provide accurate information and that such information remains current, as changes in the information will impact the assistance we provide and/or the recommendations we make.

### **Material Risks of Recommendations to Allocate and Rebalance Model Portfolios**

Any report containing a proposed asset allocation model is based upon a number of factors which may include the demographics of plan participants, current asset allocations, and the value of the plan's assets. We may change asset allocations and investment options within the Model Portfolios in the regular course of managing such portfolios. We may inform the Sponsor (or plan fiduciary) of changes in our assumptions or the Model Portfolios that we believe are significant or material in nature.

The analyses and suggested asset allocations contained in the reports may be based upon historical financial data, assumptions about future financial and economic trends (including market appreciation or decline, rates of return, and risks for various asset classes), assumptions about applicable laws and regulations, and appropriate financial planning strategies.

Any projections, analyses, or other information contained in or provided with the reports regarding various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future performance or success.

The reports do not provide advice regarding the plan's specific securities investments. Therefore, it is important for the Sponsor (or plan fiduciary) to monitor current events, such as changes in tax laws or in the financial markets, which may affect the Sponsor's (or plan fiduciary's) decisions regarding the plan.

The return rates and dollar figures contained in the report may not include all investment expenses, and any results shown may be reduced by such costs. Also, where applicable (and only as indicated), assumptions as to federal income tax rates, state income tax rates, and estate taxes reflected in the report would only be general estimates.

### **Recommendation of Particular Types of Securities**

We do not primarily recommend or utilize one specific type of investment over another because each client has his or her own investment objectives, risk tolerance, needs, and goals. When recommending or selecting investments, we will act in accordance with, and follow the mandates of, the plan documents and IPS. Depending on these factors, we may recommend investments in mutual funds; index funds; individual securities; exchange-traded funds; money market funds; certificates of deposit; commercial paper; variable life insurance and variable annuities; U.S. Government debt securities, mortgage-backed securities, municipal bonds, and other fixed-income securities; securities options and futures; certain wrap class alternative investments (such as hedge funds and managed futures funds); partnership investments involving real estate, oil and gas, equipment leasing, cable television, fast food franchising, agriculture, raw land, and alternative energy research/development; shares of real estate investment trusts ("REITs"); and leveraged buyouts.

Additionally, we may advise clients with respect to any type of investment that we deem appropriate based on their stated goals and objectives. We may also provide advice with respect to any type of investment held in a client's portfolio at the inception of our advisory relationship.

SPC has relationships with certain insurance companies as well as REIT and other alternative investment sponsors whereby SPC acts as a selling agent in connection with the insurance company's offering of fee-based annuities or the sponsor's "best efforts" offering of alternative investments. Due to the nature of this arrangement, clients who purchase annuities or alternative investments through SPC will do so on a net asset value (NAV) basis and pay an ongoing annual advisory fee in lieu of a sales commission. SPC will always perform a suitability analysis and obtain a client's consent before facilitating the client's purchase of such

annuities or alternative investments, regardless of whether such annuities or alternative investments will be held in a discretionary account.

## Item 9. Disciplinary Information

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

## Item 10. Other Financial Industry Activities and Affiliations

Associated persons and affiliates of SPC are permitted to provide other non-fiduciary retirement services to plans, such as record-keeping and third-party administrator services, and receive variable compensation therefrom. This presents a conflict of interest, as any IAR who recommends such non-fiduciary retirement services will receive compensation in connection therewith. However, the Sponsor (or plan fiduciary) is free to obtain such non-fiduciary retirement services from the service provider of its choosing and need not work with the IAR who made the recommendation.

IARs are generally registered representatives with SFC or Parkland, both of which are affiliated broker-dealers of SPC. Please see the "Fees and Compensation" section in this brochure for more information regarding the compensation received by registered representatives.

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

Clients should also understand that SPC and its IARs perform advisory and/or brokerage services for numerous other clients with various needs, goals, risk tolerances, and objectives. Consequently, SPC and its IARs will typically give advice or take actions for some clients that differ from the advice given or actions taken for other clients. The timing or nature of actions taken for one client may also be different from that of other clients, resulting in the receipt of more compensation from some clients than others, including as a result of charging higher fees due to the complexity or involvement of the work and services performed. IARs are permitted to charge clients different fees for different levels of service, for example "gold," "silver," and "bronze" advisory service arrangements. Typically, the more "precious" the metal, or the closer the personal relationship between client and IAR, the greater the level of service. However, we do not believe that such different outcomes and levels of service present a material conflict of interest, as they are often driven by client circumstances and cost considerations. Moreover, IARs' activities in this regard are monitored to ensure suitability and consistency with our duties of prudence and loyalty.

SFC and Parkland are also licensed as insurance agencies. Some IARs of our firm are also licensed insurance agents. IARs acting in their capacity as insurance agents will earn commission-based compensation from selling insurance products (e.g., fixed annuities) and policies (e.g., life insurance). SFC and Parkland will also receive compensation from such sales. Insurance commissions are separate from our advisory fees. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

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

Based on your needs and objectives, we may recommend that you utilize the services of a TPIA. If we act as the TPIA's solicitor, we will receive compensation from the TPIA in the event you decide to utilize the TPIA's



services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of such TPIAs. You are not obligated, contractually or otherwise, to utilize the services of any TPIA that we may recommend.

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

### Description of Our Code of Ethics

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

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

### Agency Cross Transactions

We do not perform agency cross transactions in connection with retirement plan accounts or retirement plan assets.

### Personal Trading Practices

IARs and other Associated Persons may buy or sell the same securities for you at the same time we or persons associated with our firm buy or sell such securities for our own accounts. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is SPC's policy that neither SPC nor any of its Associated Persons shall have priority over your account in the purchase or sale of securities. This policy is enforced by reviewing Associated Person trades to determine whether any Associated Person (i) profited from trading ahead of his or her clients, or (ii) received more favorable pricing than clients on same-day trades. Associated Persons are not permitted to retain any profits from such activities.

### Political Contributions

To avoid potential conflicts of interest associated with political contributions, especially with respect to clients that are government or municipal entities, we limit our IARs' political contributions to the lower *de minimis* amount under Rule 206(4)-5(b)(1) of the Advisers Act. Currently, this amount is limited to \$150 for any one official per election.

## Item 12. Brokerage Practices

### Dual Registration

As discussed herein, most IARs in their respective individual capacities are registered representatives of SFC or Parkland ("dually registered IARs"). All dually registered IARs are subject to FINRA Rule 3280, which restricts registered representatives from conducting securities transactions away from their broker-dealer unless the broker-dealer provides written consent. Therefore, clients are advised that dually registered IARs are restricted to conducting securities transactions through SFC or Parkland unless they first secure written consent to execute securities transactions through a different broker-dealer. Absent such written consent or separation from their broker-dealer, these IARs are prohibited from executing securities transactions through any broker-dealer other than SFC or Parkland under each entity's internal supervisory policies. The information contained in this



paragraph is not applicable to IARs who are not dually registered.

## Brokerage Firm and Custodial Choices

Financial planning and consulting clients can use any brokerage firm of their choice to implement any advice we provide or any transactions we (or our IARs) recommend. However, because our firm is related to, and many of our IARs are registered representatives with, SFC or Parkland, if you choose to implement our advice through our IARs, we will use SFC or Parkland for securities transactions.

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

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

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

Fidelity is the custodian that we utilize for our managed accounts. SPC has negotiated ticket charge schedules, account pricing options, and service fees for client accounts custodied at Fidelity. These items were determined based upon the current and expected type and amount of business SPC conducts with Fidelity. However, given the recent industry trend that has seen a decrease in transaction costs in investor accounts, our clients will typically pay ticket charges that are higher than what other qualified broker-dealers would presently charge to effect the same transactions. Nevertheless, when the brokerage and research services provided are taken into account, we believe that such ticket charges are reasonable in relation to the total value received. 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, among other considerations, the value of research provided, execution capability, ticket charges, and responsiveness of the broker-dealer.

Consistent with the foregoing, while we will seek competitive rates, we will not necessarily obtain the lowest possible ticket charges for client transactions. While it is likely that you will pay higher ticket charges or transaction fees through Fidelity, we believe they currently offer the best overall value for the ticket charges imposed. Nevertheless, you should carefully evaluate Fidelity's costs and services before opening an account.

Fidelity's current ticket charge schedule is available on request. Fidelity generally does not charge its investment adviser clients separately for custody services but is compensated by account holders through ticket charges and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (e.g., transaction fees are charged for certain no-load mutual funds, whereas ticket charges are imposed for individual equity and debt securities transactions). Fidelity also provides access to many no-load mutual funds without transaction charges and other no-load mutual funds at nominal transaction charges.

Fidelity pays for and provides us with technology platforms and other software in order to enable us (and our

IARs) to access Fidelity's brokerage system and streamline our business operations. These systems aid us in providing service to client accounts and include software that makes available client account data, facilitates trade execution, allocates aggregated trade orders, facilitates payment of fees from client accounts, and assists with back office functions such as record-keeping and client reporting.

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

These services, as well as any other services that Fidelity provides to SPC, are often provided for free or at a discount. The terms of any agreements between Fidelity and SPC may be better or worse than the terms that Fidelity offers to other investment advisers. SPC's ability to negotiate more favorable terms depends upon the type and amount of business that SPC conducts with Fidelity, including the amount of client assets held in Fidelity accounts during a certain timeframe. It is possible that some or all of the products and services Fidelity offers to SPC will not directly benefit you.

Fidelity assists SPC in certain marketing activities. This includes, but is not limited to, providing marketing materials, co-sponsoring client events, and engaging in joint marketing programs. Fidelity also assists IARs in joining the Fidelity platform and in some cases may, at its sole discretion, pay or waive account transfer fees or other charges that clients would otherwise ordinarily incur when changing custodians or service providers.

On occasion, Fidelity makes direct payments to SPC for items such as reimbursing SPC or an IAR for reasonable travel expenses incurred in connection with traveling to a Fidelity-sponsored event, including to assess Fidelity's business practices and operations. Fidelity also pays SPC for performing certain back office administrative, custodial support, and clerical services for Fidelity in connection with client accounts custodied with Fidelity. These payments come in the form of 12b-1 shareholder services which Fidelity receives and shares with SPC, as discussed below under "Additional Compensation."

## **Additional Compensation**

### ***Soft Dollars***

We have a written agreement with Fidelity whereby we receive research related services. This agreement is structured in accordance with Section 28(e) of the Securities Exchange Act of 1934, as amended. In connection with this agreement, for trades involving stocks (i.e., equity securities) and exchange-traded funds (ETFs) in non-wrap accounts, SPC receives a ticket charge mark-up which varies based upon a variety of factors, including, but not limited to, the specific securities involved in the transaction, the size of the trade, and the client's account features. The economic benefit from such mark-ups are remitted monthly to SPC in the form of soft dollars; IARs do not receive any direct economic benefit or compensation from such mark-ups. According to our agreement with Fidelity, the soft dollar formula is as follows:

Soft Dollar Ratio  
2.65 : 1 for equities and ETFs **(excluding qualified plans)**

The use of soft dollars directly benefits us, and therefore presents a conflict of interest, because we do not have to create or pay for the research, products, or services acquired using soft dollars. However, any general research acquired using soft dollars is made available for the benefit of all SPC clients. Moreover, we do not receive soft dollars from transactions in ERISA accounts. Other soft dollar benefits are available to all IARs and can be used with any SPC clients at their discretion.

### ***Software and Other Benefits***

We receive certain added benefits when clients utilize Fidelity to custody their accounts. Such benefits include research, the ability to deduct our advisory fees from clients' accounts, discounts on periodicals or other published materials, complimentary business and compliance newsletters, and various other non-cash services. Additionally, we receive the following benefits from Fidelity: receipt of duplicate client confirmations and

bundled duplicate statements; access to a trading desk that exclusively services its investment adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

We also receive from Fidelity, without cost to us, computer software and related systems support which allow us to better monitor client accounts maintained at Fidelity. We receive the software and related support without cost because we render portfolio management services to clients that maintain assets at Fidelity. The software and related systems support both benefit us but do not directly benefit our clients. We endeavor at all times to put the interests of our clients first. Clients should be aware, however, that our receipt of such economic benefits from Fidelity creates a conflict of interest. In particular, these benefits influenced us to select Fidelity as our custodian over other broker-dealers that do not furnish similar software, systems support, or services.

As a result of our receipt of such software, systems support, and services, clients could likely end up paying higher ticket charges than those charged by other broker-dealers. Nevertheless, when the brokerage and research services provided are taken into account, we believe that such ticket charges are reasonable in relation to the total value received.

#### ***Fidelity 12b-1 Revenue Sharing Agreement***

As noted above in the “Fees and Compensation” section, Fidelity receives 12b-1 fees from various mutual fund companies as a result of mutual funds held in clients’ advisory accounts. We have a revenue-sharing agreement with Fidelity whereby we (but not our IARs) receive a portion (40%) of the 12b-1 fees that are remitted to Fidelity by these mutual fund companies. This presents a conflict of interest, because our compensation increases whenever clients acquire these funds in their advisory accounts. SPC mitigates this conflict by ensuring that IARs receive none of this compensation, meaning they have no personal financial incentive to recommend the purchase of such mutual funds. Furthermore, SPC mitigates this conflict by ensuring that SPC does not intentionally direct or incentivize IARs to favor, purchase, or recommend the purchase of any particular mutual funds. Finally, no such revenue-sharing takes place with respect to ERISA accounts.

### **Block Trading**

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

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

small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Trade Errors**

In the event a trading error occurs in your account and results in a loss, our policy is to restore your account to the position in which it should have been had the trading error never occurred. Depending on the circumstances, our corrective actions include the following options: (1) canceling the trade, (2) adjusting an allocation, and/or (3) reimbursing the account. If a trade error results in a profit, you will be entitled to keep the profit.

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

### **Portfolio Management**

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

Clients engaging us for portfolio management services must play an active role. We require you to participate in the formation of your investment plan and provide us with needed information to develop investment advice and recommendations. During the course of the engagement, without restriction, you may call your IAR to discuss your portfolio or ask questions, but we recommend that you meet with your IAR no less than annually.

You will receive monthly or quarterly statements from your account custodians, depending on account activity. Additionally, we create quarterly portfolio reports using third-party software which detail the performance of your account and other pertinent information. We make such reports available to clients exclusively on an electronic basis. Any unsupervised portfolio holdings disclosed therein are assets in your account which are not managed on a discretionary basis. These assets ordinarily consist of either legacy positions (e.g., employer stock) or investments which paid the selling broker a commission at the time of sale. Unsupervised portfolio holdings are excluded from consideration when calculating both the management fee as well as the performance figures disclosed in the report. Our Exclusion/Inclusion Form can be used to denote such holdings.

When preparing quarterly portfolio reports, reasonable efforts are made to obtain data which we believe is accurate. However, you should understand that such quarterly reports are provided for informational purposes only and should be compared against the account statements provided by the asset custodian. In the event any discrepancies exist, the official statements presented by the asset custodian (and not the quarterly report) should be deemed correct.

### **Valuations**

Generally speaking, valuations pose potential conflicts of interest for investment advisers because (1) a higher valuation of assets under management usually translates into a higher advisory fee and inflated performance representations, and (2) many securities are difficult to value. However, SPC does not custody your assets and therefore relies upon reputable third-party custodians (e.g., Fidelity) and vendors to provide accurate pricing and valuation data for the securities and assets that we manage, including for the purpose of generating quarterly portfolio reports using third-party software. While SPC believes the pricing and valuation information it receives is accurate, SPC does not actually verify such data for accuracy or completeness. As SPC is not the custodian, SPC is not liable for any damages due to inaccurate data.

### **Financial Planning and Consulting Services**

Financial planning and consulting services are generally not ongoing in nature and therefore we do not provide reviews or follow-up services unless specifically outlined in the Agreement. Consultation and financial planning services terminate upon the delivery of services or as otherwise stated in the Agreement. While the advice may include the recommendation for a review or follow-up services, it is your responsibility to secure additional or follow-up services.

## Cybersecurity

SPC and its broker-dealer affiliates have relationships with various vendors and service providers that store, or have access to, confidential and sensitive client information. Such vendors include, but are not limited to, technology companies that provide us with account aggregation software, account statement software, risk tolerance software, and electronic document storage. When negotiating contractual agreements with such third parties, we seek to ensure that provisions are included that require the service provider to abide by industry standard safeguards in securing confidential and sensitive information. We exercise appropriate and effective oversight of service provider arrangements in accordance with Regulation S-ID (17 C.F.R. § 248.201(e)(4)), and we safeguard the client information in our possession or under our control in accordance with Rule 30 of Regulation S-P (17 C.F.R. § 248.30).

## Item 14. Client Referrals and Other Compensation

### Referral Program

Based on the plan's IPS or other guidelines established by the plan, we may recommend that the plan utilize the asset management services of a TPIA for which we act as a solicitor. Consistent with Rule 206(4)-3 of the Advisers Act, we will receive compensation from the TPIA in our role as a solicitor in the event you decide to utilize the recommended TPIA's services. Such compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of such TPIAs to you instead of other TPIAs with which we do not have an agreement. You are not obligated, contractually or otherwise, to utilize the services of any TPIA that is recommended.

We do not utilize or compensate solicitors in connection with referrals involving clients that are retirement plans.

### Other Compensation

As disclosed under the "Fees and Compensation" section in this brochure, our broker-dealer affiliates (SFC and Parkland) are licensed insurance agencies and registered broker-dealers. Also, many IARs providing investment advice on behalf of our firm are also licensed insurance agents as well as registered representatives with SFC or Parkland. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" and "Other Financial Industry Activities and Affiliations" sections of this brochure.

## Item 15. Custody

We directly debit your account(s) for the payment of our advisory fees for accounts custodied at Fidelity or other approved custodial platforms. This ability to deduct our advisory fees from your account(s) causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds or securities. Your funds and securities will always be held with an outside party such as a bank, broker-dealer, or other independent qualified custodian.

You will receive account statements at least quarterly from the independent qualified custodian holding your funds and securities. The account statements from your custodian will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review those statements. You should also compare the account statement received from the custodian with any statements or reports you receive from us.

In connection with certain custody requirements under Rule 206(4)-2 of the Advisers Act, for accounts custodied at Fidelity we have restricted the Asset Movement Authority ("AMA") on all client accounts. Consequently, all client wire instructions require either a client signature or a standing written instruction to be on file.

If your account is custodied by a TPIA, please refer to the TPIA's Form ADV Part 2A Brochure for disclosures regarding their custody information.

If you have a question regarding your account statement, or if you did not receive a statement from your



custodian, please contact the SPC Department at (888) 744-6264 or [spcinfo@bdops.com](mailto:spcinfo@bdops.com).

## Item 16. Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our Agreement and select the appropriate ERISA § 3(38) services in Appendix B thereof. By doing so, you grant our firm discretion over the selection and amount of securities to be purchased or sold for your accounts without obtaining your consent or approval prior to each transaction. Please refer to the "Advisory Business" section in this brochure for more information regarding our discretionary management services.

Our investment authority is subject to specific conditions you impose. For example, you may specify that the investment in any particular industry should not exceed specific percentages of the value of your portfolio. Such restrictions and guidelines may affect the composition and performance of your portfolio and/or our ability to meet your investment objectives.

## Item 17. Voting Client Securities

### Proxy Voting

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

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

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation, nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of the securities that you own.

## Item 18. Financial Information

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