

# **Spectra Investment Management, LLC**

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**March 27, 2019**

## **Form ADV Part 2A Brochure**

Spectra Investment Management, LLC is a registered investment adviser. An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Spectra Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (772) 324-5640. 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 Spectra Investment Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Material Changes - Item 2**

The purpose of this page is to inform you of any material changes since the previous version of this brochure. We review and update our brochure at least annually to make sure that it remains current.

On March 22, 2019, we submitted our annual updating amendment for fiscal year 2018 and amended Item 4 of our Form ADV Part 2A Brochure to reflect discretionary assets under management of \$95,572,322 and non discretionary assets under management of \$6,602,202.

Additionally, Anthony Lanza, Principal of Spectra Investment Management, LLC, left the firm on December 31, 2018, and Julia E. Zaino became Principal and Chief Compliance Officer on December 31, 2018.

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#### Advisory Business - Item 4

Spectra Investment Management, LLC (hereinafter "Spectra") is a registered investment advisor based in Stuart, Florida. We are a limited liability company, organized under the laws of the State of Delaware. We have been providing investment advisory services since 2017. Scott Alan Roads is the majority owner and Managing Member of Spectra. Julia Elizabeth Zaino is a minority owner, Member and the Chief Compliance Officer.

You may see the term Associated Person throughout this Brochure. As used in this Brochure, this term refers to anyone from our firm who is an officer, employee, and all individuals providing investment advice on behalf of our firm. Where required, such persons are properly registered as investment adviser representatives.

Currently, we offer the following investment advisory services, personalized to each individual Client:

- **Portfolio Management Services**
- **Family Office Services**
- **Financial Planning Services**
- **Pension Consulting Services**

#### ***Portfolio Management Services***

Our firm offers continuous discretionary and, in limited cases, non-discretionary portfolio management services. Discretionary portfolio management means we will make investment decisions and place buy or sell orders in your account without contacting you. These decisions are made based upon your stated investment objectives. You may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Non-discretionary portfolio management service means that we must obtain your approval prior to making any transactions in your account.

Our investment advice is tailored to meet your needs and investment objectives. If you decide to hire our firm to manage your portfolio, we will meet with you to gather your financial information, determine your goals, and decide how much risk you should take in your investments. The information we gather will help us implement an asset allocation strategy that will be specific to your goals, whether we are actively investing for you or simply providing you with advice.

Spectra mainly uses equity securities, exchange traded funds, mutual funds, U.S. government securities, corporate debt securities, municipal securities, and options strategies in its portfolio management programs. In limited cases, we may also recommend investments in limited partnerships such as hedge funds and private equity funds.

However we construct your investment portfolio, we will monitor your portfolio's performance on a continuous basis, and rebalance the portfolio whenever necessary, as changes occur in market conditions, your financial circumstances, or both.

#### ***Family Office Services***

Spectra provides family office services that are designed to help Clients organize their financial situations. An Associated Person of Spectra meets with the prospective Client to obtain information about the Client's financial, investment, and estate situations. Based on that information and your needs, Spectra may recommend some or all of the administrative and family resource development services listed below:

- Analysis of your current financial condition;
- Recommendations to achieve your financial objectives;
- Consulting on non-securities related investments;

- Estate planning coordination;
- Financial statement preparation;
- Tax management coordination;
- Organization of banking, legal and accounting matters;
- Directed bill paying services;
- Charitable giving/foundation management coordination; and,
- Concierge services.

Family Office services are offered on a complimentary basis to Clients with more than \$5 million in assets under management with us.

### ***Financial Planning Services***

We offer various financial planning related services, which assist our Clients in the management of their financial resources. Financial planning services are based upon an analysis of your individual needs and begin with one or more information gathering consultations. Once we collect and analyze all documentation gathered during these consultations, we provide a written financial plan designed to achieve your financial goals and objectives. In this way, Spectra assists you in developing a strategy for the successful management of income, assets, and liabilities. In general, financial planning services may include any one or all of the following:

- Cash Flow Analysis – Assessment of your present financial situation by collecting information regarding net worth and cash flow statements, tax returns, insurance policies, investment portfolios, pension plans, employee benefit statements etc. The firm advises on ways to reduce risk, coordinate, and organize records, and estate information.
- Retirement Analysis – Identification of your long-term financial and personal goals and objectives including advice for accumulating wealth for retirement income or appropriate distribution of assets following retirement. Tax consequences and implications are identified and evaluated.
- Insurance Analysis – Includes risk management associated with advisory recommendations based on a combination of insurance types to meet your needs, e.g., life, health, disability, and long-term care insurance. This will necessitate an analysis of cash needs of family at death, income needs of surviving dependents, and disability income analysis.
- Portfolio Analysis/Investment Planning – We provide investment alternatives, including asset allocation, and effect on your portfolio. We evaluate economic and tax characteristics of existing investments as well as their suitability for your objectives. We identify and evaluate tax consequences and their implications.
- Education Savings Analysis – Alternatives and strategies with respect to the complete or partial funding of college or other post-secondary education.
- Estate Analysis – We provide advice with respect to property ownership, distribution strategies, estate tax reduction, and tax payment techniques.

The recommendations and solutions are designed to achieve your desired goals, subject to periodic evaluation of the financial plan, which may require revision to meet changing circumstances. Financial plans are based on your financial situation based on the information provided to the firm. We should be notified promptly of any change to your financial situation, goals, objectives, or needs.

You can also request financial planning services that cover a specific area, such as retirement or estate planning, asset allocation analysis, manager due diligence and 401(k) platform due diligence. We offer consultative services where we set an appointment to meet with you for financial planning advice for an hourly fee.

You may choose to accept or reject our recommendations. If you decide to proceed with our recommendations, you may do so either through our investment advisory services or by using the advisory, brokerage, or insurance provider of your choice.

### **Pension Consulting Services**

Spectra provides several pension consulting services on a stand-alone basis or in combination with other services. While the primary Clients for these services will be pension, profit sharing, and 401(k) plans, Spectra will also offer these services, where appropriate, to businesses, individuals, trusts, estates, and charitable organizations. Pension consulting services are generally comprised of four distinct services. Clients may choose to use any or all of these services.

#### *Investment Policy Statement Preparation (hereinafter referred to as "IPS"):*

Spectra will meet with the Client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Spectra then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

#### *Selection of Investment Vehicles*

Spectra will review various investments, consisting of one or all of the following: individual equities, bonds, other investment products, and mutual funds (both index and managed) to determine which of these investments are appropriate to implement the Client's Investment Policy Statement. The number of investments to be recommended will be determined by the Client, based on the Client's Investment Policy Statement.

#### *Monitoring of Investment Performance*

Client investments will be monitored continuously based on the procedures and timing intervals outlined in the Investment Policy Statement. Although Spectra will not be involved in any way in the purchase or sale of these investments, Spectra will supervise the Client's portfolio and will make recommendations to the Client as market factors and the Client's needs dictate.

#### *Employee Communications*

For pension, profit sharing, and 401(k) plans where the individual account participant exercises control over assets in his/her own account (hereinafter "self-directed plans"), Spectra also provides educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by Spectra and the Client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

Other pension consulting services are available on request. All of our pension consulting services, whether general or customized, will be outlined in a written agreement that shows the services that will be provided and the fees that will be charged for those services.

### **Assets Under Management**

As of March 21, 2019, we had \$95,572,322 in assets under management on a discretionary basis and \$6,602,202 in assets under management on a non-discretionary basis.

## **Fees and Compensation - Item 5**

### **Portfolio Management Services**

Spectra charges an annual fee based upon a percentage of the market value of the assets being managed. We charge the following annualized asset management fees:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$2,000,000	1.25%
Next \$3,000,000	1.00%
Next \$5,000,000	0.75%
Next \$15,000,000	0.65%
Over \$25,000,000	0.35%

Portfolio management fees may be negotiable depending on factors such as the amount of assets under management, range of investments, and complexity of your financial circumstances, among others. Since this fee is negotiable, the exact fee paid by you will be clearly stated in the advisory agreement signed by you and us.

Portfolio management fees are billed monthly, in arrears, and are based on the value of your portfolio at the end of the preceding month. If you provide written authorization to us, the advisory fee will be deducted from your account held with a non-affiliated qualified custodian. The qualified custodian will provide you with an account statement at least quarterly. This statement will detail all account activity, including the advisory fees deducted from your account(s).

Our annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses. You are responsible for brokerage costs incurred. However, Spectra will not receive any portion of the commissions, fees, and costs. Please see Item 12 – Brokerage Practices for further information on brokerage and transaction costs.

At the inception of investment management services, the first pay period's fees will be calculated on a pro-rata basis. The management agreement between you and Spectra will continue in effect until either party terminates the management agreement in accordance with the terms of the management agreement. Spectra's annual fee will be pro-rated through the date of termination. Refunds are not applicable since all portfolio management fees are payable in arrears.

#### **Financial Planning Services Fees**

Spectra will charge a fixed fee that is calculated by multiplying our negotiable hourly rate of \$500 by the estimated amount of time needed to complete the financial planning project.

If you engage us for additional investment advisory services, Spectra may offset all or a portion of its fees for those services based upon the amount paid for financial planning services.

Prior to engaging Spectra to provide financial planning services, you will be required to enter into a written financial planning agreement with us. The financial planning will set forth the terms and conditions of the engagement and will describe the scope of the services to be provided. Generally, fees are due upon completion of the agreed upon services. Other fee payment arrangements may be negotiated on a case-by-case basis. All such arrangements will be clearly set forth in the financial planning agreement signed by you and us.

Either party may terminate the financial planning agreement by written notice to the other. Since all planning fees are payable in arrears, refunds are not applicable.

#### ***Financial Planning Retainer Services***

Spectra offers ongoing planning and consulting services on an annual basis that may include periodic meetings with Clients to review progress towards stated goals, a review of asset performance, implementation services, and minor updates to the existing plan. The fee for annual planning and consulting services is based upon our hourly rate and is payable on a monthly or quarterly basis.

You may choose to accept or reject our recommendations. If you decide to follow our recommendations, you can use our investment advisory services or any advisory, brokerage, or insurance provider you choose.

*Note:* Information related to tax and legal consequences that is provided as part of the financial plan is for informative purposes only. Clients are instructed to contact their tax or legal advisers for personalized tax or legal advice.

#### **Pension Consulting Services Fees**

The compensation arrangement for these services will be based on hourly fees, fixed fees, or a percentage of the plan assets. Services will be negotiated on a case-by-case basis. The exact fee paid by the Client will be clearly stated in the pension consulting agreement signed by the Client and us.

If you choose to have Spectra's fee deducted directly from your account, you must provide authorization. The qualified custodian holding your funds and securities will send you an account statement on at least a quarterly basis. This statement will detail account activity. Please review each statement for accuracy. Spectra will also receive a copy of your account statements from the custodian.

#### **Additional Fees and Expenses**

The fees Spectra charges may be negotiable based on the amount of assets under management, complexity of Client goals and objectives, and level of services rendered. As described above, the fees are charged as described and are not based on a share of capital gains of the funds of any advisory Client.

All fees paid to Spectra for investment advisory services are separate and distinct from the fees and expenses charged to shareholders by mutual funds or exchange traded funds. These fees and expenses are described in each fund's prospectus. These fees generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, you may pay an initial or deferred sales charge.

You could invest in a mutual fund directly, without the services of Spectra. In which case, you would not receive the services provided by Spectra, which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate to your financial condition and objectives. Accordingly, you should review both the fees charged by the funds and the fees charged by Spectra to fully understand the total amount of fees to be paid by you to evaluate the advisory services being provided.

#### **General Information on Advisory Services and Fees**

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

We shall never have custody of any Client funds or securities, as the services of a qualified and independent custodian will be used for these asset management services. We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given us written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

The fees charged are calculated as described above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory Client (15 U.S.C. §80b-5(a)(1)).



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

Performance-based fees are based on a share of capital gains on or capital appreciation of the Client's assets. Our Associated Persons and we do not accept performance-based fees.

#### Types of Clients - Item 7

We generally offer investment advisory services to individuals, pension and profit sharing plans and participants, trusts, estates, charitable organizations, corporations, and other business entities.

We require a minimum of \$5,000,000 to establish an advisory relationship. At our sole discretion, we may waive this requirement. This requirement can be met by combining two or more accounts owned by you or related family members.

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

The following are different methods of analysis that we may use when providing you with investment advice:

- Fundamental Analysis – fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's actual business and its future prospects. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.
- Technical Analysis – technical analysis is a technique that relies on the assumption that current market data (such as charts of price, volume, and open interest) can help predict future market trends, at least in the short term. It assumes that market psychology influences trading and can predict when stocks will rise or fall.
- Cyclical Analysis – cyclical analysis is a technique that looks at cycles, specifically analyzing the way prices follow certain patterns and trends.
- Charting – charting is a technique that attempts to forecast future market moves by studying historical data on charts.
- Multiple Regression Analysis – Multiple regression analysis is a method used when there are several independent variables, each of which may contribute to the ability to predict the dependent variable. The objective of multiple regression analysis is to summarize data as well as to quantify relationships among variables, expressed via an equation for predicting typical values of one variable given the value of other variables.

We may use one or more of the following investment strategies when advising you on investments:

- Long Term Purchases – securities held for over a year.
- Short Term Purchases – securities held for less than a year.
- Trading – securities are sold within 30 days.
- Margin Transactions – Margin strategies allow an investor to purchase securities on credit and to borrow on securities already in their custodial account. Interest is charged on any borrowed funds for the period of time that the loan is outstanding.

- **Covered Options** – covered option is a strategy in which an investor writes an option contract while at the same time owning an equivalent number of shares of the underlying stock.

The investment advice provided along with the strategies suggested by Spectra will vary depending on your specific financial situation and goals. The below section does not disclose all of the risks and other significant aspects of investing in financial markets. In light of the risks, you should fully understand the nature of the contractual relationship(s) into which you are entering and the extent of your exposure to risk. Certain investing strategies may not be suitable for everyone. You should carefully consider whether the strategies employed would be appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

**Investing in securities involves risk of loss that you should be prepared to bear.**

**General Investment Risk:** All investments come with the risk of losing money. Investing involves substantial risks, including complete possible loss of principal plus other losses and may not be suitable for everyone. Investments, unlike savings and checking accounts at a bank, are not insured by the government to protect against market losses. Different market instruments carry different types and degrees of risk and you should familiarize yourself with the risks involved in the particular market instruments in which you intend to invest.

**Loss of Value:** There can be no assurance that a specific investment will achieve its investment objectives and past performance should not be seen as a guide to future returns. The value of investments and the income derived may fall as well as rise and investors may not recoup the original amount invested. Investments may also be affected by any changes in exchange control regulation, tax laws, withholding taxes, international, political, and economic developments, and government, economic, or monetary policies.

**Interest Rate Risk:** Fixed income securities and funds that invest in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, and their prices fall when interest rates rise. Longer-term debt securities are usually more sensitive to interest rate changes.

**Credit Risk:** Investments in bonds and other fixed income securities are subject to the risk that the issuer(s) may not make required interest payments. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. A lowering of the credit rating of a security may also offset the security's liquidity, making it more difficult to sell. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

**Foreign Exchange Risk:** Foreign investments may be affected favorably or unfavorably by exchange control regulations or changes in the exchange rates. Changes in currency exchange rates may influence the share value, the dividends or interest earned and the gains and losses realized. Exchange rates between currencies are determined by supply and demand in the currency exchange markets, the international balance of payments, governmental intervention, speculation, and other economic and political conditions. If the currency in which a security is denominated appreciates against the US Dollar, the value of the security will increase. Conversely, a decline in the exchange rate of the currency would adversely affect the value of the security.

**Margin Risk:** When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your broker-dealer. If you intend to borrow funds in connection with your account, you will be required to open a margin account, which will be carried by the broker-dealer of your account. The securities purchased in such an account are the broker-dealer's collateral for its loan to you.

If the securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and, as a result, a brokerage firm is required to take action, such as issue a margin call and/or sell securities or other assets in your accounts, in order to maintain necessary level of equity in the account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any Margin Account that may be established as a part of our Investment Management Services and held by your broker-dealer. These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The broker-dealer can force the sale of securities or other assets in your account.
- The broker-dealer can sell your securities or other assets without contacting you.
- You may not be able to choose which securities or other assets in your margin account are liquidated or sold to meet a margin call.
- The broker-dealer may move securities held in your cash account to your margin account and pledge the transferred securities.

You may not be entitled to an extension of time on a margin call.

**Risks Associated with Investing in Options:** Transactions in options carry a high degree of risk. A relatively small market movement will have a proportionately larger impact, which may work for or against the investor. Placing certain orders, which are intended to limit losses to certain amounts, may not be effective because market conditions may make it impossible to execute such orders. Selling an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obliged either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the seller holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced.

**Risks Associated with Investing in Equities:** Investments in equities generally refers to buying shares of stocks by an individual or firms in return for receiving a future payment of dividends and capital gains if the value of the stock increases. There is an innate risk involved when purchasing a stock that it may decrease in value and the investment may incur a loss.

**Risks Associated with Investing in Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Investments in these securities are not guaranteed or insured by the FDIC or any other government agency.

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

As disclosed under the Advisory Business section in this brochure, we recommend all types of securities and we do not necessarily recommend one particular type of security over another since each Client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with that investment.

#### **Disciplinary Information - Item 9**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or of the integrity of our management. Neither we nor our management persons have a history of material legal or disciplinary events.

#### **Other Financial Industry Activities or Affiliations - Item 10**

Our firm and our related persons conduct financial industry relationships on an independent and unaffiliated basis. This practice minimizes any material advisory business conflicts of interest with Clients.

Scott Roads, Managing Member, and Julia Elizabeth Zaino, Member and the Chief Compliance Officer, are not involved in any other financial industry activities and do not have any financial industry affiliations.

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

##### **Description of Our Code of Ethics**

Spectra has adopted a Code of Ethics (the "Code") to address investment advisory conduct. The Code focuses primarily on fiduciary duty, personal securities transactions, insider trading, gifts, and conflicts of interest. The Code includes Spectra's policies and procedures developed to protect Client's interests in relation to the following topics:

- The duty at all times to place the interests of Clients first;
- The requirement that all personal securities transactions be conducted in such a manner as to be consistent with the code of ethics.
- The responsibility to avoid any actual or potential conflict of interest or misuse of an employee's position of trust and responsibility;
- The fiduciary principle that information concerning the identity of security holdings and financial circumstances of Clients is confidential; and
- The principle that independence in the investment decision-making process is paramount.

A copy of Spectra's Code of Ethics is available upon request to Scott Roads, Managing Member, or Julia Elizabeth Zaino, Chief Compliance Officer, at (772) 324-5640.

##### **Personal Trading Practices**

At times, Spectra and/or its related persons may take positions in the same securities as Clients, which may pose a conflict of interest with Clients. Spectra and its related persons will generally be "last in" and "last out" for the trading day when trading occurs in close proximity to Client trades. We will not violate our fiduciary responsibilities to our Clients. Front running (trading shortly ahead of Clients) is prohibited. Should a conflict occur because of materiality (e.g., a thinly traded stock), disclosure will be made to the Client(s) at the time of trading. Incidental trading not deemed to be a conflict (e.g., a purchase or sale which is minimal in relation to the total outstanding value, and as such would have negligible effect on the market price) would not be disclosed at the time of trading.

#### **Brokerage Practices - Item 12**

Spectra has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Spectra with Fidelity's "platform" services. The platform services that benefit us, which include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries (like Spectra) in conducting business and in serving the best interests of their Clients..

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds and commissions are charged for individual equity and debt securities transactions). Fidelity enables the firm to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As part of the arrangement, Fidelity also makes available to Spectra, at no additional charge, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by us (within specified parameters). These research and brokerage services presently include services such as economic surveys, data and analyses, financial publications, recommendations or other information about particular companies and industries (through research reports and otherwise).

Without this arrangement, Spectra might be compelled to purchase the same or similar services at its own expense. Spectra has also received certain hard dollar benefits from Fidelity such as assistance from Fidelity to cover certain start-up costs, software, and compliance services.

As a result of receiving such services for no additional cost, Spectra has an incentive to continue to use or expand the use of Fidelity's services. We have examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and we have determined that the relationship is in the best interests of our Clients and satisfies our Client obligations, including our duty to seek best execution. A Client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services 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 the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Spectra will seek competitive rates, to the benefit of all Clients, it may not necessarily obtain the lowest possible commission rates for specific Client account transactions. Although the investment research products and services that may be obtained by Spectra will generally be used to service all of our Clients, a brokerage commission paid by a specific Client may be used to pay for research that is not used in managing that specific Client's account. Spectra is not affiliated with Fidelity or any other broker-dealer.

#### **Brokerage for Client Referrals**

We do not receive Client referrals from broker-dealers and custodians with which we have an institutional advisory arrangement. We do not receive other benefits from a broker-dealer in exchange for Client referrals.

#### **Directed Brokerage**

The Client may direct brokerage to a specified broker-dealer other than the firm recommended by Spectra. It is up to the Client to negotiate the commission rate, as Spectra will not. The Client may not be able to negotiate the most competitive rate. As a result, the Client may pay more than the rate available through the broker-dealer used by Spectra. In Client directed brokerage arrangements, the Client may not be able to participate in aggregated ("blocked") trades, which may help reduce the cost of execution. Where the Client does not otherwise designate a broker-dealer, Spectra recommends a broker-dealer with competitive commission rates.

#### **Trade Aggregation**

While individual Client advice is provided to each account, Client trades may be executed as a block trade. Spectra encourages its existing and new Clients to use Fidelity. Typically, only accounts in the custody of Fidelity would

have the opportunity to participate in aggregated securities transactions. When appropriate, trades using Fidelity will be aggregated and done in the name Spectra. The executing broker will be informed that the trades are for the account of Spectra's Clients and not for Spectra itself. No advisory account within the block trade will be favored over any other advisory account, and thus, each account will participate in an aggregated order at the average share price and receive the same commission rate. On average, the aggregation should reduce slightly the costs of execution. Spectra will not aggregate a Client's order if in a particular instance Spectra believes that aggregation would cause the Client's cost of execution to be increased. Fidelity will be notified of the amount of each trade for each account. Spectra and/or its related persons may participate in block trades with Clients, and may also participate on a pro rata basis for partial fills, but only after the determination has been made that Clients will receive fair and equitable treatment.

#### Review of Accounts - Item 13

##### **Portfolio Management Account Reviews**

Spectra monitors Client account holdings on a continuous basis and conducts formal account reviews at least annually. Informal reviews are conducted at least monthly. Accounts are reviewed by Scott Roads, Managing Member, Julia Elizabeth Zaino, Chief Compliance Officer, or by the Advisory Representative assigned to the account.

Additional reviews may be offered in certain circumstances. Triggering factors that may stimulate additional reviews include, but are not limited to, changes in economic conditions, changes in the Client's financial situation or investment objectives, or upon Client request.

A financial plan is a snapshot in time and no ongoing reviews are conducted, unless you have engaged us for annual retainer services or periodic updates. We recommend a plan review at least annually.

Clients will receive statements directly from their account custodian(s) on at least a quarterly basis. Spectra also provides performance reports at regular intervals.

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

As disclosed under Item 12 above, Spectra has a brokerage and clearing arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC and the firm may receive additional benefits from these entities.

Spectra and its related persons do not compensate, directly or indirectly, any person or entity, who is not our supervised person, for Client referrals.

#### Custody - Item 15

Spectra is deemed to have custody of Client assets because of the fee deduction authority granted by the Client in the Advisory Agreement and in certain situations where we accept standing letters of authorization from clients to transfer assets to third parties. We maintain safeguards in accordance with regulatory requirements regarding custody of client assets.

The custodian holding client assets will not verify the calculation of the advisory fees. You will receive account statements at least quarterly from the broker-dealer or other qualified custodian. You are urged to review custodial account statements for accuracy.

#### Investment Discretion - Item 16

Spectra offers Portfolio Management Services on a discretionary basis. Clients must grant discretionary authority in the management agreement. Discretionary authority extends to the types and amounts of securities to be bought and sold in Client accounts. Apart from the ability to withdraw management fees, Spectra does not have the ability to withdraw funds or securities from the Client's account. The Client provides Spectra discretionary authority via a limited power of attorney in the management agreement and in the contract between the Client and the custodian.

If you wish, you may limit our discretionary authority, for example, by setting a limit on the type of securities that can be purchased for your account. Simply provide us with your restrictions or guidelines in writing. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you have engaged us for non-discretionary portfolio management services, Spectra will obtain your approval prior to executing all transactions in your account(s).

#### Voting Client Securities - Item 17

##### **Proxy Voting**

Spectra will determine how to vote proxies based on its reasonable judgment that the vote will produce favorable financial results for its Clients. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders; proxy votes generally will be cast against proposals having the opposite effect. However, Spectra will consider both sides of each proxy issue. Consistent with Spectra's paramount commitment to the financial investment goals of its Clients, social considerations will not be considered absent contrary instructions by a Client.

Conflicts of interest between Spectra or a principal of the firm and the firm's Clients in respect of a proxy issue conceivably may arise, for example, from personal or professional relationships with a company or with the directors, candidates for director, or senior executives of a company that is the issuer of Client securities.

If the Chief Compliance Officer determines that a material conflict of interest exists, the following procedures shall be followed:

- (a) Spectra may disclose the existence and nature of the conflict to the Client(s) owning the Client securities, and seek directions on how to vote the proxies;
- (b) Spectra may abstain from voting, particularly if there are conflicting Client interests (for example, where Client accounts hold different Client securities in a competitive merger situation); or
- (c) Spectra may follow the recommendations of an independent proxy voting service in voting the proxies.

Spectra keeps certain records required by applicable law in connection with its proxy voting activities for Clients and it shall provide proxy-voting information to Clients upon their written or oral request. A copy of Spectra's proxy-voting policies is available to Clients upon request.

#### Financial Information - Item 18

We are required in this Item to provide you with certain financial information or disclosures about Spectra's, financial condition. Spectra does not require the prepayment of over \$1,200, six or more months in advance. Additionally, Spectra has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and it has not been the subject of a bankruptcy proceeding.

#### Requirements of State-Registered Advisers - Item 19

**This section is not applicable because our firm is SEC registered.**

#### Miscellaneous

##### **Trade Error Correction Procedures**

On infrequent occasions, an error may be made in a Client account. For example, a security may be erroneously purchased for the account instead of sold. In these situations, the firm generally seeks to rectify the error by placing the Client account in a similar position as it would have been had there been no error. Depending on the circumstances, various corrective steps may be taken, including among others canceling the trade or adjusting an allocation. Any losses resulting from error correction will be placed in Spectra's error correction account. Gains will be credited to the Client.

##### **Confidentiality**

Spectra views protecting its customers' private information as a top priority and, pursuant to the requirements of the Gramm-Leach-Bliley Act, it has instituted policies and procedures to ensure that customer information is kept private and secure. Spectra does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties, except as permitted by law. In the course of servicing a Client account, Spectra may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers.

Spectra restricts internal access to nonpublic personal information about its Clients to those employees who need to know that information in order to provide products or services to the Client. Spectra maintains physical and procedural safeguards that comply with state and federal standards to guard a Client's nonpublic personal information and ensure its integrity and confidentiality. As emphasized above, it has always been and will always be Spectra's policy never to sell information about current or former customers or their accounts to anyone. It is also Spectra's policy not to share information unless required to process a transaction, at the request of the Client, or as required by law.

A copy of Spectra's privacy policy notice will be provided to each Client prior to, or contemporaneously with, the



execution of the agreement(s) for services. Thereafter, Spectra will deliver a copy of the current privacy policy notice to its Clients upon any material changes to its privacy policies and practices. If you have any questions regarding your privacy, please contact Scott Roads, Managing Member, or Julia Elizabeth Zaino, Chief Compliance Officer, at (772) 324-5640.