

Brenda S. Friedlander  
doing business as

# SPECTRUM FINANCIAL MANAGEMENT

Item 1 – COVER PAGE

## FORM ADV PART 2A\* Brochure

January 2024

Spectrum Financial Management  
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[www.spectrumfinancialmgmt.com](http://www.spectrumfinancialmgmt.com)

\*This brochure provides information about the qualifications and business practices of Spectrum Financial Management. If you have any questions about the contents of this brochure, please contact our Principal and Chief Compliance Officer, Brenda S. Friedlander. The information in this brochure has not been approved or verified by the State of California, by the U.S. Securities and Exchange Commission or by any other federal or state authority.

The oral and written statements of an advisor provide information upon which a prospective client may base a determination as to whether or not to hire the advisor. You are encouraged to review this Brochure and Brochure Supplements for the Firm's associates who advise you for more information on the qualifications of the Firm and its employees. The use of the term "registered investment adviser" and description of Spectrum Financial Management and/or our associates as "registered" does not imply a certain level of skill or training.

Additional information about Spectrum Financial Management is available at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 - MATERIAL CHANGES FROM PRIOR FORM ADV 2A**

This updated Form ADV Part 2A contains no material changes from the prior version:

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## **Item 4 - ADVISORY BUSINESS**

### **Item 4A**

IA Registration Status –	Registered with the SEC since July 2003 <sup>1</sup>
Principal Owner –	Brenda S. Friedlander
Organization Status –	Sole Proprietorship

### **Item 4B and 4C**

#### **ADVISORY SERVICES**

##### **Investment Management Services**

Our investment management services include, among others, financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments. We offer investment management services to individuals and their trusts and require an investment portfolio minimum of \$500,000. We use an asset allocation investment strategy that determines how much of a client's portfolio is invested in various asset classes. We follow an investment process that is ongoing and includes the following:

- A thorough assessment of client needs. Through data gathering meetings and questionnaires we determine: client financial needs, investment objectives, risk tolerance, investment time horizon, liquidity requirements and tax situation.
- Careful planning of each portfolio. Once we have established client objectives we plan an investment portfolio designed to meet client-specific goals with a level of risk appropriate to the client. We will evaluate the tax consequences and fees of our recommendations.
- Accurate and timely implementation of the investment plan. Implementation of each client's investment plan includes the set-up of custodial accounts, transferring accounts, processing trades and a diligent follow-up process to confirm transaction accuracy.
- Ongoing review and servicing of client portfolios. Once the investments are made we continue to track and monitor client investment accounts. We review each client's asset allocation and will re-balance the client's portfolio when appropriate. We continually monitor the performance of investment assets and evaluate the effectiveness of the assets at achieving client goals and objectives.
- An annual review. We provide clients with an annual review that covers their investment performance as well as financial planning and tax issues as they apply to the client's individual situation.

A client may make additions to and withdrawals from their investment account at any time, subject to the Firm's right to terminate an account if the amount of assets drops below our account size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design client portfolios as long-term investments and caution our clients that asset withdrawals may impair the achievement of the client's investment objectives.

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<sup>1</sup> "Registration" means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply a certain level of skill or training or that the State of California or any other regulator guarantees the quality of our services or recommends them.

Additions to an account may be in cash or securities provided that we may decline to accept particular securities into a client's account or may recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

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

Spectrum provides financial planning services as a part of its investment management services upon client request. Spectrum Financial's financial planning services may include a financial review and analysis of some or all of the following areas:

- Determining Financial Goals And Objectives
- Asset Allocation Review
- Retirement Plan Analysis
- Employee Stock Option/Restricted Share Analysis
- Current Portfolio Review
- Education Funding Analysis and Planning
- Cost Basis Audit of Current Investments
- Cash Flow Management Review
- Review of Insurance Needs
- Real Estate Analysis
- Mortgage and Refinance Evaluation
- Estate Plan Review or Development
- Charitable Planning
- Opinion on Current Investment Strategy/Advisors
- Other Financial or Investment Analysis

### **Tax Analysis, Planning and Preparation**

Spectrum's principal, Brenda S. Friedlander, has a degree in accounting and is an Enrolled Agent ("EA"), a federally authorized tax practitioner, who has technical expertise in the field of taxation and is qualified to represent taxpayers before all administrative levels of the Internal Revenue Service for audits, collections and appeals. Thus, Spectrum is able to provide coordinated tax-planning services to its investment management clients as an integrated part of its investment management services.

Typically, tax services are provided to investment management clients as part of an integrated delivery of planning, management and tax services, but subject to an annual separate written agreement. On occasion, the Firm may accept clients that engage the Firm solely to provide tax services, also pursuant to a separate tax agreement. For tax – only clients, Spectrum may recommend the Firm be retained as their investment advisor; however such clients are under no obligation to do so.

Investment management clients are not required to use our tax preparation services. If investment clients choose to prepare their own tax returns or work with a separate accountant or tax preparer, Spectrum will provide them with the portfolio tax information necessary to complete the returns.

## **General Notices**

In performing its services, Spectrum is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is authorized to rely on such information as provided. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or financial plan.

Occasionally, Spectrum agrees to provide management services on a non-discretionary basis regarding client-designated securities within a client portfolio. Such clients are under no obligation to act upon any of the recommendations made by Spectrum with respect to such securities and the client retains absolute discretion over all such investments and are free to accept or reject any of the Firm's recommendations.

## **Fiduciary Status Under ERISA**

To the extent any client is a retirement plan or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and depending upon the investment management services provided by Spectrum, the Firm may be considered a "fiduciary" under ERISA.

## **Item 4D**

The Firm does not sponsor nor does it provide portfolio management services to wrap fee programs offered by broker-dealers or others.

## **Item 4E**

### **ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 2023**

Discretionary Assets – \$222,643,352

Non-discretionary Assets – \$5,282,639

## **TERMINATION OF INVESTMENT MANAGEMENT RELATIONSHIP**

Clients or the Firm may terminate the relationship upon notice to other party. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. Any unearned prepaid management fees will be refunded to the client. Any unearned prepaid tax fees will be refunded to the client. Any unpaid tax fees will be billed to the client for immediate payment or deducted from the client's retainer, if any.

If a copy of this Form ADV Part 2A disclosure statement was not delivered to the client at least 48 hours prior to a client entering into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

## **Item 5 - FEES AND COMPENSATION**

### **INITIAL SETUP FEE**

Fees for investment management services include an initial setup fee of \$500 for establishing the account, transferring assets and initial planning. The initial set-up fee is due upon signing an investment management agreement with the Firm. This fee is fully refundable within five days of signing the investment management agreement. The initial setup fee is separate from and in addition to the annual investment management fee. We do not charge a separate fee for ongoing financial planning services.

### **INVESTMENT MANAGEMENT**

For its investment management services, Spectrum charges a fee based on a percentage of the market value of the investments held in each client's account. For smaller portfolios, we assess a minimum annual investment management fee of \$5,000.

Assets in the account are included in the fee assessment unless specifically identified in writing for exclusion. The annual management fee is prorated and billed quarterly, in advance. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Neither Spectrum, nor its principal or employees accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

The quarterly fee is computed on the last day of the billing period by determining the market value of the account assets as provided by the client's custodian.

Unless otherwise negotiated between the Firm and the client, the annual fee is calculated according to the following standard fee schedule:

One-Time Fee	
Initial Account Setup Fee	\$500
Investment Management Fee	
Value of Account Assets	Annual Billing Rate
On assets valued up to \$500,000	1.00%
On assets valued between \$500,001 and \$1 million	0.75%
On assets valued above \$1 million	0.50%
Minimum Annual Investment Management Fee	
\$5,000	

Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. If assets are deposited into or withdrawn from a client's account after the inception of a billing period, and depending upon the timing or size of such withdrawal or deposit, the fee payable with respect to such assets may not necessarily be adjusted or prorated based on the number of days remaining in the billing period.

Services provided for the above fees are for investment advice and quarterly reporting. The client's investment management fee to the Firm is determined in accordance with the above standard fee structure, with exceptions negotiated on a case-by-case basis at our discretion. Any deviations from the fee structure are based on a number of factors including the nature and length of the client relationship, the services requested, account composition, the amount of work involved, the amount of assets placed under management and the attention needed to manage the account.

Clients customarily authorize Spectrum to deduct its quarterly investment advisory fee directly from their custodial account. When there is no cash is available in a client's portfolio to allow us to deduct our management fee, we will sell shares of a mutual fund holding to generate cash. The authorization to deduct our management fee from the client account is granted under the terms of the client's signed investment management agreement and the client's instructions to the custodian. The Firm sends an itemized fee invoice showing the fee calculation to each client at the time it invoices the client's custodian to deduct and transmit its fees. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated.

At the discretion of the Firm, clients may arrange to pay their fee directly to the Firm. Under this arrangement, payment is due upon client's receipt of our billing invoice.

In certain cases clients may request that Spectrum purchase, maintain, or consolidate preexisting or other securities positions in custodial accounts maintained with the Firm, that are not consistent with the Firm's investment strategy. In such cases, Spectrum will not charge a management fee on such assets, with the specific understanding that these are non-managed assets for which client is responsible for determining the suitability of maintaining such a position. The Firm will not sell such securities without specific written instructions from the client.

## **TAX PLANNING AND RETURN PREPARATION FEES**

Fees for tax planning and/or tax return preparation typically are billed on an hourly basis at a rate based upon the work requested and the Spectrum tax specialist performing the work. Under certain circumstances, and in its sole discretion, Spectrum may negotiate an alternative tax planning and tax return preparation fee.

## **GENERAL FEE DISCLOSURE**

Our fees are generally non-negotiable. Spectrum, in its sole discretion, may negotiate a different investment management fee for any of its clients based upon, among other criteria, the complexity of the client's assets, family structure, liquidity needs, management needs, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing relationship, account retention and/or *pro bono* activities. We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Spectrum.

Spectrum receives no sales commissions on investment products purchased or sold for client accounts.

## **CUSTODIAN AND BROKERAGE FEES**

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

## **FUND DISCLOSURES**

Investment vehicles such as mutual funds, closed-end funds, exchange traded funds and alternative investment funds offer a wide range of objectives and strategies; the types of securities held by such funds vary widely depending upon the specific objectives and strategies of the vehicle. These investment vehicles incur brokerage and other expenses and their sponsors typically compensate themselves through fees charged directly to the fund. Clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested in addition to the advisory fee charged by Spectrum Financial.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay management fees and other, "indirect" fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by Spectrum Financial. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure. In addition, a fund's prospectus can be obtained directly from the fund.

## **BOND DISCLOSURE**

Clients whose assets are invested in bonds purchased directly from an underwriter or on the secondary market may pay a sales credit or sales concession on the trade (in lieu of a sales commission). The client's custodian may also impose a fee on the transaction as well.

## **Item 6 - PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT**

Spectrum does not charge an additional performance fee based upon a percentage of the capital gains realized in client accounts. Spectrum does not manage any client accounts where a performance fee is charged.

## **Item 7 - TYPES OF CLIENTS**

Our clients include individuals and high net worth individuals and their trusts. We have established a \$500,000 minimum portfolio value for establishing a client relationship with our Firm. This minimum may be waived in certain circumstances.



As a result of our minimum account value and minimum annual fee requirements, Spectrum's services may not be appropriate for everyone.

## **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

### **METHODS OF ANALYSIS**

Depending upon the type of investment, Spectrum relies upon fundamental analysis. Fundamental analysis involves analyzing real data, including overall economic and company- or industry-specific information available to determine the value of a particular investment. In performing its analyses, the Firm consults third-party research materials, company annual reports and other regulatory filings, and financial newspapers and periodicals.

### **INVESTMENT STRATEGY**

Spectrum follows an asset allocation strategy which involves dividing an investment portfolio among different asset classes based on an investor's financial requirements. Assigning an appropriate asset mix is a dynamic process and it plays a key role in determining a portfolio's overall risk and return. As such, a portfolio's asset mix should reflect the client's goals at any point in time.

Stocks and bonds are the two major categories used in portfolio diversification. The amount that an investor should have in stocks and bonds is based on two factors. First, the allocation is based on the expected return that an investor requires to meet their financial objective, and second, it is based on the amount of investment risk that a person can accept. A successful allocation is one that achieves an investor's financial goals without so much volatility that it causes the investor to make behavioral mistakes.

Asset allocation does not end with a stock and bond allocation. Portfolios are constructed using several different stock and bond sectors and styles. Once the target allocations are set for a portfolio, it is continuously monitored. Each portfolio must be rebalanced occasionally to keep the asset classes aligned with the long-term asset allocation strategy. Rebalancing reduces risk, invests cash effectively and keeps a portfolio on track. A disciplined rebalancing program also eliminates subjective and emotional decision making that can throw a portfolio far off from an investor's desired level of risk.

We evaluate a portfolio's asset allocation every time a client adds money or withdraws money from the portfolio, and systematically twice per year. We generally will rebalance a portfolio when an asset class has moved 5% from its target allocation. For example, if an asset class has grown from a 10% target allocation to 15%, we would liquidate the excess 5% and invest the proceeds into an asset class or classes that have fallen below their target allocation.

We primarily invest in no-load mutual funds. No-load mutual funds are funds that are sold without a commission. Mutual funds pool the investment dollars of many investors. The mutual fund manager invests this pooled money in a group of assets, in accordance with a stated set of objectives. Investors receive shares of the mutual fund, which represent an ownership interest in the fund and, in effect, in each of its underlying securities. For most mutual funds, shareholders are free to sell their shares at any time, although the price of a share in a mutual fund will fluctuate daily, depending upon the performance of the securities held by the fund. Benefits of mutual funds include diversification, professional money management, liquidity, and convenience. As with any business, running a mutual fund involves costs.

Mutual fund operating expenses include investment advisory fees for managing the fund's investments and administrative expenses for running the fund such as: marketing, record-keeping, accounting, and legal fees. Operating expenses are paid directly from the fund's assets, rather than by imposing separate fees and charges on investors. This indirect payment of costs affects the fund's rate of return. We pay close attention to operating expenses in our investment selection process. However, we do not simply choose the lowest cost fund. We consider how the fund's expense ratio compares to other similar funds and if it's higher, check to see if it's justified by performance. Operating costs are one of many factors we evaluate when selecting funds.

## **INVESTMENT RISKS**

While asset allocation and diversification can reduce the volatility of an investment portfolio they do not eliminate risk. All investments carry risk, which varies among different investment types. Investors face a risk versus return trade-off. An investor's goals, objectives, and time frame need to be considered in determining an optimal risk-reward relationship. Common types of investments in decreasing order of risk and reward include: stock investments, corporate bonds, government bonds, and money market instruments. Mutual funds will invest in these common types of investments and carry risk similar to that of the following:

### Stock Investments

Investing in the stock market involves considerable risk. An investor has no assurance of making money. Stocks are therefore high-risk investments. In exchange for assuming a higher level of risk an investor has higher potential to make money. Risk can be defined as volatility. Stocks are volatile, prices increase or decrease in the market on a daily basis. Investors can mitigate the risk of stock investment through diversification. Diversification involves investing in multiple investments, reducing the risk of a single investment's loss. Stocks are long-term investments; their volatility reduces the likelihood of gain in the short term.

### Corporate Bonds

Corporate bonds have lower risk than stocks. They generally also have lower returns. The nature of risk in corporate bonds is different than stocks. Bonds are interest rate sensitive investments; bond values vary inversely with changes in interest rates. Bonds are less volatile than stocks. Bond risks include credit risk, interest rate risk, and re-investment risk. Credit risk is based on the ability of the bond issuer to meet their financial obligations. Interest rate risk is the chance of the bond losing value due to increases in interest rates. Re-investment risk is the risk that an investor cannot reinvest the interest they receive at the same rate that the bond pays.

### Government Bonds

Government bonds are bonds issued by the United States government or by states or municipalities. Bonds issued by the U.S. government are considered to be very safe investments. The risk factors are the same for government and corporate bonds; however, credit risk is lower for government bonds than for corporate bonds. Government bonds generally pay lower rates of interest than corporate bonds. The likelihood of default is also lower due to lower credit risk.

### Money Market Investments

Money market investments have very little volatility. The chance of losing money in a money market investment typically is low. The primary risk of money market investments is purchasing power risk.

Money market investments pay low rates of interest. An investor's risk is that their purchasing power will be eroded by inflation. The real rate of return on money market investments, measured as realized return minus inflation, can be low or negative. In the long run, a money market investor does not gain appreciable spending power as the growth in their account is offset by inflation. Money market investments provide a relatively safe place for investors to park dollars for emergencies or opportunities.

#### **Item 9 - DISCIPLINARY INFORMATION**

Spectrum has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

#### **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Spectrum is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. We recommend that our clients custody their assets with Charles Schwab & Co., Inc., an SEC registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). Although we recommend that our clients custody their investment accounts at Schwab, we have no affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

Spectrum is not registered and does not intend to apply for registration as a broker-dealer, a commodities or commodities futures merchant, pool operator or trading advisor. No Firm principal or employee is registered or intends to register as an associated person of a broker-dealer, a commodities or commodities futures merchant, pool operator or trading advisor.

Neither the Firm nor any related person receives compensation directly or indirectly from any other investment advisor to which it recommends its clients or selects for its clients.

Although we may refer our clients to other professionals such as attorneys or for estate planning or other matters, neither the Firm nor its principals or employees are affiliated with any law firm.

#### **Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Spectrum Financial, its employees and their immediate families (sometimes collectively "employees") are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. Employees with access to the Firm's investment decision-making and trading activities are required to report all personal securities transactions on a regular basis. All personnel are required to abide by the Firm's personal trading practices and code of ethics which governs employee trading practices and specifically prohibits employee trading on the basis of inside information and trading ahead of customer orders (front-running). Spectrum's employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

Employees may trade in the same securities traded for clients. However, it is Firm policy not to give preference to orders for personnel associated with the Firm regarding such trading. Employees may personally invest in the same securities that are purchased for client trading accounts and may own

securities that are subsequently purchased for client accounts. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If a security is purchased or sold for client accounts and employees on the same day, either employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that employees' personal transactions might be executed at more favorable prices than were obtained or clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

Neither Spectrum Financial nor its related persons recommends to clients or buys or sells for client accounts any securities in which the Firm or any related person has any material financial interest.

## **Item 12 - BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER**

Spectrum Financial recommends that clients establish brokerage accounts with Schwab, a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. Schwab is independently owned and operated and not affiliated with Spectrum and does not supervise or otherwise monitor Spectrum's investment management services to its clients. Schwab provides Spectrum with access to its institutional trading and custody services, which typically are not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a set minimum of the advisor's clients' assets is maintained in accounts at Schwab, but are not otherwise contingent upon Spectrum committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab also makes available to Spectrum other products and services that benefit Spectrum but may not benefit its clients. Some of these other products and services assist Spectrum in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Spectrum Financial' fees from its clients' accounts; and assist

with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Spectrum Financial' accounts, including accounts not maintained at Schwab. Schwab also makes available to Spectrum other services intended to help Spectrum manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to Spectrum by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to Spectrum Financial.

Spectrum's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Spectrum of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS**

Spectrum is not a party to formal agreements whereby, in exchange for directing commissionable trades to a broker-dealer, it receives research or brokerage services, known as "soft dollar" services and research, from that broker or allows the broker to pay for such research or services on its behalf. "Soft dollars" refers to the use of brokerage commissions on client trades to pay for the soft dollar research or brokerage services received. Soft dollar research and services may include among others, economic and market information, portfolio strategy advice, proxy voting services, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire charges, quotation services, computer hardware and software.

Although Spectrum does not formally participate in soft dollar arrangements, it may receive certain services and research from Schwab by virtue of having its clients custody their assets with Schwab. In such cases, it is the Firm's policy is to limit its use of soft dollar arrangements to those falling within the safe harbor provided by applicable state and federal regulations whereby only *bona fide* research and brokerage products and services that provide assistance to Spectrum in the performance of its investment decision-making responsibilities are permitted.

Spectrum may, on occasion, be the recipient of unsolicited discounts on software and other services. The discounts are generally offered to all firms who fit a common profile and Spectrum is not offered such discounts because of a particular event or request. Such discounts are accepted with the intent to benefit all clients and the value of these discounts is not considered in the process of selecting securities to purchase for client accounts. Spectrum routinely reviews the amount and nature of the research products and services provided by brokers.

### **Item 13 - REVIEW OF ACCOUNTS**

All accounts under management are monitored on a continuous basis by Brenda S. Friedlander. In addition, Ms. Friedlander conducts three different types of portfolio reviews during the year including:

Comprehensive Portfolio Review: This review is performed at least annually, more frequently at client's

request or as needed due to changes in financial circumstances. The review includes a review of the portfolio's performance both long- and short-term, performance of the individual investment assets, the portfolio's asset allocation, the portfolio's tax situation, the portfolio's cash flow and a review of the client's goals and objectives.

Asset Allocation Review: The portfolio's asset allocation is reviewed semi-annually. The asset allocation is reviewed as part of the comprehensive portfolio and once again six-months later. Additionally, any time a client adds or withdraws money from the portfolio, we evaluate the portfolio's asset allocation.

Tax Review: In November of every year, each taxable investment account is reviewed for tax planning opportunities. We evaluate the realized gains and losses in the portfolio, project gains and losses through the end of the year and evaluate whether or not there are any opportunities to reduce tax liability.

In addition to the above reviews, Spectrum encourages clients to schedule an in-office portfolio review anytime their financial circumstances, goals or objectives change.

Clients receive written quarterly investment reports that provide the current value of the portfolio, a summary of portfolio performance for various time periods including both short- and long-term, comparative statistics of various market index returns, a long-term comparison of portfolio value versus the net-investment, and a calculation of our investment management fee.

At least quarterly, Schwab sends each client a brokerage account statement listing all positions and detailing investment account transactions. Clients are advised to review these statements routinely and to compare them to the client account reports prepared by the Firm. Forms 1099 for tax reporting are also sent annually by Schwab, where appropriate.

#### **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

Spectrum does not pay referral fees to third party firms or individuals for recommending the Firm to prospective clients. We do not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals. Spectrum employees are not paid "sales awards" or other prizes for referring clients to the Firm.

#### **Item 15 - CUSTODY**

Spectrum does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker dealer, bank or trust company. Spectrum is unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian. The Firm is given the authority to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or transfers out of the account.

#### **Disclosures Related to Custodians**

Schwab acts as custodian and executing broker-dealer for Spectrum clients. Schwab is independently owned and operated and not affiliated with Spectrum and does not supervise or otherwise monitor our investment management services to our clients.

For Spectrum client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into client accounts that are held with Schwab. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab to avoid “trade away” charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab sends account statements directly to the client (or to an independent third party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client’s account, including the payment to Spectrum of its investment management fees.

#### **Item 16 - INVESTMENT DISCRETION**

Except as noted below, clients appoint Spectrum as their investment advisor and typically grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm’s investment strategy and the client’s investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;
- Which securities to sell;
- The timing of any buys or sells;
- The amount of securities to buy or sell; and

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client.

Spectrum does not exercise discretion with respect to the initial investments of a client’s portfolio. The initial investments of each client portfolio are presented to clients, discussed and client-authorized prior to any securities executions. Once the portfolio is invested according to the plan approved by the client, we then exercise discretion in managing the portfolio on an ongoing basis.

On occasion the Firm may accept client investment portfolios on a non-discretionary basis. In these instances, our portfolio manager will make recommendations to the client regarding types of investments to buy and sell, the timing and amount of such transactions and where applicable, the executing broker-dealer to effect the transactions. The decision to implement or reject the portfolio manager’s recommendations remains with the client and transactions will be entered only after specific client authorization.

#### **Item 17 - VOTING CLIENT SECURITIES**

It is Spectrum’s policy not to vote proxy solicitations or other corporate actions received on behalf of clients from the issuers of securities held in client’s account. All such solicitations will be forwarded to

client by the client's custodian for voting. Any client wishing to review our proxy voting policies in full may request a copy from the Firm at his or her convenience.

#### **Item 18 - FINANCIAL INFORMATION**

Spectrum does not require or solicit prepayment of its investment management fees from clients six or more months in advance. There are no adverse conditions related to the Firm's finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.