

**Item 1 – Cover Page**

**Part 2A of Form ADV: Firm Brochure**

**SCS**

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This brochure provides information about the qualifications and business practices of Bensler, LLC, doing business as SCS. If you have any questions about the contents of this brochure, please contact SCS at (425) 452-1222 or [compliance@northwestscs.com](mailto:compliance@northwestscs.com). 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 SCS is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for our name SCS or our firm CRD number **310849**.

Please note that the use of the term “registered investment adviser” and description of our firm and/or our associates as “registered” does not imply a certain level of skill or training. Clients are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise clients for more information on the qualifications of our firm and our employees.

## **Item 2 – Material Changes**

There are no material changes in this brochure from the last annual updating amendment on 03/13/2023 of SCS. Material changes relate to SCS's policies, practices or conflicts of interests.

- Asset management accounts are reviewed at least annually. (Item 13)
- SCS has a new referral arrangement in which it compensates a third party for referrals. (Item 14)

We encourage you to read the entire Brochure and to let us know if you have any questions.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time, we will also offer a copy of the most current Brochure. We will also provide other ongoing disclosure information about material changes, as necessary.

### Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents.....	3
Item 4 – Advisory Business .....	5
General Description of Primary Advisory Services.....	5
Pension Consulting Services .....	6
Item 5 – Fees and Compensation .....	7
Fee for Investment Advisory Services.....	7
Fees for Pension Consulting Services.....	7
Financial Plans and Consultations.....	7
General Information on Advisory Services and Fees .....	8
Item 6 – Performance-Based Fees and Side-By-Side Management .....	9
Item 7 – Types of Clients.....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	<a href="#">10</a>
Methods of Analysis.....	10
Investment Strategies .....	10
Item 9 – Disciplinary Information .....	13
Item 10 – Other Financial Industry Activities and Affiliations .....	13
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading .....	15
Item 12 – Brokerage Practices .....	16
Recommendation of Broker-Dealers for Client Transactions.....	16
Soft Dollars.....	18
Client Brokerage Commissions .....	18
Brokerage for Client Referrals.....	19
Directed Brokerage .....	19
Special Considerations for ERISA Clients .....	19
Aggregation of Purchase or Sale .....	19
Item 13 – Review of Accounts.....	21
Account Reviews and Reviewers .....	21
Item 14 – Client Referrals and Other Compensation.....	21
Item 15 – Custody .....	22
Item 16 – Investment Discretion .....	22
Item 17 – Voting Client Securities.....	22

Item 18 – Financial Information.....	23
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## **Item 4 – Advisory Business**

Bensler, LLC, doing business as SCS, (“SCS,” “we,” “our,” “us”) is an independent financial planning and investment advisory firm registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company formed under the laws of the State of Washington. SCS was founded by Jeffrey Hensler and James Beatty who are equal partners of the firm.

### **General Description of Primary Advisory Services**

The following are brief descriptions of SCS’s primary services. A detailed description of SCS’s services is provided in *Item 5 – Fees and Compensation* so that clients and prospective clients can review the description of services and description of fees in a side-by-side manner.

**Asset Management Services** - SCS offers advisory services where clients authorize the firm, to purchase and sell securities on a discretionary or non-discretionary basis pursuant to an investment objective chosen by the client. This authority is set out in an advisory agreement between SCS and the client. We provide ongoing investment advice and management that is tailored to the individual needs of the client based on the financial circumstances and investment objectives of the client. While we are not limited in the types of securities we advise, we generally use mutual funds, ETFs, individual equities, fixed income securities, and/or variable annuity subaccounts in creating client portfolios. Clients generally may impose reasonable restrictions on investing in certain securities or groups of securities.

**Financial Planning Services** - Under our Financial Planning & Consulting Services Program, SCS provides personal financial planning and consulting services tailored to the individual needs of the client. The scope of Services is determined between the client and advisory representative and may range from comprehensive financial planning to consulting on a particular issue, including focus on topics such as retirement planning, education planning, estate planning, cash flow/budget planning, risk management planning, personal wealth planning, tax planning, business planning, investment planning/asset allocation, or such other financial planning or consulting services needs as designated in the Financial Planning & Consulting Services Program Agreement. The services may include delivery of a written financial plan depending upon the scope of the agreement.

SCS will not have any discretionary investment authority when offering standalone financial planning or consulting services, nor do these services include implementing or monitoring of any recommendations provided by the IAR to client. Unless clients subsequently or simultaneously enter into an asset management agreement, it is the client’s responsibility to implement or not implement any recommendations we provide.

### **Participation in LPL Advisory Platform and Programs**

SCS provides advisory services using LPL’s management platform and may provide advisory services through certain programs sponsored by LPL Financial LLC (LPL), a registered investment advisor and broker-dealer. Below is a brief description of the platform and each LPL advisory program available to SCS. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs, please see the program account packet and the Form ADV, Part 2 of LPL or the applicable program.

SCS advisory representatives are compensated through salary and structured bonus and are incented to bring assts to the firm and to establish new client relationships. They do not make more or less because they recommend a particular investment management program.

## **SWM II Accounts (Advisor-Managed Accounts)**

“SWM II Accounts” are those accounts managed on the LPL platform directly by SCS and represent the majority of our advisory accounts. Please see our separate wrap fee program brochure for information about our asset management services to SWM II accounts.

## **LPL Advisory Programs**

### **Model Wealth Portfolios Program (MWP)**

MWP is a wrap program sponsored by LPL that offers clients a professionally managed mutual fund asset allocation program. SCS will obtain the necessary financial data from the client, assist the client in determining the suitability of the MWP program and assist the client in setting an appropriate investment objective. SCS will initiate the steps necessary to open an MWP account and have discretion to select a model portfolio designed by LPL’s Research Department consistent with the client’s stated investment objective. LPL’s Research Department, a third-party portfolio strategist and/or Advisor, through its IAR, may act as a portfolio strategist responsible for selecting the mutual funds or ETFs within a model portfolio and for making changes to the mutual funds or ETFs selected.

The client will authorize LPL to act on a discretionary basis to purchase and sell mutual funds and ETFs and to liquidate previously purchased securities. The client will also authorize LPL to effect rebalancing for MWP accounts.

MWP requires a minimum asset value for a program account to be managed. The minimums vary depending on the portfolio(s) selected and the account’s allocation amongst portfolios. The lowest minimum for a portfolio is \$25,000. In certain instances, a lower minimum for a portfolio is permitted.

## **Pension Consulting Services**

SCS offers consulting services to pension or other employee benefit plans (including but not limited to 401(k) plans). Pension consulting may include, but is not limited to:

- identifying investment objectives and restrictions
- providing guidance on various assets classes and investment options
- recommending money managers to manage plan assets in ways designed to achieve objectives
- monitoring performance of money managers and investment options and making recommendations for changes
- recommending other service providers, such as custodians, administrators and broker-dealers
- creating a written pension consulting plan

These services are based on the goals, objectives, demographics, time horizon, and/or risk tolerance of the plan and its participants.

## **Client Assets Managed by SCS**

As of December 2023, SCS had approximately \$ 1,290,580,946 in client assets under management, all on a discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provide in *Item 4 – Advisory Business*, this section provides additional details regarding our firm’s services along with descriptions of each service’s fees and compensation arrangements.

### **ASSET MANAGEMENT**

#### **Fee for Investment Advisory Services**

Please see our wrap fee brochure for fees associated with our asset management services to SWM II accounts.

#### **Fees for LPL Advisory Program**

The account fee charged to the client for the MWP LPL advisory program is negotiable, subject to an annual maximum of 2.60%.

The MWP account fee consists of an LPL program fee, a strategist fee (if applicable) and an advisor fee of up to 2.00%. Accounts remaining under the legacy fee structure may be charged one aggregate account fee, for which the maximum account fee is 2.50%. See the MWP program brochure for more information.

Account fees are payable quarterly in advance.

LPL serves as program sponsor, investment advisor and broker-dealer for the LPL MWP advisory program.

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

Our annual fee for pension consulting services is negotiable and may vary from client to client. All fees are billed in arrears. Fees can be paid directly by the plan sponsor, debited from participants accounts or offset through the revenue sharing of the plan. You acknowledge that lower fees for comparable services may be available from other sources.

#### **Financial Plans and Consultations**

SCS offers either oral or written financial plans that can be comprehensive or segmented in nature. Plans can include, but are not limited to, the areas of retirement planning, employer benefits plans, college planning, employer stock options and divestitures, budgeting, tax planning, estate planning and insurance analysis. Plans will include recommendations to help clients meet their financial goals and objectives. SCS’s associated persons will meet with clients as many times as necessary to gather the documents and information needed to prepare the financial plans.

The charge for these plans is usually an hourly fee, but may also be a fixed fee. The hourly fee is up to \$1000 per hour and negotiable based upon the complexity of the client's financial situation and the services being provided. At the discretion of SCS's associated persons, they may also multiply the negotiable hourly fee rate by the estimated number of hours needed to complete the services and determine a fixed fee charge. Whether hourly or fixed, the fee will be disclosed to the client prior to services being provided. Fees are due and payable, in arrears, upon presentation of the plan(s) at which time the financial planning engagement terminates.

Either party may terminate services at any time by submitting written notice to all appropriate parties. If services are terminated within five business days of executing a contract with SCS, services will be terminated without penalty. After the initial five business days, the client will be responsible for fees due for time and effort expended by SCS's associated persons prior to receipt of notice of termination.

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

Because we provide asset management services either through our own wrap program (SWM II accounts) or through a wrap program of LPL (MWP accounts), clients will generally not incur transaction charges for trades executed in their accounts. This may be because the costs are included in a single wrap fee that covers execution and advisory fees, or because SCS is paying the transaction fee for advisor-managed SWM II accounts. Clients may, though, pay other charges, including account maintenance fees, wire fees, account transfer fees, etc. The custodian is required to notify its clients of all applicable fees. Our firm does not receive a portion of these fees.

Clients may make additions to the Account or withdrawals from the Account. Additional assets deposited into the Account after it is opened will be charged a pro-rata fee based upon the number of days remaining in the then-current quarterly period. Additionally, partial withdrawals from the account will result in a pro-rated refund or credit of fees to the account. Fee adjustments for additional deposits to the account and partial withdrawals from the account will be calculated in arrears or in the next quarterly period billing cycle. Fee adjustments will be calculated based on the value at the time of the additional deposit or partial withdrawal. No fee adjustments will be made for Account appreciation or depreciation.

Clients may terminate advisory agreements at any time upon written notice to SCS. Advisor will refund pre-paid fees as described in the advisory agreement.

### **Certain Conflicts of Interest**

SCS receives compensation as a result of a client's participation in an LPL program. Depending on, among other things, the type and size of the account, type of securities held in the account, changes in its value over time, the ability to negotiate fees or commissions, the historical or expected size or number of transactions, and the number and range of supplementary advisory and client-related services provided to the client, the amount of this compensation may be more or less than what the SCS would receive if the client participated in other programs, whether through LPL or another sponsor<sup>4</sup>, or paid separately for investment advice, brokerage and other services.

Clients should consider the level and complexity of the advisory services to be provided when negotiating the account fee (or the advisor fee portion of the account fee, as applicable) with SCS. With regard to accounts utilizing third-party portfolio managers under aggregate, all-in-one account fee structures (including the legacy MWP fee structure), because the portion of the account fee

retained by SCS varies depending on the fees by third-parties associated with a portfolio, SCS has a financial incentive to select the portfolio that will allow SCS to retain more of the fees. It's possible that a client's interest could be better served by a portfolio that pays SCS less. We mitigate this conflict by disclosing it, and by recommending the program or fee arrangement that we believe best serves the client's needs, rather than based on our financial incentives.

Certain investment adviser representatives of SCS are also associated with LPL Financial as broker-dealer registered representatives ("Dually Registered Persons"). In their capacity as registered representatives of LPL Financial, certain Dually Registered Persons may earn commissions for the sale of securities or investment products that they recommend for brokerage clients. They do not earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through SCS. Clients have the option of purchasing many of the securities and investment products we make available to you through another broker-dealer or investment adviser. However, when purchasing these securities and investment products away from SCS, you will not receive the benefit of the advice and other services we provide.

Please refer to the LPL Form ADV program brochure for a more detailed discussion of conflicts of interest.

### **Other Fees and Expenses**

Clients are responsible for other fees and expenses charged by third parties. For example, SCS may invest a portion of client's assets in mutual funds, variable annuities, or Exchange Traded Funds (ETFs) and charges an investment management fee on client's assets invested in these securities. Therefore, clients may pay two levels of fees for the management of their assets, one directly to SCS and one indirectly to the managers of the mutual funds or variable annuities held in their portfolios.

The qualified custodian also assesses fees and charges that are not shared with SCS and which SCS does not pay on behalf of the client. See Item 12, Brokerage Practices, for additional information.

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

Item 6 is not applicable to this Disclosure Brochure because SCS does not charge or accept performance-based fees. Performance-based fees are fees based on a share of capital gains or capital appreciation of the assets held within a client's account.

### **Item 7 – Types of Clients**

SCS generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Trusts, estates, or charitable organizations
- Corporations and other businesses
- Pension and profit sharing plans

### **Minimum Investment Amounts Required**

SCS's has no minimum investment amount requirements for establishing an account.

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

### **Methods of Analysis**

SCS uses the following methods of analysis in formulating investment advice:

**Charting** - The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

**Cyclical** - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

**Fundamental** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

**Technical** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

### **Investment Strategies**

SCS uses the following investment strategies when managing client assets and/or providing investment advice:

**Long-term investing.** Investments held at least one year. A risk of long-term investing is that if clients do not have adequate liquidity outside the portfolio, they may need to liquidate at a time when the investment is experiencing a short-term decline and therefore realize losses that could have been recovered if the portfolio had been held as planned. Another risk is that a long-term bias could result in holding onto securities that do not, in fact, recover from intervening declines.

**Short-term investing.** Investments sold within one year. In addition to potentially greater tax consequences, short-term investing presents additional risks, including response to bubbles or “noise” trading. It may also lead to greater transaction costs.

**Asset Allocation** – The process of selecting a mix of asset classes and the efficient allocation of those assets based on historical data in an attempt to understand how the asset has performed and is likely to perform over long periods of time. The goal is not to “beat” the market, but to establish a long-term investment strategy using a core mix of assets. The primary risk of asset allocation is that the client may not participate, or may not fully participate, in sharp increases in a particular security, industry or market sector. Another risk is that the proportions of different asset types will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client’s goals.

- **Tactical** - Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. In theory, the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.
- **Strategic** - Calls for setting target allocations based on client objectives and risk tolerances and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach.
- **Dynamic** - Involves modifying an investor’s target allocation due to changes in investor circumstances, which may lead to the modification of policies, objectives, and/or risk tolerances. Resulting changes are intended to maintain equilibrium between the investor’s policies and objectives and the asset allocation process.

### **Use of Primary Method of Analysis or Strategy**

SCS’s primary method of analysis or strategy is a combination of Tactical, Strategic, and Dynamic asset allocation. Some of the risks involved with using this method include the fact that the economic environment and investment alternatives today are substantially different from those of the past and our judgment may be incorrect. We believe that investors can no longer be myopic in their view of investments in so far as they restrict their analysis to domestic markets or investment vehicles.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk. Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk - When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk - When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk. Prices of fixed income instruments (e.g., bonds) can exhibit some volatility and change daily. Investments in fixed income instruments present numerous risks, including credit, interest rate, reinvestment and prepayment risk, all of which affect the price of the instruments. For instance, a rise in interest rates will generally cause the price of bonds to go down. If the security is held to maturity and the issuer does not default, the client should receive the face amount of the bond at the maturity date, as well as stated interest payments while the bond is held. In this case, the change in price prior to maturity may not affect the client. If the client needs to sell prior to maturity, however, the investor will likely experience a loss. Where a client's fixed income exposure is to bond funds or fixed-income ETFs, the fund or ETF does not itself "mature," although different issues held by the fund/ETF will mature and will experience price fluctuations. Investors are therefore highly dependent on the manager's ability to accurately anticipate the impact of rate changes and to appropriately manage the portfolio to achieve both adequate returns and reasonable risk. The US has experienced a prolonged period of historically low interest rates; future increases in rates could have a material negative impact on the value of current fixed income holdings. In addition, the value of fixed income instruments may decline in response to events affecting the issuer, its credit rating or any underlying assets backing the instruments.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.
- Liquidity Risk – Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties

are not. Certain instruments may have no readily available market or third-party pricing. Reduced liquidity may have an adverse impact on market price and the ability to sell particular securities when necessary to meet cash needs or in response to a specific economic event, such as the deterioration of creditworthiness of an issuer. Reduced liquidity in the secondary market for certain securities may also make it more difficult to obtain market quotation based on actual trades for the purpose of valuing the security. While we generally invest in liquid securities, overall market factors or investment-specific factors may cause a previously-liquid security to become illiquid.

- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment may underperform expectations, including a potential loss of value.

### **Item 9 – Disciplinary Information**

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events to disclose.

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

SCS IARs are Dually Registered persons of LPL Financial (“LPL”), a registered Broker/Dealer, member FINRA and SIPC. LPL Financial is a broker-dealer that is independently owned and operated and is not affiliated with SCS. Please refer to Item 12 for a discussion of the benefits SCS may receive from LPL Financial and the conflicts of interest associated with receipt of such benefits.

Clients may maintain multiple accounts with a representative, some of which are subject to an investment advisory relationship through SCS, while other accounts of the same client may operate under a brokerage relationship through LPL. When acting in an investment advisory capacity the representative has a fiduciary duty to the client. When acting in a brokerage capacity, the representative must act in the client’s best interest. SCS does not permit representatives to act as both advisory representative and brokerage representative for the same assets. Representatives must inform the client of the capacity in which they are acting. Clients are under no obligation to purchase or sell commissionable securities through their representative. However, if a client chooses to implement the recommendations through a brokerage account, or to implement insurance recommendations, commissions may be earned by registered representatives of LPL for brokerage transactions, or by licensed insurance agents for insurance purchases. Commissions may be higher or lower at LPL than at other broker/dealers. Representatives have a conflict of interest in recommending whether clients select a brokerage account or an advisory account; because SCS is only an investment advisor, the firm cannot share in brokerage commissions and would always benefit from its representatives recommending an advisory relationship, rather than a brokerage relationship. For the representative, though, either relationship may provide more compensation depending on various factors. More information about the difference between brokerage and advisory services is provided in the SCS and LPL Form ADV Part 3 disclosure documents. In using LPL, representatives have a conflict of interest. By having clients purchase securities and/or insurance related products through LPL, the representative generates higher production with LPL and has greater potential for obtaining a higher pay-out on commissions earned. Further, IARs may be restricted to only offering those products and services that have been reviewed and approved for offering to the public through LPL. The amount of time spent by each representative offering

securities products on a commission basis as a registered representative of LPL will vary. Some representatives may spend significantly more or less time offering commissionable products and services through LPL.

As discussed previously, certain associated persons of SCS are Registered Representatives of LPL Financial. As a result of this relationship, LPL Financial has access to confidential information (e.g., financial information, investment objectives, transactions and holdings) about SCS's clients, even if the client does not establish any account through LPL Financial. If you would like a copy of the LPL Financial privacy policy, please contact our Chief Compliance Officer at (425) 452-1222 ext. 441.

SCS advisory representatives may offer insurance products and services for which commissions will be paid. Clients are not required to accept the insurance recommendations made by their representative and are free to implement those recommendations through other licensed insurance producers not affiliated with SCS. SCS is a licensed insurance agency and its representatives are licensed insurance producers who are also appointed with various insurance companies. SCS and its representatives have a conflict of interest when recommending clients purchase insurance products since customary insurance commissions will be earned in addition to fees for advisory services. Clients are not obligated to purchase insurance products through SCS or its representatives.

None of the services offered by SCS are to be considered legal or accounting services.

As discussed below, SCS has adopted a Code of Ethics that requires SCS and its representatives to exercise its fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. SCS takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as SCS's policies and procedures.

### **Employee Benefits**

We offer an employee benefits consulting service to employers that is separate from our core investment advisory services and subject to additional fees. We assist clients with choosing or designing a benefits plan and offer ongoing support. The costs of these services are disclosed to clients who engage us; compensation includes commissions on medical and dental insurance and other products. We routinely recommend our employee benefits services for those advisory clients for whom it's appropriate. Clients are not required to make use of us for this service or to implement the recommendations made.

### **Relationships with Other Advisors**

Where we recommend another advisor (such as a wrap fee program sponsored by LPL), we receive a share of the overall compensation. We retain more of the overall fee when the other advisor's fees are lower which gives us an incentive to either manage assets ourselves (not recommend other advisors) or select third-party advisors with the lowest fees. This creates a conflict of interest in our selection of other advisors. See Item 4 and Item 5 for more information.

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

SCS has a fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. SCS takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as SCS's policies and procedures. Further, SCS strives to handle clients' non-public information in such a way to protect information from falling into hands that have no business reason to know such information and provides clients with SCS's Privacy Policy. As such, SCS maintains a Code of Ethics for its IARs, supervised persons and staff.

The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about client transactions. Further, SCS's Code of Ethics establishes SCS's expectation for business conduct.

SCS's Code of Ethics is distributed to each associate at the time of hire/contract, and, as the Code is modified. In addition, SCS requires an annual certification by all associates regarding their understanding and compliance with the Code of Ethics. SCS also supplements the Code with annual training and on-going monitoring of employee activity.

A copy of our Code of Ethics will be provided to any client or prospective client without charge upon request. You may contact our Chief Compliance Officer at (425) 452-1222 ext. 441.

### **Participation or Interest in Client Transactions**

Related persons of SCS (any advisory affiliate and any person that is under common control with SCS) may buy or sell securities identical to those securities recommended to clients. Therefore, related persons may have an interest or position in certain securities that are also recommended and bought or sold to clients. Related persons will not put their interests before a client's interest. Representatives may not trade ahead of their clients or trade in such a way to obtain a better price for themselves than for their clients. SCS is required to maintain a list of all securities holdings for its associated persons. Further, associated persons are prohibited from trading on non-public information or sharing such information. SCS and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

SCS has established the following restrictions in order to meet its fiduciary responsibilities:

- Representatives shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her affiliation with SCS, unless the information is also available to the investing public upon a reasonable inquiry. No person shall prefer his or her own interest to that of the advisory client.
- All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- SCS emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where third party advisory services are granted discretionary authority in the client's account.
- SCS requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

- Any individual not in compliance with the above are subject to disciplinary action.

**NOTE:**

- 1) This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of SCS's clients trade in sufficiently broad markets to permit transactions by clients to be completed without an appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above.
- 2) Open-end mutual funds and/or the investment sub-accounts which may comprise a variable life insurance product are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds and/or variable insurance products by IARs are not likely to have an impact on the prices of the fund shares in which clients invest and are therefore not prohibited by the SCS's investment policies and procedures.

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

## **Item 12 – Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

SCS recommends that clients utilize the custody, brokerage and clearing services of LPL Financial ("LPL") for investment management accounts. The final decision to custody assets with LPL is at the discretion of the client. SCS is independently owned and operated and not affiliated with LPL. Factors which SCS considers in recommending LPL or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service.

A primary reason SCS selected LPL is that the firm's advisory representatives are able to maintain their broker-dealer registrations with LPL while also providing advisory services through SCS ("Dually-Registered Persons"). The firm's Dually-Registered Persons were in most cases previously associated with LPL and continuing to use LPL provides us with operational and investment continuity. For example, it was much easier to establish SCS and leave client accounts in place with LPL than to transfer to a new custodian. Similarly, a number of our clients were previously invested using LPL programs and platforms. There are other broker-dealers the firm's Dually-Registered Persons could register with, as well as a number of other custodians who would not agree to hold the Dually-Registered Persons' broker-dealer registration. Our selection of LPL represents a significant conflict of interest in that continuing our relationship with LPL meets SCS's current financial and operational needs in ways a relationship with another custodian would not.

Our firm participates in the LPL institutional program. LPL Institutional is a division of LPL Financial member FINRA/SIPC. LPL Institutional is an independent and unaffiliated SEC-registered broker-dealer. LPL offers services to independent investment advisers which include custody of securities, trade execution, clearance, and settlement of transactions. LPL enables us to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. LPL does not charge client accounts separately for custodial services. LPL does have a standard transaction fee schedule that is higher than many of its competitors, who reduced the transaction

fees for equities and ETFs to zero in many cases. This is a part of the reason SCS chooses to pay these transaction costs on behalf of clients using the SWM II platform (see our separate wrap fee brochure). Client accounts will be charged transaction fees, commissions, or other fees on trades that are executed or settled into the client's custodial account.

Clients will sign a separate agreement with the selected broker-dealer/custodian that details the custodian's compensation. Typically, the custodian (but not SCS or the IAR) earns additional remuneration from such services as recordkeeping, administration, and platform fees, for the ETFs on their no-transaction fee lists. This additional revenue to the custodian will tend to increase the internal expenses of the ETF. The IAR selects investments based on the IAR's assessment of several factors, including liquidity, asset exposure, reasonable fees, effective management, and low execution cost. Where we choose a no-transaction fee ETF, it is because it has met our criteria in all applicable categories.

All custodians typically assess other fees and charges, in addition to any transaction-based charges that may apply, for services such as wire fees, retirement plan maintenance fees, transfer and termination fees, etc. They also earn money through cash management functions. We will continue to monitor the overall charges assessed to identify how the industry reduction in transaction charges affects other charges that may be less transparent to clients.

When you open an account with a custodian that is also a broker-dealer, and no prime brokerage arrangement exists, we place all orders with the custodial broker-dealer for execution, rather than make trade-by-trade routing decisions. LPL, like many other custodians, assesses a "trade-away" fee for transactions executed through other brokers and settled into the LPL custodial account. These trade-away fees typically make executing away from the custodian impractical because any potential price improvement is eliminated by the trade-away fee.

LPL may make certain research and brokerage services available at no additional cost to our firm. Research products and services provided by LPL may include: research reports on recommendations or other information about particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by LPL to our firm in the performance of our investment decision-making responsibilities. The aforementioned research and brokerage services qualify for the safe harbor exemption defined in Section 28(e) of the Securities Exchange Act of 1934.

LPL does not pay brokerage commissions generated by client transactions to SCS, but Dually-Registered Person can share in commissions. As discussed in Item 5, above, however, they do not earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through SCS.

The aforementioned research and brokerage services are used by our firm to manage accounts for which our firm has investment discretion. Without this arrangement, our firm might be compelled to purchase the same or similar services at our own expense.

LPL Financial also makes available to SCS other services intended to help SCS manage and further develop its business. Some of these services assist SCS to better monitor and service program accounts maintained at LPL Financial, however, many of these services benefit only SCS, for example, services that assist SCS in growing its business. These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-

related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by SCS in furtherance of the operation and development of its investment advisory business.

Where such services are provided by a third-party vendor, LPL Financial will either make a payment to SCS to cover the cost of such services, reimburse SCS for the cost associated with the services, or pay the third party vendor directly on behalf of SCS.

As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of LPL as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend LPL and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

Our clients may pay a transaction fee or commission to LPL that is higher than another qualified broker dealer might charge to effect the same transaction where our firm determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services provided to the client as a whole.

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. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions.

### **Soft Dollars**

We do not have any formal soft dollar arrangement in place, in which for example we direct brokerage to LPL and LPL pays for research on our behalf based on the amount of commissions we generate for LPL. We do, however, receive the benefits described above, including research products and services, simply by having LPL as our custodian. The research products and services obtained by our firm will generally be used to service all of our clients but not necessarily all at any one particular time. The availability of these services from LPL is not contingent on any commitment on our part with respect to brokerage commissions, loads, or transactions fees. The receipt of these services benefits us because we do not have to produce or purchase them. We have a conflict of interest if we recommend LPL to clients based on our interest in receiving these benefits rather than based on client interest in receiving the best value in custody services and/or the most favorable transaction execution. When recommending custodial broker-dealers to clients, however, we do so based on the scope, quality, and pricing of the broker-dealer's services independent of any benefits we may receive.

### **Client Brokerage Commissions**

LPL does not make client brokerage commissions generated by client transactions available for our firm's use.

### **Brokerage for Client Referrals**

Our firm does not receive client referrals for brokerage.

### **Directed Brokerage**

Because we execute investment transactions through the custodian holding the assets, we are effectively requiring that clients “direct” brokerage to the custodian, absent other specific instructions as discussed below. One of the reasons we do this is because custodial broker-dealers typically charge trade-away fees, in addition to whatever the executing broker charges. Because we are not choosing brokers on a trade-by-trade basis, however, we may not be able to achieve the most favorable executions for clients and this may ultimately cost clients more money. Not all investment advisers require directed brokerage. We do not use, recommend, or direct activity to brokers in exchange for client referrals.

Although not a typical business practice for us, we may permit clients to direct us to use brokers other than the custodian. If we agree to accommodate requests to do this, we will likely have little or no ability to negotiate commissions or influence execution price, and we will not cover the resulting transaction charges as we do with SWM II accounts at LPL. This may result in greater costs to clients.

### **Special Considerations for ERISA Clients**

A retirement or ERISA plan client may direct all or part of portfolio transactions for its account through a specific broker or dealer in order to obtain goods or services on behalf of the plan. Such direction is permitted provided that the goods and services provided are reasonable expenses of the plan incurred in the ordinary course of its business for which it otherwise would be obligated and empowered to pay. ERISA prohibits directed brokerage arrangements when the goods or services purchased are not for the exclusive benefit of the plan. Consequently, our firm will request that plan sponsors who direct plan brokerage provide us with a letter documenting that this arrangement will be for the exclusive benefit of the plan.

### **Aggregation of Purchase or Sale**

Our firm provides investment management services for various clients. There are occasions when portfolio transactions may be executed as part of concurrent authorizations to purchase or sell the same security for numerous accounts served by our firm, which involve accounts with similar investment objectives. Such concurrent authorizations potentially could be either advantageous or disadvantageous to any one or more accounts. When such concurrent authorizations occur, the objective is to allocate the executions in a manner which is deemed equitable to the accounts involved. In any given situation, our firm attempts to allocate trade executions in the most equitable manner possible, taking into consideration client objectives, current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation.

In general, because recommendations are initiated by the individual representative, not by the firm itself, transactions will not be aggregated across the firm. The representative may aggregate transactions across the representative’s client base where the representative believes it would be beneficial and result in overall price improvement. In many cases, however, investment decisions are made individually and transactions executed on an account by account basis. It is therefore likely that client trades will be executed at different prices for the same security. The firm monitors execution quality to confirm that its aggregation practices do not disadvantage clients.

### **Transition Assistance Benefits**

LPL Financial provides various benefits and payments to Dually Registered Persons that are new to the LPL Financial platform to assist the representative with the costs (including foregone revenues during account transition) associated with transitioning his or her business to the LPL Financial platform (collectively referred to as “Transition Assistance”). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Dually Registered Person’s business, satisfying any outstanding debt owed to the Dually Registered Person’s prior firm, offsetting account transfer fees (ACATs) payable to LPL Financial as a result of the Dually Registered Person’s clients transitioning to LPL Financial’s custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The amount of the Transition Assistance payments are often significant in relation to the overall revenue earned or compensation received by the Dually Registered Person at his or her prior firm. Such payments are generally based on the size of the Dually Registered Person’s business established at the prior firm and/or assets under custody on the LPL Financial platform. Please refer to the relevant Part 2B brochure supplement for more information about the specific Transition Payments your representative receives.

Transition Assistance payments and other benefits are provided to associated persons of SCS in their capacity as registered representatives of LPL Financial. However, the receipt of Transition Assistance by such Dually Registered Persons creates conflicts of interest relating to SCS’s advisory business because it creates a financial incentive for SCS’s representatives to recommend that its clients maintain their accounts with LPL Financial. In certain instances, the receipt of such benefits is dependent on a Dually Registered Person maintaining its clients’ assets with LPL Financial and therefore SCS has an incentive to recommend that clients maintain their account with LPL Financial in order to generate such benefits.

SCS attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial’s services based on the benefits that such services provide to our clients, rather than the Transition Assistance earned by any particular Dually Registered Person. SCS considers LPL Financial’s services provided, the quality of executions, research, commission rates, and overall brokerage relationship when recommending or requiring that clients maintain accounts with LPL Financial. However, clients should be aware of this conflict and take it into consideration in deciding whether to custody their assets in a brokerage account at LPL Financial.

### **Full Participating and Non-Participating Funds; ETF No Transaction Fee Network**

Full Participating mutual funds pay LPL (but not SCS) some level of compensation, such as 12b-1 fees, for services LPL provides to the funds, and tend to have higher expense ratios than Non-Participating Funds. LPL charges \$0 in transaction fees for Full Participating funds. Non-Participating fund are charged \$26.50. See Item 5 for the conflict this presents for SCS. Similarly, if an ETF is on LPL’s No Transaction Fee Network, that will be due to LPL receiving some form of compensation from the ETF sponsor, and they may tend to have higher expense ratios.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Since financial planning services terminate upon completion of the short-term consultation or special project, no reviews are performed. Clients can request a review and update of their financial situation at any time, but may be required to sign a new contract and may incur additional fees. Clients contracting for on-going financial planning services may request an update at no charge any time during the contract period.

SCS recommends that all clients have their financial situation reviewed and updated at least annually.

Asset management accounts are reviewed at least annually. Changes in the client's financial situation and/or changes in market conditions may trigger more frequent reviews.

SCS financial professionals review all client accounts.

### **Reports Provided to Clients**

Clients receive at least quarterly statements from the qualified custodian, but SCS does not provide regular written reports to clients concerning their accounts. The firm may provide reports to clients based on specific requests or needs; these reports are not a substitute for the qualified custodian's statement. We urge clients to compare any separate report we provide with the account statement and to notify us immediately of any discrepancy.

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

Our firm recommends LPL to clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice given to clients, although we receive economic benefits through our participation in the program that are typically not available to LPL retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our firm's participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. Some of the products and services made available by LPL through the program may benefit our firm but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at LPL. Other services made available by LPL are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to LPL. As part of our fiduciary duties to our clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of LPL for custody and brokerage services.

SCS may, via written arrangement, retain third parties to act as solicitors for SCS's investment management services. All compensation with respect to the foregoing will be fully disclosed to each client to the extent required by applicable law. SCS will ensure each solicitor is properly registered in all appropriate jurisdictions.

SCS has entered into an agreement with TriStar Marketing Group, Inc. ("TriStar") to contact prospects via phone, and other communication methods as agreed upon, to create interest in services provided by SCS. Compensation will be paid by SCS to TriStar for the list of prospected contacts, and the fee for referrals will be properly disclosed to any potential clients of SCS in accordance with the Agreement entered into between parties.

### **Item 15 – Custody**

All client assets are held with a qualified custodian. As disclosed in Item 5 of this brochure, we typically directly debit our fees from client accounts as authorized. As part of this billing process, the client's custodian is advised of the amount of our fee which the custodian then debits from the client's account. On at least a quarterly basis, the custodian will send an account statement to the client that shows all transactions in the account during the reporting period. It is important for clients to carefully review their custodial statements to verify the accuracy of their fee calculation, as well as the accuracy of transactions. Clients should contact us directly if they believe that there may have been an error in the calculation of their fee or any other information provided in their statement.

### **Item 16 – Investment Discretion**

Through its asset management services and upon receiving written authorization from a client, SCS will maintain trading authorization over client accounts. Upon receiving written authorization from the client, SCS may implement trades on a **discretionary** basis. When discretionary authority is granted, SCS will have the authority to determine the type of securities and the amount of securities that can be bought or sold without obtaining the client's consent for each transaction. However, it is the policy of SCS to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power granted to our firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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

SCS and its associated persons do not accept authority to vote any proxies on behalf of the firm's clients. Clients are responsible for all proxy voting. All proxies are directed to the clients at their address of record. In some instances, upon request from the client, SCS's associated persons may give recommendations or clarifications based upon their understanding of issues presented in the proxy voting materials. They may also conduct additional research on the issue if they feel it is necessary. However, the client is solely responsible for all proxy voting decisions.

## **Item 18 – Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. SCS has no adverse financial circumstances to report.