

Registered as, Spotlight Asset Group, Inc.



**SPOTLIGHT**  

---

**A S S E T   G R O U P**  
*Illuminate Your Options*

**Investment Adviser Brochure  
Form ADV Part 2A**

**2 Mid America Plaza, Suite 710  
Oakbrook Terrace, Illinois 60181  
[www.spotlightassetgroup.com](http://www.spotlightassetgroup.com)**

**May 04, 2020**

This brochure provides information about the qualifications and business practices of Spotlight Asset Group, Inc. ("Spotlight"). If you have any questions about the contents of this brochure, please contact us at 630-230-6840 or at [info@spotlightassetgroup.com](mailto:info@spotlightassetgroup.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. Spotlight is an SEC-registered investment adviser. Registration does not mean that the SEC, or any other agency, has sponsored, recommended, or approved an investment adviser. Being a registered investment adviser does not indicate that an investment adviser has attained a particular level of professional competence, education, or special training. Additional information about Spotlight is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**ITEM 2. MATERIAL CHANGES**

---

Registered Investment Advisers must identify and discuss any material changes.

There have been no material changes since the most recently filed version of this disclosure brochure dated February 06, 2020.

### **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 .....	4
ITEM 5	FEEs AND COMPENSATION .....	5
ITEM 6	PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT .....	8
ITEM 7	TYPES OF CLIENTS .....	8
ITEM 8	METHODS OF ANALYSIS, INVESTMENT STRATEGIES, & RISK OF LOSS .....	8
ITEM 9	DISCIPLINARY INFORMATION .....	14
ITEM 10	OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	14
ITEM 11	CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	14
ITEM 12	BROKERAGE PRACTICES .....	16
ITEM 13	REVIEW OF ACCOUNTS .....	18
ITEM 14	CLIENT REFERRALS AND OTHER COMPENSATION .....	19
ITEM 15	CUSTODY .....	19
ITEM 16	INVESTMENT DISCRETION .....	19
ITEM 17	VOTING CLIENT SECURITIES .....	20
ITEM 18	FINANCIAL INFORMATION .....	20

## **ITEM 4. ADVISORY BUSINESS**

---

Spotlight Asset Group was formed in December 2016 and commenced operations in the second quarter of 2017. Stephen A. Greco is the principal owner of the Firm.

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

Spotlight also offers advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focus on a client's overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals through investments, tax planning, estate planning (see below), asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his or her overall financial situation and help the client set financial objectives.

### ***Estate Planning***

Spotlight has established a partnership with Helios Integrated Planning. Helios Integrated Planning is a team of highly experienced estate planners and attorneys focused solely on working with Financial Advisors and their clients. Services include document production, including, but not limited to preparation of trusts and other documents that comprise of an estate plan. Such services are available by agreement. Helios Integrated Planning does not provide legal services.

### ***Types of Investments***

Spotlight provides investment advice on the following types of investments:

- Exchange-listed securities (*e.g.*, stocks)
- Securities traded over-the-counter (*e.g.*, stocks)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts (including on securities)
- Interests in partnerships investing in real estate
- Futures contracts
- Oil and gas interests
- Master Limited Partnerships (MLPs)
- Private placements
- Alternative investments

When providing portfolio management services, the Firm will typically construct each client's account holdings using bonds, equities, options, ETFs, and mutual funds to build diversified portfolios. It is not Spotlight's typical investment strategy to attempt to time the market, but we will increase cash holdings as deemed appropriate based on your risk tolerance and short- and long-term goals. We will also modify our investment strategy to accommodate special situations like: low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations. (Please refer to *Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* for more information.)

### ***Tailor Advisory Services to Individual Needs of Clients***

Our services are provided based on the individual needs of each client. This means, for example, that you are given the ability to impose reasonable restrictions on the accounts we manage for you, including specific investment selections and sectors. Spotlight works with each client on a one-on-one basis through interviews and questionnaires to determine the client's investment objectives and suitability information.

### ***Wrap Fee Programs***

Spotlight participates in a self-sponsored wrap fee program where we charge our clients a single fee based on the size of the account rather than directly upon transactions in a client's account. While our clients are responsible for their own custodial fees and will incur brokerage and other transaction costs for any trading positions and/or transactions in assets that are not recommended by Spotlight, the cost of trading positions and/or transactions that we recommend to clients is included in the wrap fee. At this time, all client accounts are in our wrap fee program and we do not currently offer any program other than our wrap fee program. Spotlight is the only portfolio manager for the wrap fee program and, therefore, we receive 100% of the wrap fee for our services. Please see our Wrap Fee Brochure (ADV Part 2A, Appendix 1) for more information.

### ***Assets Under Management***

As of December 31, 2019, Spotlight has \$403,700,735 million in assets under management, of which approximately \$319,430,093 million is managed on a discretionary basis and \$84,270,642 million is managed on a non-discretionary basis.

## **ITEM 5. FEES AND COMPENSATION**

---

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

Most clients receiving this brochure will be signing up for our private wealth management service, which can best be defined as giving continuous investment advice to a client and making investments for the client based on their individual needs. Through this service, we offer a highly customized investment program for each client, with a specific investment strategy crafted to focus on the specific client's goals and objectives.

We provide our private wealth management service through accounts maintained at a qualified custodian (please refer to Item 15 – Custody for more information). Qualified custodians include, but are not limited to, certain registered broker-dealers, certain banking institutions, and certain registered futures commission merchants. We are also able to manage retirement and variable annuity accounts held at select broker-dealers and qualified custodians, depending on availability. As a condition of this program, Spotlight will be granted discretionary trading authorization on the client's account. This enables us to move client funds among stocks, bonds, ETFs, mutual funds, or other investments at our discretion (please refer to *Item 16 – Investment Discretion* for more information).

You are always responsible for notifying us of any changes to your financial situation or investment objectives. We are always reasonably available to consult with you relative to the status of your accounts under our management. Your beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents your direct and beneficial interest in the securities which comprise your accounts. A separate account is always maintained for every client with the custodian and you retain all rights of ownership to your accounts (e.g., right to withdraw securities or cash, exercise or delegate proxy voting (although Spotlight does not accept proxy voting authority – see Item 17 – Voting Client Securities for more information), and receive transaction confirmations).

### ***Asset Management Fees***

Spotlight offers advisory services for a negotiable asset-based fee that is governed by the investment management agreement and based on the account value according to the following fee schedule:

<b>Spotlight Asset Group Management Fee Schedule</b>	
<b>Account Value</b>	<b>Fee</b>
Up to \$2,000,000	1.00%
\$2,000,000 - \$5,000,000	0.85%
\$5,000,000 - \$10,000,000	0.70%
\$10,000,000 - \$25,000,000	0.50%
Over \$25,000,000	0.40%

Clients may negotiate the fees they agree to pay. Spotlight calculates its management fee against all assets in the investment account (including the gross value of those assets held on margin in the client's account), unless specifically excluded. Therefore, fee calculations include balances invested in money market funds, short-term investment funds, ETFs, mutual funds, and all other investment holdings. The fees that our clients will pay us are provided for in the Agreements. All such fees, including asset-based fees and any other fixed, non-asset-based fees, typically are paid quarterly in advance. To the extent a client terminates the advisory contract before the end of the current billing period, the client will be entitled to a refund of the unearned prepaid fee on a pro-rata basis. Such refunded fee will be paid directly to the client's account as specified by the client or will be refunded as a cash payment.

Fees are generally deducted directly from a client's account by the custodian at the client's direction. When fees are deducted from your account, you will need to provide the custodian with written authorization to have fees deducted from the account and paid to Spotlight. The custodian will send client statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, if deducted directly from the account (please refer to Item 13 – Review of Accounts for more information regarding client statements).

### ***Other Fees and Expenses***

Additional fees and expenses for which a client is responsible are described in the Agreements. In addition to the fees charged by Spotlight, clients are responsible for their own custodial fees and will incur brokerage and other transaction costs for any trading positions and/or transactions in assets that are not recommended by Spotlight (please refer to the Item 12 – Brokerage Practices for more information). To the extent that clients' accounts are invested in mutual funds or ETFs, those funds pay a separate layer of management fees, trading, administrative, and other expenses which are described in each respective fund's offering documents (i.e., prospectus). If services are terminated during a quarter, fees due are pro-rated based on the period Spotlight managed the assets prior to termination. The date of termination will be included in the calculation of the final fee payment.

### ***Mutual Fund Share Class***

Certain mutual fund share classes charge a 12b-1 fee that generally amounts to an additional .25% expense ratio or more. The purpose of 12b-1 fees, as approved by the SEC, are to cover marketing expenses and shareholder services such as support services and "other expenses" such as legal, accounting and the administrative functions of the custodian. When selecting a mutual fund, Investment Advisor Representatives have a fiduciary duty to choose the share class that helps manage

the overall fee structure of the account. The entire fee structure includes such fees as the asset management fee, the expense ratio and ticket charges.

- Mutual funds typically offer multiple share classes, including lower-cost share classes that do not charge 12b-1 fees and are therefore usually less expensive.
- Investment Advisor Representatives will consider investing client funds in 12b-1 fee-paying share classes even when a lower-cost share class is available as appropriate to account for the overall fee structure and tax considerations as well as attributes of a fund not available for lesser fees.

### ***Compensation for Sale of Securities or Other Investment Products.***

Two of our supervised persons, Aaron Kirsch and Lance Peters, sell certain insurance products (including but not limited to fixed annuities, fixed index annuities, variable universal life policies, and disability policies) to individuals, and directly and/or indirectly benefit from commission compensation relating to such sales.

Mr. Kirsch's and Mr. Peters' insurance-related business activities pose conflicts of interest for them because they are managing client accounts at the same time they are selling insurance products and, therefore, they have an incentive to favor insurance products over securities as investments for clients because they, directly or indirectly, receive a benefit as a result of such investment decisions.

In such situations, we have instructed Mr. Kirsch and Mr. Peters to discuss these conflicts, be they actual or perceived, upfront with each one of their clients so that they can understand the conflicts and give informed consent to such conflicts or reject them. Clients have the option to purchase such products recommended by Mr. Kirsch, Mr. Peters, or other Spotlight employees through other brokers or agents that are not affiliated with Spotlight or its supervised persons. There is no business relationship between Spotlight and any of the insurance companies with which Mr. Kirsch or Mr. Peters do business.

Other than as described in the preceding paragraph, neither we nor any of our "supervised persons" accepts any other compensation for the sale of securities or other investment products.

### ***Financial Planning Provided Under Portfolio Management Services***

For some clients, we provide financial planning services under several formats at the client's direction. For clients that have at least \$500,000 under our management, we offer comprehensive financial planning, included as part of the annual percentage-based fee for portfolio management services. We will consider waiving the \$500,000 minimum on a case-by-case basis.

The financial planning services we provide may be specific or modular in their preparation (unique to each client in their depth of preparation). Topics included as part of the financial planning services may include, but are not necessarily limited to, the following:

- Organization and Assessment
- Retirement planning
- Education planning
- Long-term care
- Insurance planning
- Debt management
- Investments
- Tax planning

- Estate planning
- Life events

We interview and consult with a client to assess their personal financial situation, define their objectives, and analyze their financial documentation. We then review the client's assets and liabilities, investment portfolio, retirement plan, education plan, risk management plan, risk tolerance, and estate plan, as well as other areas relevant to the client's financial health. We then provide a written or non-written executive summary, highlighting the plan of action.

We meet with a client to explain the proposed financial plan and our recommendations. Furthermore, we are available to work with the client throughout the year to implement their plan. The plan is updated annually to take into account changes in the client's financial situation as well as changes in the markets, tax laws, estate planning laws, and other areas (Spotlight does not provide legal advice.). The client is ultimately responsible for communicating changes in circumstances to Spotlight so that we can provide the most accurate advice and counsel possible. Our wealth managers are available year-round to assist with the implementation of the plan and to answer any client questions, but the client is ultimately responsible for the implementation or rejection of our recommendations. This means that a client is never obligated or required to implement our recommendations.

---

#### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

---

Spotlight does not charge performance-based fees for its investment advisory services. The fees charged by the firm are as described in "Item 5 – Fees and Compensation" above and are not based upon the capital appreciation of the funds or securities held by any Client.

Spotlight does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund). It has no financial incentive to recommend or implement any particular investment options to its Clients.

---

#### **ITEM 7. TYPES OF CLIENTS**

---

Spotlight provides portfolio management services to individuals as well as businesses, corporations, and other entities.

The minimum amount for establishing an account is generally \$500,000.00, although initial account sizes of a lesser amount may be accepted at the Firm's discretion.

---

#### **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, & RISK OF LOSS**

---

Spotlight uses the following methods of analysis in formulating investment advice for clients:

##### **Cyclical**

Analyzes investments that are 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.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom



of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

### **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 the company). 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.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

Spotlight uses the following investment strategies when managing client assets and/or providing investment advice.

- Long-Term Purchases – Investments held for at least one year.
- Short-Term Purchases – Investments sold within one year.
- Trading – Investments sold within 30 days.
- Margin Transactions – When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Spotlight.
- Option Writing (Selling) and Holding (Buying) – including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

### ***Risk Factors***

can be no assurance that Spotlight will be able to choose, or that Spotlight will be able to make and/or realize, any particular investment or will be able to generate returns for their clients. Investing in securities involves a risk of loss that our clients should be prepared to bear.

- **General Investment Risk** – The value of the securities in which Spotlight invests on behalf of its clients may be volatile. Price movements may result from factors affecting individual companies, sectors or industries that may influence certain strategies or the securities market. Furthermore, a client will be subject to the risk that inflation, economic recession, changes in the general level of interest rates, or other market conditions over which Spotlight will

have no control may adversely affect investment results. Because of the inherent risk of loss associated with investing, Spotlight 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.

- **Active Risk** – A portfolio that employs active management strategies may, at times, outperform or underperform various benchmarks. To generate alpha, active portfolio management may require more frequent trading. This may result in shorter holding periods, higher transactional costs, and/or taxable events, thereby potentially reducing the client's return.
- **Equity (stock) Market Risk** – Common stocks are susceptible to general market fluctuations and volatile increases and decreases in value as market confidence in and perceptions of 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** – The financial uncertainty faced by an investor who holds securities in a specific firm. Company risk can be mitigated through diversification; by purchasing securities in additional companies and uncorrelated assets, investors can limit a portfolio's exposure to the ups and downs of a single company's performance.
- **Fixed Income Risk** – When investing in bonds, there is the risk that the 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.
- **Interest Rates and Prices; Correction Risks** – The price of a debt security generally moves in the opposite direction from interest rates (i.e., if interest rates go up, the value of the bond will go down, and vice versa). In general, securities with longer maturities are more sensitive to these price changes. Additionally, the prices of high yield, fixed-income securities fluctuate more than high quality debt securities. Prices are especially sensitive to developments affecting the company's business and to changes in the ratings assigned by rating agencies. Prices often are closely linked with the company's stock prices and typically rise and fall in response to factors that affect stock prices. In addition, the entire high-yield securities market can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sustained sales by major investors, a high-profile default, or other factors. Over the last several years, interest rates have been at historically low levels. More recently, interest rates have started to rise as changes in government policy have started to take effect. This correction to interest rates could have a materially negative impact on prices and a client's account, which could be substantial if the duration levels, if any, of the client's account are high. See also "Fixed Income Markets Volatility and Other Risks" below.
- **Fixed Income Markets Volatility and Other Risks** – Fixed income markets have experienced increased volatility during certain recent periods as investors have considered the effects of a tapering of the Federal Reserve Board's quantitative easing program and a general rise in interest rates. While volatility in the fixed income markets has subsided at times, such volatility, together with changes in bond market size and structure, are reminders of the possibility of volatility and other risks such as increased redemptions from the Fund, in particular as the Federal Reserve Board moves away from both quantitative easing and the period of near zero interest rates that had persisted for the past several years.
- **Short-Term Investments and Trading Risk; Portfolio Turnover** – The Firm intends to

purchase or sell short a given security for a client account whenever it believes the transaction will contribute to the client's stated objective, even if the same security has only recently been traded. Similarly, a security position may be liquidated regardless of its holding period, whether the liquidation is at a gain or at a loss. It is generally not possible to estimate the rate of turnover and any portfolio turnover may, but is currently not expected to, be significant. Turnover may lead to realization of taxable gains for client accounts and increased brokerage and other transaction costs borne by clients. Positions in securities may be held for very short periods, even as little as a portion of one day. Any such turnover may increase transaction costs and lead to realization of taxable gain. A client account may engage in short-term trading in connection with its IPO investments, which could produce higher trading costs and adverse tax consequences.

- **Margin Transaction Risk** – A client account may use short-term margin borrowings in purchasing securities (including, but not limited to, swaps, commodities, derivatives, or other instruments purchased for speculative, leveraging, hedging, and/or performance enhancing purposes). In general, the use of short-term margin borrowings, if any, results in certain additional risks. For example, should the securities pledged to brokers to secure margin accounts decline in value, the client's account could be subject to a "margin call," pursuant to which it must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value, which could require the liquidation of Fund assets at inopportune times. Furthermore, in the event of a sudden precipitous drop in the value of its assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

A client account's margin provider will have a lien over the assets of the account that are deposited with the margin provider as collateral. In the event of the insolvency of the margin provider, those assets may become available to the creditors of the margin provider. The insolvency of the margin provider could seriously damage the client's account, as assets of the account which are deposited with the margin provider as margin will become available to the creditors of the margin provider.

When a client account purchases an option in the United States, there is no margin requirement because the option premium is paid for in full. The premiums for certain options traded on foreign exchanges may be paid for on margin. The margin requirements imposed on the writing of options, although adjusted to reflect the probability that out-of-the money options will not be exercised, can in fact be higher than those imposed in dealing in the securities markets directly. Whether any margin deposit will be required for over-the-counter ("OTC") options will depend on the credit determinations and agreement of the parties to the transaction.

- **Options Risk** – Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and may entail greater than ordinary investment risks.

The seller ("writer") of a put option which is covered (*i.e.*, the writer has a short position in the underlying security, currency, or commodity) assumes the risk of an increase in the market price of the underlying security, currency, or commodity above the sales price (in establishing the short position) of the underlying security, currency, or commodity plus the premium received, and gives up the opportunity for gain on the underlying security, currency, or commodity below the exercise price of the option. If the seller of the put option owns a put option covering an equivalent number of shares with an exercise price equal to or greater than

the exercise price of the put written, the position is “fully hedged” if the option owned expires at the same time as or later than the option written. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security, currency or commodity below the exercise price of the option. The buyer of a put option assumes the risk of losing his, her or its entire investment in the put option. If the buyer of the put holds the underlying security, currency, or commodity, the loss on the put will be offset in whole or in part by any gain on the underlying security, currency or commodity.

The seller (“writer”) of a call option which is covered (*i.e.*, the writer holds the underlying security, currency or commodity) assumes the risk of a decline in the market price of the underlying security, currency or commodity below the purchase price of the underlying security, currency or commodity less the premium received, and gives up the opportunity for gain on the underlying security, currency, or commodity above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security, currency, or commodity above the exercise price of the option. The buyer of a call option assumes the risk of losing his, her, or its entire investment in the call option. If the buyer of the call sells short the underlying security, currency, or commodity, the loss on the call will be offset, in whole or in part, by any gain on the short sale of the underlying security, currency, or commodity.

- **Derivatives** – Spotlight’s investment strategy may cause a client to be exposed to derivatives including instruments and contracts whose value is linked to one or more underlying securities, financial benchmarks or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, index, currency or interest rate at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset.
- **Settlement Risks** – Spotlight’s investment strategies may expose a client to the credit risk of parties with whom Spotlight trades (on behalf of the client or the underlying funds) and to the risk of settlement default. Problems of settlement in these markets may affect the net asset value and liquidity of a client’s portfolio or investments in such portfolios. In addition, unlike taking long positions where the risk of loss generally is limited to the value of the investment in the security, the risk of loss of a short position is theoretically unlimited because short positions lose money as the price of the underlying security increases.
- **Short Selling** – Spotlight typically will not directly engage in short selling in client accounts. However, Spotlight may invest in funds and other securities on behalf of its clients that may sell securities of an issuer short. Short selling by a fund manager can significantly impact the value and volatility of a fund held in a client’s account.
- **Master Limited Partnership (MLP) Risk** – MLPs 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. MLPs also face unique risks specific to energy prices, inflation/deflation, regulatory action, interest rate fluctuations and ease of access to capital markets.
- **Financial Risk** – The possibility that shareholders will lose money when they invest in a company that has debt if the company’s cash flow proves inadequate to meet its financial obligations. When a company uses debt financing, its creditors are repaid before its shareholders if the company becomes insolvent. Financial risk also refers to the possibility of

a corporation or government defaulting on its bonds, which would cause those bondholders to lose money.

- **Investment Concentration** – Some client accounts may have a high concentration in one sector, industry, issuer or security that may subject such accounts to greater risk of loss in the event such investments decrease in value or are subject to general or specific negative economic events.
- **Management Risk** – Your investment with Spotlight varies with the success or failure of our investment strategies, research, analysis, and determination of portfolio securities. Poor asset selection or focus in a particular sector, category, or group of issuers may cause a client's account to underperform relevant benchmarks or other funds with a similar investment objective. Our investment strategies may not produce the expected returns, and the value of a client's investment account may decrease.
- **No Assurance of Investment Return** – This risk relates to Management Risk. The Firm cannot provide assurances that it will be able to choose, make, and realize investments in any particular company or portfolio of companies or securities or instruments thereof. There can be no assurance that a client's account will be able to generate returns or that the returns will be commensurate with the risks of investing in the type of companies and transactions described herein. Past performance of the Firm or its personnel provides no assurance of future success.
- **ETF Risks, including Net Asset Valuations and Tracking Error** – ETFs are purchased and sold based on their market prices, not their asset value. The market value of ETF shares may differ from their net asset value. This difference in price may be due to the fact that the supply and demand in the market for the ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF share trades at a premium or discount to its net asset value. ETFs in which a client invests will not be able to replicate exactly the performance of the indices they track because the total return generated by the securities will be reduced by transaction costs incurred in adjusting the actual balance of the securities. In addition, the ETFs will incur expenses not incurred by their applicable indices. Certain securities comprising the indices tracked by the ETFs may, from time to time, temporarily be unavailable, which may further impede the ETF's ability to track their applicable indices.
- **Mutual Fund Risks** – “Mutual funds” typically refers to registered open-end investment companies that invest in a portfolio of underlying securities, and shares of mutual funds are priced at the fund's respective net asset value. Some mutual funds concentrate their investments in specific industries, securities, or geographic locations (or a combination thereof) while others do not. Investment decisions made for the mutual funds in which the Firm invests are made by the unaffiliated investment advisers of the underlying mutual funds, and such decisions are made independent of the Firm's input. There is no guaranty that the mutual funds in which the Firm invests client assets will achieve their stated investment objectives or result in a positive return to clients. Further, as with ETFs, mutual funds incur fees and expenses (such as brokerage commissions, management fees, etc.), and such fees and expenses will reduce the overall performance of the mutual funds that incur them.
- **Tax Harvesting Risk** – One trading strategy employed in client accounts is tax harvesting. The intent of this trade is to sell an ETF or mutual fund at a taxable loss and replace that

position with a holding whose historical performance and expected future performance are similar, thereby having little impact on the overall strategic allocation, but capturing the tax loss. Because past performance is no indication of future performance, there is potential for the future performance of the replacement position to deviate from that of the initial holding. This type of strategy may also incur an increase in the frequency of trading and amount of transaction costs.

- **General Economic and Market Conditions** – The success of our clients' investment activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, oil prices, economic uncertainty, changes in laws, trade barriers, currency exchange controls, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of our clients' investments. Such volatility or illiquidity could impair our clients' profitability or result in losses.
- **Extraordinary Events** – Terrorism and the United States' involvement in armed conflict may negatively affect general economic fortunes, including sales, profits, and production. An unstable geopolitical climate and continued threats of terrorism and war could have a material effect on general economic conditions, market conditions, and market liquidity (i.e. depressed securities prices and problems with trading facilities and infrastructure). Additionally, a serious pandemic or natural disaster could severely disrupt the global, national, and/or regional economies. A resulting negative impact on economic fundamentals and consumer confidence may increase the risk of default of particular companies and negatively impact our clients.

## **ITEM 9. DISCIPLINARY INFORMATION**

---

Spotlight is required to disclose if there are any legal or disciplinary events that are material to a client's or prospective client's evaluation of the advisory business or the integrity of management.

There is no such information to disclose.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

---

As more fully described in Item 5., above, Mr. Kirsch and Mr. Peters, who are supervised persons, engage in insurance-related activities through which they act as insurance agents and have relationships with certain insurance companies. Neither Spotlight nor its management or supervised persons have any other financial industry activities or affiliations for which disclosure is required.

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

---

### ***Code of Ethics***

Our Code of Ethics (the "Code") is documented in our Regulatory Compliance Manual ("Manual"), a copy of which (and any amendments thereto) is provided to each employee. All Covered Persons must certify that he or she has read, understands, and agrees to comply with our Manual and the Code. Furthermore, each Access Person must certify annually that he or she has complied with the Manual. We also hold periodic compliance training sessions and attendance at such sessions is mandatory for all employees.

Our Manual requires all of our employees to: conduct themselves with integrity and dignity and act in an ethical manner in all dealings on our behalf; act with competence and strive to maintain and improve their competence; use reasonable care and exercise independent professional judgment in

the execution of their professional duties; avoid actions or relationships that might conflict, or appear to conflict, with job responsibilities or the interests of Spotlight and our clients; and comply with all applicable federal securities laws. As a fiduciary, Spotlight will act in its advisory clients' best interests.

The Code of Ethics requires all of our Access Persons to notify us of all of their securities holdings and accounts and submit to us, within 30 days after the end of each calendar quarter, securities transaction reports identifying subject securities purchased and sold during such quarter. At least quarterly, we review the employee securities transaction reports as well as brokerage and adviser statements to determine compliance with our reporting procedures. Furthermore, we require that each Access Person annually disclose their holdings. Our Code also requires that Access Persons obtain our approval before investing in any initial public offering of securities or in any private placement of securities.

A copy of our Code of Ethics will be provided to any client or prospective client upon request.

### ***Conflicts of Interest***

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

Spotlight does not currently enter into performance-based fee arrangements with its clients. Should we be entitled to performance fees with respect to a future client account, that would incentivize us to make more speculative investments than would be the case in the absence of such a performance fee arrangement. Although we don't presently have any such arrangements and don't expect to in the near future, we seek to minimize and address any such conflicts by managing each client's account in accordance with the investment objectives and limitations outlined in their Agreement with us, irrespective of the client's fee structure or arrangement.

Spotlight does not engage in principal transactions, as defined by Section 206(3) of the Advisers Act, with client accounts.

#### **Promissory Notes**

Our CEO, Stephen Greco, and the Company have issued promissory notes and sold shares of Company stock to clients, as follows:

- Promissory notes issued by Stephen Greco, CEO, backed by his equity in the Company – 2 clients
- Promissory notes issued by Stephen Greco, CEO, not backed by his equity in the Company – 2 clients
- Promissory notes issued by the Company to existing shareholders (one is a member of the Board of Directors) – 2 clients
- Shares of stock sold by the Company – 1 client
- Shares of stock sold by an existing shareholder or Stephen Greco, CEO – 3 clients

Viewing Section 206(3) of the Adviser's Act broadly, these transactions may be considered principal transactions because they involve notes, which are typically considered securities, and stock being sold to a client, in part, for the Firm's benefit. Therefore, Spotlight disclosed to the clients that the transactions pose a conflict between the clients' interests and those of the Firm, specifically that the Firm or its employees might be inclined, consciously or unconsciously, to render advice that is not disinterested. To further mitigate this conflict we, among other things, implemented written policies and procedures designed to mitigate the impact of the transactions and their attendant conflicts on our management of client accounts. Clients or prospective clients who have questions about these transactions are encouraged to contact us.

#### **Allocation of Co-Investment Opportunities**

Employees of Spotlight and their family members are expected, but not required, to have accounts

(collectively, “Employee Accounts”) that invest in the same securities that are recommended to clients. Such a practice, including if Employee Accounts were managed by Spotlight, presents inherent conflicts of interest, such as employees and/or certain of their family members: (1) trading before clients (i.e., front-running), and/or (2) receiving a better allocation or price than clients. To address and mitigate (potential) conflicts of interest associated with personal trading, should they arise in the future, Spotlight has developed written policies and procedures to help ensure that Employee Accounts are not favored over other client accounts. When investing in the same securities, Employee Accounts would be expected to generally transact in securities alongside client accounts, receive the average price that clients pay for securities transactions, and pay their share of transaction costs. In the event that an aggregated order including both Employee Accounts and client accounts is only partially filled, the participating accounts will receive a *pro rata* allocation. In certain instances (e.g., new accounts, terminating accounts, add-on capital, partial withdrawals), Spotlight may purchase or sell securities for Employee Accounts when other client accounts are not purchasing or selling the same security. Employee Accounts are not expected to receive a more advantageous price than client accounts for a particular security purchased or sold on the same trading day.

In addition, employees should not purchase or sell individual securities held in Spotlight’s investment strategy unless it is through an Employee Account managed by Spotlight, or in limited circumstances, if the transaction is pre-cleared by the CCO. The CCO monitors employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

Under certain circumstances, an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming more suitable for clients, but the CCO might not allow the security to be purchased for client accounts in order to avoid even the appearance of employees trading ahead of clients. In Spotlight’s experience, it is rare for an employee’s personal trading to limit clients’ investment opportunities, but such a situation may arise from time to time.

#### Cross Transactions

As neither we nor any of our affiliates is registered as a broker-dealer, we do not engage in agency cross transactions.

## **ITEM 12. BROKERAGE PRACTICES**

---

Spotlight requests that clients establish brokerage accounts with Fidelity Brokerage Services, LLC (“Fidelity”), for brokerage services and direct the Firm to execute securities transactions through Fidelity, referred to as the “Recommended Broker”. Although Spotlight requests that clients establish accounts at the Recommended Broker, it is the client’s decision to custody assets at, and have the client’s trades executed through, the Recommended Broker. Spotlight has a limited number of clients that custody their assets at a broker other than the Recommended Broker (collectively, the Recommended Broker and such other brokers (if any) are referred to as “Brokers” and each a “Broker”). In the event a client is unable or unwilling to select the Recommended Broker as their Broker, Spotlight may, in its discretion, accommodate a client’s request to establish a brokerage account(s) with another Broker. Spotlight advises clients and prospective clients that not all advisers recommend, request, or require their clients to direct brokerage. By directing brokerage, Spotlight may be unable to achieve the most favorable execution of client transactions and this practice may cost clients more money. For example, in a directed brokerage account the client may pay higher brokerage commissions because Spotlight may not be able to aggregate orders to reduce transaction costs or the client may receive less favorable prices. Spotlight is independently-owned and operated and not affiliated with any Broker, including the Recommended Broker. Spotlight does not receive any compensation from, or with respect to, the Brokers that clients choose or that Spotlight recommends to clients, and it is the Firm’s policy not to make any Broker recommendations on the



basis of any compensation for client referrals.

Spotlight places trades for client accounts subject to its fiduciary duties, including the duty to seek best execution, where applicable, for clients' securities transactions. In non-directed brokerage accounts, service, execution quality, capabilities, and responsiveness are the primary factors considered in Spotlight's recommendation or selection of a Broker, and in determining the reasonableness of Broker compensation, although other factors may be considered. Spotlight may at times have authority to use broker-dealers other than the Recommended Brokers to execute trades for client accounts maintained at the Recommended Brokers, but this practice may result in additional costs to clients. Therefore, Spotlight is more likely to place trades for accounts custodied at the Recommended Brokers through the Recommended Brokers rather than other broker-dealers.

Spotlight, pursuant to the terms of its Agreements with current clients, has agreed to (but may choose not to do so in the future) pay the brokerage commissions arising out of the securities transactions in its clients' accounts that are recommended or conducted by Spotlight. Spotlight has accepted no obligation to, and typically does not, pay the trading, brokerage, or any other expenses incurred by its clients' accounts relating to transactions that are not recommended or conducted by Spotlight. Spotlight anticipates that client brokerage costs in Spotlight's client accounts will be reconciled with the applicable Broker quarterly, and client accounts will be credited the brokerage commissions arising out of the securities transactions that are advised and conducted by Spotlight on a quarterly basis.

Spotlight does not maintain formal soft dollar arrangements with Brokers. Brokers can provide Spotlight with access to institutional trading and operations services including software and other technology not typically available to their retail customers. In some cases such services made available to Spotlight according to a pricing schedule based upon the amount of client assets in accounts at these Brokers within a specified period of time, in other cases such services are be made available at no charge to Spotlight. Access to these services is not based on client commissions paid to the Brokers.

Brokers can also make available to Spotlight other products and services that benefit Spotlight but may not benefit its clients' accounts. These benefits may include national, regional, or Spotlight-specific educational events organized and/or sponsored by certain Brokers. In some cases, other benefits can include occasional business entertainment of Spotlight personnel by a Broker's personnel, including meals, invitations to sporting events (including golf tournaments), and other forms of entertainment, some of which may accompany educational opportunities.

Other products and services that assist Spotlight in managing and administering clients' accounts, including: access to client account data (such as trade confirmations and account statements); facilitation of trade execution (and allocation of aggregated trade orders for multiple client accounts); the provision of research, pricing information, and other market data; facilitating payment of Spotlight's fees from its clients' accounts; and assistance with back-office training and support functions, recordkeeping, and client reporting. Many of these services are generally used to service all or some substantial number of Spotlight's accounts, including accounts not maintained at the Recommended Brokers. Brokers can also make available to Spotlight certain other services intended to help Spotlight manage and further develop its business enterprise, including professional compliance, legal, and business consulting as well as publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance, and marketing. In addition, Brokers may make available, arrange, and/or pay vendors for these types of services rendered to Spotlight by independent third parties.

Certain Brokers discount or waive fees it would otherwise charge for some of these services or pay all

or a part of the fees of a third-party providing these services to Spotlight.

While, as a fiduciary, Spotlight endeavors to act in its clients' best interests, Spotlight's recommendation that clients maintain their assets in accounts at the Recommended Broker is based, in part, on the benefit to Spotlight of the availability of some of the foregoing products and services and other arrangements, and not solely on the nature, cost, or quality of custody and brokerage services provided by the Recommended Broker which create a conflict of interest. To mitigate potential conflicts, Spotlight conducts a periodic best execution review that includes an assessment of the pricing and services received from the Brokers.

Spotlight's policy is to treat all clients fairly and equitably with respect to the aggregation and allocation of orders. With limited exceptions, to the extent that clients have directed the Firm to use the same Broker, Spotlight generally aggregates orders for client accounts for trade execution with the same Broker. When orders are aggregated, each participating account will be allocated securities on an average price basis and pay their share of transaction costs. Instances in which client account orders may not be aggregated include, but are not limited to, the following:

- Client imposed investment guidelines, mandates and/or restrictions do not allow for participation in an order;
- A client has directed Spotlight to use a Broker other than the one selected by the other clients in the proposed aggregated trade;
- Different position target levels and/or different ownership percentage respective to targeted levels;
- The timing of actual or anticipated capital additions or withdrawals by clients; and
- Spotlight decides not to aggregate an order or orders because of tax, legal, regulatory, market conditions, or administrative reasons.

Spotlight generally takes into consideration varying position target levels and ownership between accounts to allocate partially-filled orders and will generally seek to complete any unfilled orders on the next trading day. In circumstances where all participating accounts have the same target level and ownership in the security being traded, Spotlight will seek to allocate participating accounts with a *pro rata* average priced allocation. A partial fill order that is fully filled over multiple days may result in multiple transaction charges; Spotlight, however, expects partial fill orders to occur from time to time, and such orders should not have a material effect on clients' account performance.

Notwithstanding the foregoing discussion, Spotlight can purchase or sell securities for client accounts when other client accounts are not purchasing or selling the same security.

### **ITEM 13. REVIEW OF ACCOUNTS**

---

We monitor and review client portfolios on an ongoing basis. In addition, the Firm reviews all trade transactions to ensure such transactions have been executed properly and correctly recorded into client accounts. Spotlight regularly reviews all client accounts to assess position sizes, the level of cash holdings, portfolio composition, and client specific developments. Client capital contributions, withdrawals, and company or stock specific events may trigger additional reviews of client accounts.

The qualified custodian will provide, on at least a quarterly basis, written custodian statements that report investment activity and holdings of their accounts. Additionally, Spotlight will send separate investment reports to clients on a quarterly basis as determined by each client and the Firm.

Spotlight's wealth managers are available to clients for consultation and, at least annually, Spotlight will contact each client with a request to notify the firm if their financial situation or investment objectives have changed, and whether the client wishes to request, modify, or eliminate any reasonable investment guidelines, mandates, or restrictions on their account(s).

Comprehensive financial planning is included as part of the Spotlight's financial planning services. The financial plan includes a net worth statement, retirement projections, education projections, asset allocation analysis and recommendations, diversification recommendations, a risk tolerance assessment, a risk management review, an estate planning review, as well as additional issues. Spotlight reviews a client's financial situation in detail. Similar to reviews of investment management accounts, your investment adviser representative is the primary person responsible for preparing and updating financial plans but may seek the assistance of other advisory personnel when needed. You can call, e-mail or schedule in-person meetings with your investment adviser representative as often as needed.

---

**ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

---

At this time, no third-party provides economic benefit to Spotlight in connection with Spotlight's investment advisory services to its clients and Spotlight does not compensate any person who is not a supervised person for client referrals.

---

**ITEM 15. CUSTODY**

---

Spotlight does not accept custody of client funds or securities. All clients are required to engage a third party to serve as the custodian for its accounts. Client accounts primarily are expected to be (but are not required to be) custodied with the Recommended Brokers, unless a client makes specific arrangements otherwise. Spotlight receives certain benefits by virtue of its clients engaging the Recommended Broker as their custodian, such as the payment of certain legal or other operational expenses of Spotlight, which creates an apparent conflict of interest. However, such accommodations are made available to Spotlight solely based upon the amount of client assets in accounts at the Recommended Brokers within a specified period of time, and expressly are not based on client commissions or other expenses paid to the Recommended Brokers in connection with the execution of securities transactions through the Recommended Brokers. Further, clients are entitled to establish their custodial account with the custodian of their choosing.

Spotlight is authorized to give instructions to the custodian with respect to all investment decisions regarding client accounts, but Spotlight will not have authority to direct the transfer of any securities and/or funds away from the client's accounts.

---

**ITEM 16. INVESTMENT DISCRETION**

---

Upon receiving written authorization from the client in the Agreement, Spotlight provides discretionary investment advisory services for client accounts. When discretionary authority is granted, Spotlight will have the authority to determine the type of securities and the amount of securities that can be bought or sold for the client portfolio without obtaining the client's consent for each transaction.

In very limited situations, a client may be allowed to grant trading authorization on a non-discretionary basis. In these cases, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- the security being recommended;
- the number of shares or units; and
- whether to buy or sell.

Once the above factors are agreed upon, Spotlight will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

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 Agreement.

#### **ITEM 17. VOTING CLIENT SECURITIES**

---

Spotlight does not vote proxy on behalf of clients. It shall be the client's ultimate responsibility to select and make all proxy voting decisions. While there are some investment advisers that will vote proxies and other corporate decisions on behalf of their clients, Spotlight has determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by Spotlight.

Clients will receive proxies or other solicitations directly from their custodian or transfer agent and such documents will not be delivered by Spotlight. Although Spotlight does not vote client proxies, we encourage clients to contact us if they have questions about a particular proxy.

#### **ITEM 18. FINANCIAL INFORMATION**

---

On April 15<sup>th</sup>, 2020 the firm received a Paycheck Protection Plan Loan (PPP) through the Small Business Administration in conjunction with the relief afforded from the CARES [Act]. The firm used the PPP to continue payroll for the firm and the firm did not suffer any interruption of service.

Registered as, Spotlight Asset Group, Inc.



Wrap Fee Program Brochure Form ADV Part 2A, Appendix 1

2 Mid America Plaza, Suite 710  
Oakbrook Terrace, Illinois 60181  
[www.spotlightassetgroup.com](http://www.spotlightassetgroup.com)

May 04, 2020

This wrap fee program brochure provides information about the qualifications and business practices of Spotlight Asset Group, Inc. ("Spotlight"). If you have any questions about the contents of this brochure, please contact us at 630-230-6840 or at [info@spotlightassetgroup.com](mailto:info@spotlightassetgroup.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. Spotlight is an SEC-registered investment adviser. Registration does not mean that the SEC, or any other agency, has sponsored, recommended, or approved an investment adviser. Being a registered investment adviser does not indicate that an investment adviser has attained a particular level of professional competence, education, or special training. Additional information about Spotlight is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**ITEM 2. MATERIAL CHANGES**

---

Registered Investment Advisers must identify and discuss any material changes.

There have been no material changes since the most recently filed version of this disclosure brochure dated February 06, 2020.

### **ITEM 3. TABLE OF CONTENTS**

---

ITEM 1.	COVER PAGE.....	21
ITEM 2.	MATERIAL CHANGES.....	22
ITEM 3.	TABLE OF CONTENTS.....	23
ITEM 4.	SERVICES, FEES, AND COMPENSATION .....	24
ITEM 5.	ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS.....	25
ITEM 6.	PORTFOLIO MANAGER SELECTION AND EVALUATION.....	25
ITEM 7.	CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS.....	25
ITEM 8.	CLIENT CONTACT WITH PORTFOLIO MANAGERS .....	25
ITEM 9.	ADDITIONAL INFORMATION .....	26

#### ITEM 4. SERVICES, FEES, AND COMPENSATION

##### *Wrap Fees*

Spotlight offers its portfolio management services under a self-sponsored wrap fee program (the “Program”). Clients participating in the Program pay a wrap fee that covers the advisory services and certain other related services provided by Spotlight as well as the trading costs charged by our third-party custodians for trades and/or transactions that we recommend to clients. **However, our wrap fee does not cover all fees and costs.** As detailed in Other Fees and Expenses, below, clients are responsible for, among other things, their own custodial fees and will incur brokerage and other transaction costs for any trading positions and/or transactions in assets that are not recommended by Spotlight (“non-recommended transactions”). From time to time, Spotlight, at its discretion, may cover some or all of a client’s non-recommended transactions.

Advisory fees paid under the Program are based on the size of a client’s account, rather than directly upon transactions in their account.

Because Spotlight absorbs certain transaction costs through the wrap fee, Spotlight has a financial incentive not to place transaction orders in those accounts since doing so increases our transaction costs. Thus, an incentive exists to place trades less frequently in a wrap fee arrangement. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we have an incentive to limit our trading activities in your account(s) because we are charged for executed trades.

If services are terminated during a quarter, fees due are pro-rated based on the period Spotlight managed the assets prior to termination. The date of termination will be used to calculate the final fee payment.

The advisory fees we charge clients are set in and governed by the Agreements (as defined below), and are typically determined based on the amount of a client’s assets managed by the Firm (including the gross value of those assets held on margin in the client’s account), according to the following schedules:

Spotlight Asset Group Management Fee	
Account Value	Fee Percentage
Up to \$2,000,000	1.00%
\$2,000,000 - \$5,000,000	0.85%
\$5,000,000 - \$10,000,000	0.70%
\$10,000,000 - \$25,000,000	0.50%
Over \$25,000,000	0.40%

Fee calculations include balances invested in money market funds, short-term investment funds, ETFs, mutual funds, and all other investment holdings. The fees that our clients will pay us are provided for in the investment management agreements (“Agreements”) that the clients execute with us. Spotlight reserves the right to, in its sole discretion, amend the fee schedules and/or stated fee ranges described above.

##### **Clients may negotiate the fees they agree to pay.**

Although it does not do so presently, Spotlight reserves the right to provide certain specified services for a fixed, non-asset-based fee, which will be negotiated with the clients and depends on a variety of factors.



**The Program may cost the client more or less than purchasing the included services separately.** Because wrap fee programs bundle certain services into a single fee, total fees charged to a client in a wrap fee program may be more or less than obtaining such services separately. In general, a wrap fee based on the value of assets in your account may be less if there is a lot of trading activity in your account and the wrap fee covers the costs for executing all or most of the trades. But if there is little or no trading activity in your advisory account or the trades being made would not otherwise have a transaction fee, a wrap fee arrangement may cost more than separately paying for the services. There may be considerations other than cost, like access to certain managers, that make a wrap fee program right for a particular client. Factors that bear upon the relative cost of the Program include, but are not limited to, the cost of the services if provided separately and the trading activity in the client's account.

***Portion of the Fees Paid to Portfolio Managers***

As Spotlight is the sole portfolio manager for the Program, we receive 100% of the wrap fees we charge to clients.

---

**ITEM 5. ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

---

Spotlight provides portfolio management services to individuals as well as businesses, corporations, and other entities.

The minimum amount for establishing an account is generally \$500,000.00, although initial account sizes of a lesser amount may be accepted at the Firm's discretion.

---

**ITEM 6. PORTFOLIO MANAGER SELECTION AND EVALUATION**

---

Spotlight will be the sole portfolio manager for the Program and will not use any outside portfolio managers. Spotlight will use industry standards, based on a client's goals and objectives, to calculate our investment performance. Spotlight's Chief Compliance Officer reviews all performance information to ensure compliance with performance presentation standards established the United States Securities and Exchange Commission. At this time, Spotlight does not use a third party to verify the accuracy of its performance information but may choose to do so in the future. Portions of the performance data may include calculations or projections generated by third-party vendors used by Spotlight, including, but not limited to, Advent Software, Inc. (a/k/a "Black Diamond") and W.E. Sherman & Co. (a/k/a "The Sherman Sheet").

---

**ITEM 7. CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

---

Spotlight is the only portfolio manager for the Program. All client information that is collected, including basic information, risk tolerance, sophistication level, and income level will be collected only by Spotlight and its employees. Client information is updated during annual client account reviews and also whenever we are notified by a client about changes to their relevant information. As that information changes and is updated, Spotlight will have immediate access to that information.

---

**ITEM 8. CLIENT CONTACT WITH PORTFOLIO MANAGERS**

---

Spotlight does not place any restrictions on a client's ability to contact Spotlight or its employees during regular business hours. Contact information for the firm is provided on the cover page of our ADV Part 2A as well as the cover page to this Brochure. Contact information for our associated persons is provided on the cover page of their respective ADV Part 2B brochure supplements.

## **ITEM 9.      ADDITIONAL INFORMATION**

---

Spotlight is required to disclose if there are any legal or disciplinary events that are material to a client's or prospective client's evaluation of the advisory business or the integrity of management.

There is no such information to disclose.

Spotlight has implemented a Code of Ethics that defines our fiduciary commitment to each Client. The details of the firm Code of Ethics can be found under Item 11 of the Form ADV Part 2A – Code of Ethics, Participation in Client Transactions and Personal Trading in the Disclosure Brochure (included with this Wrap Fee Program Brochure).

Client accounts are monitored on a regular and continuous basis by the firm under the supervision of the Chief Compliance Officer ("CCO"). Details of the review policies and practices are provided in Item 13 of the Form ADV Part 2A – Disclosure Brochure.

Please see Item 14 – Other Compensation in the Form ADV Part 2A – Disclosure Brochure (included with this Wrap Fee Brochure) for details on additional compensation that may be received by the firm or its Investment the firm Representatives. Each IAR's Form ADV 2B Brochure Supplement (also included with this Wrap Fee Brochure) provides details on any outside business activities and the associated compensation.

- The firm does not pay a referral fee for the introduction of clients.
- Financial information is available in Item 18 of the Form ADV Part 2A – Disclosure Brochure.