

## Item 1 – Cover Page

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This brochure provides information about the qualifications and business practices of Smedley Financial Services, Inc. If you have any questions about the contents of this brochure, please contact James Derrick at (801) 355-8888. 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 Smedley Financial Services, Inc. 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 Smedley Financial Services, Inc. or our firm CRD number **CRD# 110870**.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## Item 2 – Material Changes

Since our last ADV Annual Update dated August 2021, we have had the following material change to this disclosure brochure:

- In March 2022, the firm added a program that allows us to utilize the services of unaffiliated investment Advisory firms to assist with the management of client accounts. Please refer to **Item 4 – Advisory Business** and **Item 5 - Fees and Compensation** for more complete information.

In the past our firm has offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new rules, we will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after our fiscal year ends. Our fiscal year ends on June 30 so you will receive the summary of material changes no later than October 28 each year. At that time, we will also offer or provide a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## Item 4 – Advisory Business

Roger Smedley founded Smedley Financial Services, Inc.<sup>®</sup> in 1982. Under his leadership the Smedley Financial Team has become known for its ability to deliver focused and proven wealth strategies for affluent clients as well as managed investment portfolios.

The Smedley Wealth Management Team focuses on building relationships through world class client service, specialized private wealth planning solutions, and proven wealth management offerings. We understand that financial choices abound and work to deliver superior solutions to our clients.

As an independent firm, we have the ability to match each product and solution that best meets each client's unique situation.

Our Investment Management Team provides proven investment strategies designed to navigate the changing market environment. Focusing on investment time horizon, diversification, and risk tolerance, each portfolio is designed to provide superior investment opportunities.

In today's financial landscape two things ring true, ethics and integrity are paramount. Smedley Financial applies a company-wide philosophy that centers on putting our client's needs first in all that we do.

Smedley Financial Services, Inc. is an investment advisor registered with the United States Securities and Exchange Commission ("SEC") and is a Corporation formed under the laws of the State of Utah.

- Roger Smedley is the CEO and majority owner of Smedley Financial Services, Inc. Sharla Jessop is President and a minority owner.
- Smedley Financial Services, Inc. has been registered as an investment advisor since June 1982.
- We provide fee-based investment advisory services through Smedley Financial Services, Inc. The nature and extent of the specific services provided to clients, including you, will always depend on each client's financial status, objectives and needs, time horizons, concerns, expectations and risk tolerance.
- The advisor representatives of Smedley Financial Services are also licensed as registered representatives with Securities America, Inc. a registered broker/dealer, member FINRA/SIPC, and some of our advisor representatives are also independent insurance agents. When acting in these capacities, our advisor representatives will earn commissions. Our advisory representatives typically spend approximately 15% their time providing commission-based services through Securities America. These conflict of interest situations are discussed in more detail at *Item 5, Item 10, Item 12, and Item 14 of this Disclosure Brochure*.
- When providing advisory services, we are able to use various programs sponsored by Securities America Advisors, an investment advisor registered with the SEC and an affiliated company of Securities America, Inc. More details are provided at *Item 5* of this Disclosure Brochure.
- More information about our investment advisor representatives' business and education background can be found at the section titled *Information Required by Part 2B of Form ADV: Brochure Supplement* at the end of this brochure.

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

The following are brief descriptions of Smedley Financial Services, Inc.'s primary services. A detailed description of Smedley Financial Services, Inc.'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.

**Financial Planning Services** - Smedley Financial Services, Inc. provides advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focuses 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, 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/her overall financial situation and help the client set financial objectives.

**Asset Management Services** - Smedley Financial Services, Inc. provides advisory services in the form of Asset Management Services. Asset Management Services involve providing clients with continuous and on-going supervision over client accounts. This means that Smedley Financial Services, Inc. will continuously monitor a client's account and make trades in client accounts when necessary.

**Retirement Plan Services** - Smedley Financial Services offers retirement plan consulting services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan consulting services can include, but are not limited to, the following services:

**Fiduciary Services** - Smedley Financial Services provides the following Fiduciary Retirement Plan Consulting Services:

- **Investment Policy Statement Preparation.** Smedley Financial Services will help you develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. You will have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- **Non-Discretionary Investment Advice.** Smedley Financial Services may provide you with general, non-discretionary investment advice regarding assets classes and investment options, consistent with your Plan's investment policy statement.
- **Investment Selection Services.** Smedley Financial Services may provide you with recommendations of investment options consistent with ERISA section 404(c).
- **Investment Due Diligence Review.** Smedley Financial Services may provide you with periodic due diligence reviews of the Plan's reports, investment options and recommendations.
- **Investment Monitoring.** Smedley Financial Services will assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement. Smedley Financial Services can make non-discretionary recommendations to maintain or remove and replace investment options.
- **Individualized Participant Advice.** Upon request, Smedley Financial Services may provide one-on-one advice to Plan participants regarding their individual situations.

Smedley Financial Services acknowledges that in performing the Fiduciary Consulting Services listed above that it is acting as a “fiduciary” as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 (“ERISA”) for purposes of providing non-discretionary investment advice only. Smedley Financial Services will act in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Smedley Financial Services to be a fiduciary as a matter of law. However, in providing the Fiduciary Consulting Services, Smedley Financial Services (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client’s retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client’s retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client’s retirement plan or the interpretation of Client’s retirement plan documents, (b) is not an “investment manager” as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the “Administrator” of Client’s retirement plan as defined in ERISA.

### **Non-Fiduciary Services**

Smedley Financial Services provides clients with the following Non-Fiduciary Retirement Plan Consulting Services:

- **Participant Education.** Smedley Financial Services will provide education services to Plan participants about general investment principles and the investment alternatives available under the Plan. Smedley Financial Services’ assistance in participant investment education will be consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon.
- **Participant Enrollment.** Smedley Financial Services will assist you with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- **Qualified Plan Development.** Smedley Financial Services will assist you with the establishment of a qualified plan by working with you and a selected Third Party Administrator. If you have not already selected a Third Party Administrator, we shall assist you with the review and selection of a Third Party Administrator for the Plan.
- **Due Diligence Review.** Smedley Financial Services will provide you with periodic due diligence reviews of your Plan’s fees and expenses and your Plan’s service providers.
- **Fiduciary File Set-up.** Smedley Financial Services will help you establish a “fiduciary file” for the Plan which contains trust documents, custodial/brokerage statements, investment performance reports, services agreements with investment management vendors, the investment policy statement, investment committee minutes, asset allocation/asset liability studies, due diligence fields on funds/money managers and monitoring procedures for funds and/or money managers.

Although an investment adviser is considered a fiduciary under the Investment Advisers Act of 1940 and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since Advisor is not acting as a fiduciary to the Plan as the term “fiduciary” is defined in Section 3(21)(A)(ii) of ERISA.

The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Consulting Agreement.

All recommendations of investment options and portfolios will be submitted to the client for the client's ultimate approval or rejection. Therefore, it is always the client's responsibility to accept investment recommendations of Smedley Financial Services and then physically make changes to the plan itself.

In the event a client contracts with Smedley Financial Services for one-on-one consulting services with plan participants, such services are consultative in nature and do not involve Smedley Financial Services implementing recommendations in individual participant accounts. It will be the responsibility of each participant to implement changes in the participant's individual accounts.

We can also meet with individual participants to discuss their specific investment risk tolerance, investment time frame and investment selections.

Retirement plan consulting services are not management services, and Smedley Financial Services does not serve as administrator or trustee of the plan. Smedley Financial Services does not act as custodian for any client account or have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees). In addition, we do not implement any transactions in a retirement plan or participant's account. For retirement plan consulting services, the retirement plan or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Smedley Financial Services will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to you any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Consulting Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

**Retirement Plan Rollover Recommendations** - When Smedley Financial Services provides investment advice about your retirement plan account or individual retirement account ("IRA") including whether to maintain investments and/or proceeds in the retirement plan account, roll over such investment/proceeds from the retirement plan account to a IRA or make a distribution from the retirement plan account, we acknowledge that Smedley Financial Services is a "**fiduciary**" within the meaning of Title I of the Employee Retirement Income Security Act ("ERISA") and/or the Internal Revenue Code ("IRC") as applicable, which are laws governing retirement accounts. The way Smedley Financial Services makes money creates conflicts with your interests so Smedley Financial Services operates under a special rule that requires Smedley Financial Services to act in your best interest and not put our interest ahead of you.

Under this special rule's provisions, Smedley Financial Services must as a fiduciary to a retirement plan account or IRA under ERISA/IRC:

- Meet a professional standard of care when making investment recommendations (e.g., give prudent advice);
- Never put the financial interests of Smedley Financial Services ahead of you when making recommendations (e.g., give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that Smedley Financial Services gives advice that is in your best interest;
- Charge no more than is reasonable for the services of Smedley Financial Services; and
- Give Client basic information about conflicts of interest.

To the extent We recommend you roll over your account from a current retirement plan account to an individual retirement account managed by Smedley Financial Services, please know that Smedley Financial Services and our investment adviser representatives have a conflict of interest.

We can earn increased investment advisory fees by recommending that you roll over your account at the retirement plan to an IRA managed by Smedley Financial Services. We will earn fewer investment advisory fees if you do not roll over the funds in the retirement plan to an IRA managed by Smedley Financial Services.

Thus, our investment adviser representatives have an economic incentive to recommend a rollover of funds from a retirement plan to an IRA which is a conflict of interest because our recommendation that you open an IRA account to be managed by our firm can be based on our economic incentive and not based exclusively on whether or not moving the IRA to our management program is in your overall best interest.

We have taken steps to manage this conflict of interest. We have adopted an impartial conduct standard whereby our investment adviser representatives will (i) provide investment advice to a retirement plan participant regarding a rollover of funds from the retirement plan in accordance with the fiduciary status described below, (ii) not recommend investments which result in Smedley Financial Services receiving unreasonable compensation related to the rollover of funds from the retirement plan to an IRA, and (iii) fully disclose compensation received by Smedley Financial Services and our supervised persons and any material conflicts of interest related to recommending the rollover of funds from the retirement plan to an IRA and refrain from making any materially misleading statements regarding such rollover.

When providing advice to you regarding a retirement plan account or IRA, our investment advisor representatives will act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk, tolerance, financial circumstances, and a client's needs, without regard to the financial or other interests of Smedley Financial Services or our affiliated personnel.

**Referral of Third-Party Money Managers** - Smedley Financial Services offers advisory services by referring clients to a third-party money manager offering asset management and other investment advisory services. The third-party managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary. As a result of the referral, we are paid a portion of

the fee charged and collected by the third-party money managers in the form of solicitor fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

Under this program, we assist you with identifying your risk tolerance and investment objectives. We recommend third-party money managers in relation to your stated investment objectives and risk tolerance, and you may select a recommended third-party money manager or model portfolio based upon your needs. You must enter into an agreement directly with the third-party money manager who provides your designated account with asset management services.

We are available to answer questions that you may have regarding your account and act as the communication conduit between you and the third-party money manager. The third-party money manager may take discretionary authority to determine the securities to be purchased and sold for your account. We do not have any trading authority with respect to your designated account managed by the third-party money manager.

Although we review the performance of numerous third-party investment adviser firms, we enter into only a select number of relationships with third-party investment adviser firms that have agreed to pay us a portion of the overall fee charged to our clients. Therefore, Smedley Financial Services has a conflict of interest in that it will only recommend third-party investment advisors that will agree to compensate us for referrals of our clients.

Clients are advised that there may be other third-party managed programs not recommended by our firm, that are suitable for the client and that may be more or less costly than arrangements recommended by our firm. No guarantees can be made that a client's financial goals or objectives will be achieved by a third-party investment adviser recommended by our firm. Further, no guarantees of performance can ever be offered by our firm *(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more details.)*

### **Specialization**

Smedley Financial Services, Inc. specializes in lifetime income investment planning. Retirees and pre-retirees need a solution that will help increase the probability of providing an income that will last throughout their lives. The solution must address the following goals:

- Deliver a stream of income over a period of years that will keep pace with inflation.
- Implement a strategy that offers the potential to reach long-term investment goals.
- Help preserve principal to either offset increased life expectancy or provide a legacy.
- Reduce risk based on an investment time-frame.
- Manage the emotional side of investing and the impact it has on reaching financial goals.

One solution is lifetime income investment planning. Segmenting assets into separate phases or time horizons is the backdrop of lifetime income investment planning. Each income phase is invested based on a specific group of factors and criteria. The goal is to provide an income distribution level that will keep pace with inflation and will continue throughout the client's lifetime.

### **Limits Advice to Certain Types of Investment**

Smedley Financial Services, Inc. provides investment advice on the following types of investments:

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities
- Interests in partnerships investing in real estate

Smedley Financial Services, Inc. does not provide advice on commercial paper, options contracts on securities and commodities, futures contracts on tangibles and intangibles, interests in partnerships investing in oil and gas interests, hedge funds and other types of private (i.e. non-registered) securities.

When providing asset management services, Smedley Financial Services, Inc. typically constructs each client's account holdings using Mutual Funds, Stocks, Bonds, ETFs, as well as Variable Annuity and Variable Life sub accounts to build diversified portfolios. It is not Smedley Financial Services, Inc.'s typical investment strategy to attempt to time the market but we may increase cash holdings or change allocation weightings as deemed appropriate, based on your risk tolerance, investment models, and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as 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.)*

### **Participation in Wrap Fee Programs**

Smedley Financial Services, Inc. offers services through both wrap-fee programs and non-wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Whenever a fee is charged to a client for services described in this brochure (whether wrap fee or non-wrap fee), Smedley Financial Services, Inc. will receive all or a portion of the fee charged.

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

Smedley Financial Services, Inc.'s services are always provided based on the individual needs of each client. This means, for example, that you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with each client on a one-on-one basis using a consultative process which includes interviews and questionnaires to determine the client's values, goals, important relationships, income needs, investment objectives, and suitability information.

When managing client accounts through the firm's Asset Management Services program, we may manage a client's account in accordance with one or more investment models. When client accounts are managed using models, investment selections are based on the underlying model and we do not develop customized (or individualized) portfolio holdings for each client. However, the determination to use a particular model or models is always based on each client's individual investment goals, objectives and mandates.

### **Client Assets Managed by Smedley Financial Services, Inc.**

The amount of client assets managed by Smedley Financial Services, Inc. totaled \$276,714,604.00 as of June 30, 2021. \$276,714,604.00 are managed on a discretionary basis and \$0.00 are managed on a non-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.

As discussed in this disclosure statement, Smedley Financial Services, Inc. offers our clients discretionary investment management and non-discretionary investment consulting services. Our investment advisory services are primarily limited to the management of investment portfolios in accordance with the investment objective(s) of the client. We also offer financial planning, estate planning and investment/non-investment consultations for a separate fee. In the event that we determine to provide any requested consulting services, we may charge a separate and additional fee.

### **Financial Planning and Consulting**

If requested, we will provide our clients with financial planning and/or consulting services (including investment and non-investment-related matters). Our financial planning and consulting fees are negotiable, but between \$200 and \$2,000 on a fixed fee basis and between \$150 and \$500 on an hourly rate basis, depending upon the level and scope of the services required, and the professional(s) rendering the service(s). Smedley Financial Services may require that Financial Planning/Consulting Service clients provide a mutually agreed to retainer amount that will be available for SFS to bill hourly fees against for our financial planning and consulting services. However Smedley Financial Services will not require prepayment of more than \$1200 in fees per client, six months or more in advance. Prior to engaging us to provide financial planning and/or consulting services you will be required to enter into a *Financial Planning and Consulting Agreement* setting forth the terms and conditions of the engagement,

describing the scope of the services to be provided and the fee that is due prior to us commencing services.

Financial planning and consulting fees are charged in advance. If you terminate service after the fifth day, you will receive a refund of any unused portion of planner's fee, with a maximum refund of half of the original financial planning and consulting fee.

In performing its services, we will not be required to verify any information received from you or from your other professionals and is expressly authorized to rely thereon. If requested by our client, we may recommend the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professional. You retain absolute discretion over all such implementation decisions and are free to accept or reject any of our recommendations. Moreover, each client is advised that it remains his/her/their responsibility to promptly notify us if there is ever any change in his/her/their financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

### **Investment Management**

In the event the client determines to engage Smedley Financial Services, Inc. to provide investment management services, we will do so on a *fee* basis. We are authorized, without prior consultation with the client, to buy, sell and trade in stocks, bonds, mutual funds and other securities and/or contracts relating to the same and to give instructions in furtherance of such authority to the registered broker/dealer and the custodian of assets.

We generally allocate your investment management asset accounts, on a discretionary basis, among one or more of our proprietary asset management programs, whereby we will exchange and/or transfer funds you own among different asset categories within the same (or different) fund family(ies), equities or bonds, in accordance with your investment objective(s). Our proprietary programs have been designed to comply with the requirements of Rule 3a-4 of the *Investment Company Act of 1940*. Rule 3a-4 provides similarly managed investment programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is specifically applicable to our management of client assets:

1. **Initial Interview** - at the opening of the account, we, through our designated representatives, will obtain from you information sufficient to determine your financial situation and investment objectives;
2. **Individual Treatment** – your account is managed on the basis of your financial situation and investment objectives;
3. **Annual Contact** - at least annually, we will contact you to determine whether your financial situation or investment objectives have changed, or if you want to impose and/or modify any reasonable restrictions on the management of your account;
4. **Consultation Available** - We will be reasonably available to consult with you relative to the status of your account;
5. **Statement** - you will be provided with a report, no less than quarterly, for the account for the preceding period;

6. **Ability to Impose Restrictions** - you will have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct us not to purchase certain mutual funds;
7. **No Pooling** - your beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise your account;
8. **Separate Account** - a separate account is maintained for you with the custodian; and
10. **Ownership** - you retain indicia of ownership of the account (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations).

Our investment programs may involve above-average portfolio turnover which could negatively impact the net after-tax gain experienced by an individual client in a taxable account.

We will charge an annual investment management fee either based upon 1) a percentage of the market value of the assets being managed by us, or 2) a fixed fee schedule. The investment management fee is charged depending on the type of client account and will vary (generally between 1.25% and 2.0%) depending upon the market value of assets under management or a fixed fee schedule, as specifically set forth in the *Investment Advisory Agreement* between us and you.

We may charge a fixed fee for investment management, which will be prorated and paid quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter. Fixed fees are paid directly by you. We, in our sole discretion, may charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, historical relationship, related accounts, account composition, negotiations with client, accounts referred to us by another professional, etc.)

If the fee amount changes, you will be notified at least 10 days before payment date.

#### **Envestnet Asset Management Inc. – Model Portfolio Program**

Smedley Financial Services, Inc. has entered in to an agreement with Envestnet Asset Management, Inc. to provide non-exclusive rights to use Model Portfolios created and managed by Smedley Financial Services for providing investment management services to Envestnet's clients.

#### **Model Portfolios provided:**

**SFS Proactive Conservative Growth Portfolio** - is actively managed for investors who want low-volatility growth without major market risk. SFS Utilizes a combination of cash, income, and stocks to preserve and grow this portfolio. The management team has flexibility to go up to 25% in stocks to capitalize on opportunities or up to 50% in cash to reduce risk.

**SFS Proactive Global Strategies Portfolio** - has an objective of diversified growth with moderate risk. Its primary focus is performance, a combination of risk and return. High risk-adjusted returns are pursued using a combination of macro-economic analysis and technical indicators. It utilizes a combination of sophisticated hedging techniques, short-term bond investments, and cash to preserve gains.

**SFS Proactive Income Strategies Portfolio** - is an actively managed portfolio seeking to reduce stock market risk. It stays diversified at all times and has flexibility to make changes based upon opportunities in bonds. This portfolio has had positive returns in years when interest rates have fallen and years when they have risen, including 2009, 2013, and 2016.

**SFS Proactive Power Yield** – seeks to identify major turning points in fixed income to capture gains and minimize losses. Its signals come from an academically-proven factor: momentum. Depending on the trend, this portfolio can invest up to 100% in aggressive bonds or conservative bonds. It may even use cash to reduce risk while waiting for an opportunity for growth.

**SFS Proactive Protected Growth Portfolio** - has an objective of moderate growth and moderate risk. Its primary focus is performance with low draw down. High risk-adjusted returns are achieved using a combination of macro-economic analysis and technical indicators. It is actively managed with a combination of stocks, bonds, and cash.

**SFS Proactive Strategic Growth Portfolio** - has an objective of growth to the upside with moderate risk. Its primary focus is performance. High risk-adjusted returns are pursued using a combination of macro-economic analysis and technical indicators. It combines long-term factors with short-term momentum with a goal of achieving above average returns.

**SFS Proactive Tactical Opportunities Portfolio** - seeks to provide investors with diversified growth in investment assets that have strong performance relative in the current economic environment. By overweighting “what’s working,” Tactical Opportunities seeks to grow assets in up-markets and reduce risk in down-markets.

**SFS Phase 2 Income Core Portfolio** - seeks conservative growth and maximum diversification. It is appropriate for investors with a five-year time horizon. The portfolio utilizes quantitative methods to allocate 100% of its assets to bonds and conservative alternative investments. The allocations to asset classes are calculated with an objective to help provide better diversification.

**SFS Phase 2 Income Plus Portfolio** - seeks conservative growth and maximum diversification. It is appropriate for investors with a five-year time horizon. The portfolio utilizes quantitative methods to allocate 20% of its assets to stocks and 80% to a combination of bonds and alternative investments.

**SFS Phase 3 Balanced Core Portfolio** - seeks moderate growth and maximum diversification. It is appropriate for investors with a 10-year time horizon. The portfolio uses quantitative methods to allocate approximately 40% of its assets to stocks and 60% to a combination of bonds and alternative investments.

**SFS Phase 3 Growth & Income Core Portfolio** - seeks long-term growth and maximum diversification. It is appropriate for investors with a 15-year time horizon. The portfolio utilizes quantitative methods to allocate 60% of its assets to stocks and 40% to a combination of bonds and alternative investments. The allocations to asset classes are calculated to help provided better growth potential without increasing volatility.

**SFS Phase 4 Growth & Income Portfolio** - seeks long-term growth and maximum diversification. It is appropriate for investors with a 15-year time horizon. The portfolio utilizes quantitative methods to allocate 60% of its assets to stocks and 40% to a combination of bonds and alternative investments. The

allocations to asset classes are calculated with an objective to help provide better growth potential without increasing volatility.

**SFS Phase 4 Growth Core Portfolio** - seeks long-term growth and maximum diversification. It is appropriate for investors with a 20-year time horizon. The portfolio utilizes quantitative methods to allocate 80% of its assets to stocks and 20% to a combination of bonds and alternative investments. The allocations to asset classes are calculated with an objective to help provide better growth potential without increasing volatility.

**SFS Phase 5 Growth Plus** - seeks long-term growth and maximum diversification. It is appropriate for investors with a 20-year or greater time horizon. The portfolio utilizes quantitative methods to allocate approximately 80% of its assets to stocks and 20% to a combination of bonds and alternative investments. The allocations to asset classes are calculated with an objective to help provide better growth potential without increasing volatility.

**SFS Tax-Efficient Growth Portfolio** - is designed for investors interested in long-term growth, strong diversification, low taxes, and low internal expenses. The portfolio implements a passive strategy with 80% exposure to a well-diversified selection of stocks and 20% to conservative bond holdings. The allocation within these areas focuses on factors that have been academically tested and proven to reward investors. This portfolio's tax-efficiency is derived through its low turnover, its municipal bonds, and its use of ETFs. ETFs rarely have capital gains distributions as each account invested will have its own cost basis.

**SFS Tax-Efficient Growth & Income Portfolio** - is designed for investors interested in long-term growth, strong diversification, low taxes, and low expenses. The portfolio implements a passive strategy with 60% exposure to a well-diversified selection of equities and 40% to fixed-income holdings. The allocation within these areas focuses on factors that have been academically tested and proven to reward investors. This portfolio's tax efficiency is derived through its low turnover, its municipal bonds, and its use of ETFs. ETFs rarely pay capital gains distributions as each account invested will have its own cost basis.

**SFS Tax-Efficient Income Portfolio** - seeks conservative investments of principal and tax efficiency. The portfolio allocates up to 25% of its assets in stocks and 75% in bonds. To minimize taxes, the portfolio focuses on opportunities in municipal bonds and implements a long-term investment strategy for stocks.

The portfolio models are created using various combinations of investments. Each portfolio model's composition and allocation is typically different based on each individual model's investment selection criteria. This typically yields different results even for similar models. Model composition is subject to change.

#### **Model Portfolio Maintenance**

Smedley Financial Services, Inc. will be required to update and/or change each Model using Envestnet's proprietary trading and portfolio management software. No less than once per month we will also review each Model Portfolio to verify the Model Portfolio's accuracy and completeness.

We will add, remove or adjust Model target positions, manage position level drift parameters for mutual fund Models or "leg-in" order for equities Models, and manage position alternates or equivalencies. We will also provide Envestnet with updates to the Model as changes or amendments are made.

We will report portfolio data and portfolio descriptions for each investment strategy to third-party data providers ("Data Providers") used by Envestnet within the timeframes required by such Data Providers to keep portfolio information appearing on the Envestnet platform as current as possible.

### **Smedley Financial Services, Inc. Compensation**

Smedley Financial Services, Inc. will be paid an annual fee of up to 28 Basis Points (.28%) on the assets being managed in each Model Portfolio. Fees will be accrued on a quarterly basis on the market values of the Client portfolios managed by Envestnet according to the Model as of the close of the last day of the previous quarter and will be paid in arrears within forty-five (45) days following the end of the quarter. For any partial three-month period fees will be appropriately pro-rated based on the number of calendar days in the partial three-month period.

### **Minimum Account Size**

<b>Portfolio Name</b>	<b>Account Minimum</b>
SFS Proactive Conservative Growth	\$25,000
SFS Proactive Global Strategies	\$25,000
SFS Proactive Income Strategies	\$25,000
SFS Proactive Power Yield	\$25,000
SFS Proactive Protected Growth	\$25,000
SFS Proactive Strategic Growth	\$25,000
SFS Proactive Tactical Opportunity	\$25,000
SFS Phase 2 Income Core	\$25,000
SFS Phase 2 Income Plus	\$25,000
SFS Phase 3 Balanced Core	\$25,000
SFS Phase 3 Growth & Income Core	\$25,000
SFS Phase 4 Growth & Income Plus	\$25,000
SFS Phase 4 Growth Core	\$25,000
SFS Phase 5 Growth Plus	\$25,000
SFS Tax Efficient Growth & Income	\$50,000
SFS Tax Efficient Growth	\$50,000
SFS Tax Efficient Income	\$50,000

### **Retirement Plan Consulting Services**

Smedley Financial Services, Inc. provides retirement plan consulting services to companies who sponsor or are interested in sponsoring a retirement plan for their employees. For these services we charge an annual fee of up to 1.50%.

Fees will be determined based on the total market value of the plan assets, the complexity of the plan, the number of participants, other relationship Smedley Financial Services, Inc. may have with the plan provider or trustees, the level of service to be provided to the plan, the geographical location(s) and number of office locations of the plan sponsor and plan participants.

When determining the fee, we will also take into consideration special situations or conflicts of interest where charging a fee is prohibited under ERISA laws and relationships with the client. The fee is assessed in arrears at the end of each calendar quarter and will be calculated based on the market value

of the plan assets at the end of the calendar quarter. Fees for partial periods will be prorated based on the number of days that services were provided during the billing period. The plan trustee will elect to be invoiced for this fee or authorize that the fee be debited from the plan assets.

When providing participant level investment advice, each participant will be required to execute an agreement for services with us and advice will be limited to recommendations on investing with in the retirement plan.

For individual participants, we charge a percentage of the participant's account value. The percentage fee ranges up to 1.50% per year. Fees are negotiable based upon the actual services requested and the complexity of the participant's situation.

For retirement plan sponsors and participants, fees are billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. Retirement plan sponsors may also elect to pay all or a portion of fees for the individualized services provided by us to the plan participants.

Fee will be directly deducted from clients' accounts or the client may elect to have an invoice prepared and sent for the fee billing. If the fees are deducted clients will be required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Smedley Financial Services. We will provide the custodian with a fee notification statement.

Either party may terminate services by providing written termination to the other party. If services are terminated within five business days of executing an agreement for services with us, services will be terminated without penalty. After the initial five business days, you will be responsible for payment of fees for services completed prior to termination of services. If services are terminated mid-period, a prorated fee is charged based on the number of days that services were provided during that period.

Smedley Financial Services does not reasonably expect to receive any other compensation, direct or indirect, for its Services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

### **SAA Programs**

SAA's Financial Advisors Program (FAP) and SAA's Managed Opportunities Advisor Directed Program (MAOD) are wrap-fee programs providing investment advisory services and execution of client transactions for which the specified fee (or fees) is not based directly upon transactions in the client's account. Under FAP and MOAD, we will assist you in the establishment of an account (the Account) with SAA. All brokerage transactions in the Account will be processed by Envestnet. The brokerage transactions will then be cleared through National Financial Services, LLC (NFS) pursuant to a clearing arrangement established by SAI with NFS. SAA has also entered into agreements with various insurance companies that allow for the management and valuation of client variable annuity accounts with SAA's FAP and MOAD.

The custody of all funds and securities will be maintained by NFS, insurance companies or other custodians. At no time will SAA, SAI, Smedley Financial Services or our representative's act as custodian of the Account or have direct access to your funds and/or securities. Our representatives implement

securities transactions for FAP and MOAD client Accounts in their separate capacities as registered representatives of SAI (see disclosure at Item 10 below). The annual management fees charged for this service will be negotiated with each client, with 3% being the maximum management fee that may be charged to clients unless the Account only has mutual funds and then the maximum will be 2.25%. SAA retains up to 14 basis points (.14%) of the annual management fee for FAP Accounts.

A complete description of FAP and MOAD and related fees and charges are described in SAA's Financial Advisors Program Form ADV Part 2 Appendix 1 Disclosure Brochure in addition to the SAA Client Relationship Summary (form CRS) that will be given to all clients prior to or at the time an FAP or MOAD Account is established.

### **Third-Party Money Managers**

Third-party managers generally have account minimum requirements that will vary among third-party money managers. Account minimums are generally higher on fixed income accounts than for equity based accounts. A complete description of the third-party money manager's services, fee schedules and account minimums will be disclosed in the third-party money manager's disclosure brochure which will be provided to you prior to or at the time an agreement for services is executed and the account is established.

The actual fee charged to you will vary depending on the third-party money manager. All fees are calculated and collected by the third-party money manager who will be responsible for delivering our portion of the fee paid by you to us.

Under this program, you may incur additional charges including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees.

We have a conflict of interest by only offering those third-party money managers that have agreed to pay a portion of their advisory fee to us and have met the conditions of our due diligence review. There may be other third-party money managers that may be suitable for you that may be more or less costly. No guarantees can be made that your financial goals or objectives will be achieved. Further, no guarantees of performance can be offered.

### **General Disclosures**

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

Smedley Financial Services, Inc. does not represent, warranty, or imply that the services or methods of analysis employed by the firm can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

We will not maintain custody of client assets. Assets will be maintained by a qualified custodian.

Brokerage commissions and/or transaction ticket fees charged by the custodian and/or clearing broker/dealer are billed directly to you. We do not receive any portion of such commissions or fees from the custodian or client. In addition, you may incur certain charges imposed by third parties other than us in connection with investments made through the account, including but not limited to, mutual fund sales

loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and IRA and qualified retirement plan fees. Advisory fees charged by us are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

Custody of all investment management accounts will generally be held at an independent custodian. In most cases, the custodian will be NFS or the specific mutual fund or insurance company that issued the mutual fund or variable life/annuity product. In addition to the *Investment Advisory Agreement*, you may be required to execute a separate agreement with the specific custodian, mutual fund and/or insurance company. Both our *Investment Advisory Agreement* and custodial agreement may authorize the designated custodian to debit the account for the amount of our management fee and to directly remit that management fee to us in accordance with required SEC procedures.

Factors which we consider in recommending NFS (or other broker/dealers/custodians) to you include financial strength, reputation, execution, pricing, research and service. Certain broker/dealers/custodians enable us to obtain many no-load mutual funds without transaction charges and other no-load and load waived funds at nominal transaction charges. Broker/dealers and custodians generally charge commission rates which are generally considered discounted from customary retail commission rates.

Although the commissions and/or transaction fees that may be paid by our clients will comply with our duty to obtain best execution, you may pay a commission that is higher than another qualified broker/dealer might charge to effect the same transaction where we determine, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker/dealer services, including the value of research provided, execution capability, commission rates and responsiveness. Accordingly, although we will seek competitive rates we may not necessarily obtain the lowest possible commission rates for your account transactions. The brokerage commissions and/or transaction fees charged by the designated broker/dealer/custodian are exclusive of, and in addition to, our investment advisory fee.

Custodians and/or broker/dealers generally charge transaction fees and/or commissions for effecting certain mutual fund securities transactions. In addition to our investment management fee, brokerage commissions and/or transaction fees, you will also incur, relative to all mutual fund and variable investment products, charges imposed at the mutual fund and variable investment product level (e.g. advisory fees and other fund expenses). The brokerage commissions, transaction fees and/or custodial fees charged are exclusive of, and in addition to, our investment management fee. Certain of the mutual funds and/or variable life/annuity products which comprise of your investment portfolio may have been purchased by you, prior to, contemporaneous with or subsequent to the engagement of us, through our principals and/or associated persons, in their individual capacities as registered representatives of SAI, for which product sales our principals and/or associated persons may have been paid a commission.

In addition, our principals and/or associated persons, relative to commission mutual fund sales, also in their individual capacities as registered representatives of SAI, may also receive on-going 12b-1 trailing commission compensation from a specific mutual fund company during the period that you maintain the mutual fund investment in your portfolio managed by us. Our investment management fee is exclusive of, and in addition to, any such commission charges.

Certain investment opportunities that become available to our clients may be limited. For example, various mutual funds may, from time to time, limit the number of shares available for purchase by mutual fund asset allocators, such as us. In order to meet our fiduciary duties to all of our clients, we will endeavor to allocate investment opportunities among all clients on a fair and equitable basis. However, except as otherwise provided by federal or state securities laws, we will not be liable for an adverse decision by a mutual fund or insurance company to unilaterally restrict and/or prohibit such asset allocation activities of ours.

In performing our services, we will not be required to verify any information received from you or from your other professionals, and is expressly authorized to rely thereon. You are free to accept or reject any recommendation made by us. Moreover, each client is advised that it remains your responsibility to promptly notify us if there is ever any change in your financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Our clients are advised to promptly notify us if there are ever any changes in your financial situation or investment objectives or if you wish to impose any reasonable restrictions upon our management services.

Neither Smedley Financial Services or you may assign the *Financial Planning and Consulting Agreement* or the *Investment Advisory Agreement* without the prior consent of the other party. Transactions that do not result in a change of actual control or management of ours will not be considered an assignment.

A copy of our written disclosure statement Form ADV Part 2A will be provided to each client prior to or contemporaneously with the execution of the *Financial Planning and Consulting Agreement* or the *Investment Advisory Agreement*. Any client who has not received a copy of our disclosure statement at 48 hours prior to executing the *Financial Planning and Consulting Agreement* or the *Investment Advisory Agreement* will have five business days subsequent to executing the agreement to terminate our services without penalty.

### **Comparable Services**

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

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

As briefly disclosed in *Item 4 – Advisory Business*, our advisor representatives can sell securities in their separate capacities as registered representatives of Securities America. In addition, they may sell insurance products in their capacities as independent insurance agents for sales commissions.

Some of the advice offered by our advisor representatives may involve investments in mutual fund products. Load and no-load mutual funds may pay annual distribution charges sometimes referred to as 12b-1 fees. However, our advisor representatives do not receive any portion of the 12b-1 fees paid and other compensation such as commissions, loads, trails, etc. when holding mutual funds in FAP and MOAD accounts. Because we only receive advisory fees charged to clients, there is not an incentive for us to recommend investment products paying commissions and other fees when selecting mutual funds. Therefore, we primarily recommend no-load mutual funds and mutual funds priced at net-asset-value.

When administering non-advisory, non-fee based accounts through Securities America, our advisor representatives will receive normal and customary commissions. This will include a portion of 12b-1 fees, trailer fees, and loads from some investment companies. Clients should be aware that these 12b-1 fees come from fund assets, and thus, indirectly from client's assets. The receipt of these fees could represent an incentive for registered representatives to recommend funds with 12b-1 fees or higher 12b-1 fees over funds with no fees or lower fees, therefore creating a conflict of interest. The brokerage commissions charged by SAI may be higher or lower than those charged by other broker/dealers

You are never obligated to use Securities America and you are never obligated to purchase investment products through our investment advisor representatives. You have the option to purchase investment products through other brokers or agents that are not affiliated with Smedley Financial Services.

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

Item 6 is not applicable to this Disclosure Brochure because Smedley Financial Services, Inc. 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**

Smedley Financial Services, Inc. generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

### **Minimum Investment Amounts Required**

Securities America Advisors' FAP and MOAD programs require a minimum account value of \$25,000. For FAP and MOAD, we require a minimum account value of \$25,000. Smedley Financial's Managed Account Program for Fidelity 403(b) accounts requires a minimum account value of \$25,000. Smedley Financial's Managed Account Program for Independent Custodial Account or Other Custodial Account requires no minimum account value. Minimum account values may be negotiable, depending on type of program and overall client account values.

Financial Planning and Consulting minimum fixed fee is \$200 and the minimum hourly rate is \$150.

The Model Portfolios Managed by Smedley Financial Services have established minimum investment amounts as disclosed in *Item 5 – Fees and Compensation*

All clients are required to execute an agreement for services in order to establish a client arrangement with Smedley Financial Services, Inc. and/or the third-party money manager or the sponsor of third-party money manager platforms.

Third-party money managers may have minimum account and minimum fee requirements in order to participate in their programs. Each-third party money manager will disclose its minimum account size and fees in its Form ADV Part 2A Disclosure Brochure.

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

### **Methods of Analysis**

Smedley Financial Services, Inc. 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**

Smedley Financial Services, Inc. uses the following investment strategies when managing client assets and/or providing investment advice:

SFS Proactive Portfolios: Are designed to be risk-averse, market-driven, and performance-oriented. The portfolios seek greater relative returns during periods of growth and better asset protection during

significant market downturns by maintaining flexibility as economic conditions change. They were created with the goal of helping investors combat fluctuating markets.

SFS Phase Portfolios: Were created to enhance income distribution planning. Each of the SFS Phase Portfolios is designed for a specific time horizon, target return, and risk tolerance that match the objectives of each income distribution phase or period.

SFS Tax-Efficient Portfolios: Have a goal to maximize after-tax returns. This is accomplished by keeping turnover low in passive investment vehicles that rarely make capital gains distributions. This leaves the advisor and client with more control over triggering taxable events. These portfolios are also designed to help keep investment costs low.

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

Smedley Financial Services, Inc.'s primary method of analysis or strategy is proactive investing. Some of the risks involved with using this method include market risk and active trading risk. Frequent trading of securities may have a positive or negative impact on investment performance. Performance from active trading can be lowered due to an increase in brokerage and other transaction costs.

### **Primarily Recommend One Type of Security**

Smedley Financial Services, Inc. does not primarily recommend only one type of security.

### **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.
- Equity (stock) market 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 typically receive set, regular payments that face the same inflation risk. High-yield bonds carry increased credit risk related to the quality of the issuing company.
- Foreign and Emerging Market Risk – Entails special risks such as currency fluctuations, political developments, economic and market instability. Emerging Markets involve heightened risk associated with the same factors and may have less liquidity.
- 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 will also incur brokerage costs when purchasing ETFs.
- 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 will decrease.

## **Item 9 – Disciplinary Information**

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

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

Smedley Financial Services is an independent investment advisory firm and only provides investment advisory services. The firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure.

Smedley Financial Services is **not** and does **not** have a related company that is a:

1. Broker/dealer, municipal securities dealer, government securities dealer or broker,

2. Futures commission merchant, commodity pool operator or commodity trading adviser,
3. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund),
4. Other investment adviser
5. Financial planning firm,
6. Banking or thrift institution,
7. Lawyer or law firm,
8. Pension consultant,
9. Real estate broker or dealer,
10. Sponsor or syndicator of limited partnerships, or
11. Accountant or accounting firm.

While Smedley Financial Services does not sell products or services other than investment advice, our investment advisor representatives may sell other products or provide services outside of their role with Smedley Financial Services. Our investment advisor representatives concentrate the majority of their efforts toward sales of investments and investment advisory services.

**Relationship with Securities America, Inc.**

Depending on the type of Securities America account that could be used to implement a financial plan or investment strategy, such compensation may include (but is not limited to) advisory program fees; commissions; mark-ups and mark-downs; transaction charges; confirmation charges; small account fees; mutual fund 12b-1 fees; mutual fund sub-transfer agency fees; hedge fund managed futures, and variable annuity investor servicing fees; retirement plan fees; administrative services fees for trust accounts; compensation for directing order flow; and bonuses, awards or other things of value offered by Securities America to the advisor representative.

This compensation to the advisor representative and Securities America may be more or less depending on the product or service the advisor representative recommends. Therefore, the advisor representative has a financial incentive to recommend that a financial plan be implemented using a certain product or services.

Your representative may be incented to join and remain affiliated with Securities America through certain compensation arrangements which could include bonuses, enhanced pay-outs, forgivable loans and/or business transition loans. Furthermore, there may or may not be production goals associated with the recommendation of a transaction from your representative. The receipt of any such compensation would be considered to be a conflict of interest. We encourage you to review this ADV closely and discuss any conflicts of interest with your representative.

The investment advisor representatives of Smedley Financial Services may recommend securities or insurance products offered by Securities America (or other insurance firms), and will receive the normal commissions if products are purchased through them; thus a conflict of interest exists between their interests and those of Smedley Financial Services' clients. Clients are under no obligation to purchase products recommended by investment advisor representatives or to purchase products either through Smedley Financial Services or Securities America.

Our principals and/or associated persons devote approximately 15% of their time to securities and life insurance commission business.

**Relationship with Securities America Advisors, Inc.**

We have established a relationship with Securities America Advisors, Inc., a registered investment advisor, to act as a sub-advisor in SAA's Managed Opportunities Program, a wrap-fee program. In addition, we may use the services of SAA, a registered investment advisor, through FAP and MOAD when managing assets and, when doing so, SAA will receive a portion of the fees.

**Relationship with Envestnet Asset Management Inc. – Model Portfolio Program**

As discussed in the response to *Item 5 – Fees and Compensation* Smedley Financial Services, Inc. has entered into an agreement with Envestnet Asset Management, Inc. to provide non-exclusive rights to use Model Portfolios created and managed by Smedley Financial Services for providing investment management services to Envestnet's clients.

**Insurance Sales Activities**

Smedley Financial Services, Inc. is also licensed as an insurance agency with the state of Utah. Some of the firm's investment advisor representatives are also individually licensed as insurance agents to provide insurance services to clients. Insurance products are provided to clients for personal, estate and business needs to minimize clients' exposure to identified risks. Although clients are under no obligation to purchase insurance products recommended by investment advisor representative in their separate capacities as insurance agents, clients often purchase such products when needs arise. For clients of Smedley Financial Services who purchase products causing commissions to be generated these are paid to the investment advisor representatives in their separate capacities as insurance agents. For those investment advisor representatives who are insurance licensed, this activity varies throughout the year.

You are never obligated or required to purchase insurance products through one of our advisor representatives licensed as insurance agents. However, when acting as an insurance agent, our advisor representatives can help you purchase insurance products and will receive separate compensation (i.e. insurance commissions) in addition to investment advisory fees charged by Smedley Financial Services. Clients that choose to purchase insurance products through one of our advisor representatives should be aware they will generally only recommend insurance products of those companies for whom they are sales agents and with which they are familiar with the benefits, exclusions and other terms.

Because our advisor representatives will receive commissions for selling insurance products, there is a conflict of interest in that they may recommend policies to clients that do not require or need insurance. To control for this conflict of interest and to be consistent with our firm's fiduciary duty, our advisor representatives strive to recommend insurance products only to those clients who need new or additional insurance coverage.

**Third-Party Money Managers**

Smedley Financial Services has developed several programs, previously described in *Item 5* of this disclosure brochure, designed to allow us to recommend and select third-party money managers for you. Once you select the third-party money manager to manage all or a portion of your assets, the third-party

money manager will pay us a portion of the fees you are charged. Please refer to *Items 4 and 5* for full details regarding the programs, fees, conflicts of interest and materials arrangements when Smedley Financial Services selects other investment advisers.

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

### **Code of Ethics Summary**

#### **Investment Policy**

None of our employees may effect for himself or herself or for his or her immediate family (i.e. spouse, minor children) (collectively Covered Persons), any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of our clients, unless in accordance with the following firm procedures.

#### **Firm Procedures**

In order to implement our investment policy, the following procedures have been put into place with respect to us and its Covered Persons:

- (1) If we are purchasing or considering for purchase any security on behalf of you, no Covered Persons may transact in that security prior to your purchase having been completed by us or until a decision has been made not to purchase the security on your behalf;
- (2) If we are selling or considering the sale of any security on your behalf, no Covered Persons may transact in that security prior to us completing the sale on your behalf or until a decision has been made not to sell the security on your behalf.

#### **Exceptions**

- (1) This investment policy has been established recognizing that some securities being considered for purchase and sale on behalf of our client's trade in sufficiently broad markets to permit transactions by clients to be completed without any appreciable impact on the markets of the securities. Under certain circumstances, exceptions may be made to the policies stated above.

Records of these trades, including the reasons for the exceptions, will be maintained with the our records.

- (2) Open-end mutual funds and/or the investment subdivisions which may comprise a variable 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 Covered Persons are not likely to have an impact on the prices of the fund shares in which clients invest, and are, therefore, not prohibited by our Investment Policy and Procedures.

We are and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. In accordance with Section 204A of the *Investment Advisers Act of 1940*, we also maintain

and enforce written policies reasonably designed to prevent the misuse of material nonpublic information by us or any person associated with us.

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each client. We and our associated persons have a fiduciary duty to all clients. We have established a Code of Ethics which all associated persons must read and then execute an acknowledgement agreeing that they understand and agree to comply with our Code of Ethics. We and associated persons' fiduciary duty to clients is considered the core underlying principle for our Code of Ethics and represents the expected basis for all associated persons' dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of ours or our associated persons' own investment interests. All associated persons will conduct business in an honest, ethical and fair manner. All associated persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and conflicts of interest will be provided to clients prior to services being conducted. All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the associated persons' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current clients or potential clients wish to review our Code of Ethics in its entirety, a copy may be requested from any of our associated persons and a copy will be provided promptly.

#### **Affiliate and Employee Personal Securities Transactions Disclosure**

Smedley Financial Services, Inc. or our associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a conflict of interest. It is the express policy of Smedley Financial Services, Inc. that all persons associated in any manner with our firm must place the interests of our clients ahead of their own when implementing personal investments. Smedley Financial Services, Inc. and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by Smedley Financial Services, Inc. are widely held and publicly traded.

### **Item 12 – Brokerage Practices**

**1. Research and Other Soft Dollar Benefits** Smedley Financial Services, Inc. has no Soft Dollar agreements with any broker/dealer.

**2. Brokerage for Client Referrals** Smedley Financial Services, Inc. does not direct brokerage in return for client referrals.

Clients are under no obligation to act on the financial planning recommendations of Smedley Financial Services, Inc. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible.

We are limited in the broker/dealer or custodians that we are allowed to use due to our relationship with Securities America. Securities America may limit or restrict the broker/dealer or custodial platforms for its

registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Although not a material consideration when determining whether to recommend that you utilize the services of NFS (or other designated broker/dealer/custodian), we may receive from NFS (or such other designated broker/dealer/custodian), without cost (and/or at a discount), support services and/or products which assist us to better monitor and service client accounts maintained at NFS (or such other designated broker/dealer/custodian).

Our associated persons sell securities and insurance products in their separate capacities as registered representatives and independent insurance agents and may earn sales commissions. Some of the advice offered by our associated persons involves investments in mutual fund products. Load and no-load mutual funds may pay annual distribution charges sometimes referred to as 12(b)-1 fees. Our associated persons may receive a portion of these 12(b)-1 fees from some investment companies in their separate capacities as registered representatives. You should be aware that these 12(b)-1 fees come from fund assets, and thus, indirectly from your assets. The receipt of these fees could represent an incentive for our associated persons to recommend funds with 12(b)-1 fees or higher 12(b)-1 fees over funds with no fees or lower fees, therefore creating a conflict of interest.

From time to time we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

In addition, in seeking best execution through NFS (or any other custodian), 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 broker/dealer services, including historical relationship, reputation, financial strength, the value of research provided, execution capability, commission rates and responsiveness.

**Execution of Brokerage Transactions (when applicable)** In seeking best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker/dealer's services including the value of research provided, execution capability, commission rates and responsiveness. Accordingly, although we will seek competitive commission rates, we may not necessarily obtain the lowest possible commission rates for account transactions.

Consistent with obtaining best execution, transactions for the client's account may be effected through broker/dealers in return for research products and/or services which assist us in our investment decision making process. Such research generally will be used to service all of our clients (including accounts that may not generate commissions used to pay for investment research), but brokerage commissions paid by the client may be used to pay for research that is not used in managing the client's account. The account may pay to a broker/dealer a commission greater than another qualified broker/dealer might charge to effect the same transaction where we determine in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

### **Handling Trade Errors**

Smedley Financial Services, Inc. has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by us if the error was caused by the firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for handling the trade error. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. We may also confer with client to determine if client should forego the gain (e.g., due to tax reasons).

Smedley Financial Services, Inc. will never benefit or profit from trade errors.

### **Block Trading Policy**

Transactions implemented by Smedley Financial Services, Inc. for client accounts are entered independently.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

For those clients to whom we provide investment supervisory services, account reviews are conducted on an on-going basis by our principal and/or associated persons. All of our investment supervisory clients are advised that it remains their responsibility to advise us of any changes in their investment objectives and/or financial situation. All clients (in person or telephonically) are encouraged to comprehensively review investment objectives and account performances with us on an annual basis.

Accounts established and maintained with other third-party money managers are reviewed at least quarterly, usually when statements and/or reports are received from the money manager.

Clients to whom we provide financial planning services are advised that it remains their responsibility to inform us of any changes in their financial situation, goals and/or investment objectives. All financial planning clients are encouraged to meet annually for a comprehensive review.

### **Statements and Reports**

You will receive monthly statements from the account custodian or clearing firm, if your account(s) have activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. Such statements will show any activity in the account, as well as period ending position balances. You will also receive a confirmation

from the custodian or clearing firm of each purchase and sale transaction that occurs within Financial Advisors Program accounts.

Clients may request on-demand client position reports from Smedley Financial Services, Inc. The performance information provided is believed to be accurate but cannot be guaranteed. We cannot guarantee the accuracy of fund values, securities' and other information obtained from third parties

Clients participating in FAP or MOAD may receive quarterly, monthly or on-demand reports showing the investment performances of their accounts from Securities America Advisors, Inc. or Smedley Financial Services, Inc.

We encourage you to compare the reports and correspondence received from Smedley Financial Services or third-party money manager with the account statements and confirmations received from the account custodian. Inquiries or concerns regarding the account, including performance reports, should be directed to Smedley Financial Services or the account custodian at the phone number listed on the account statement.

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

Smedley Financial Services, Inc. has arrangements in which we may reimburse investment advisors using our sub-advisor services for special events and/or marketing materials, such as seminars, client appreciation dinners or client outings. We may also provide reimbursement to investment advisors not affiliated with us or SAA.

Smedley Financial Services, Inc. or SAA may invest a portion of client's assets in mutual funds or variable annuities and charges an investment management fee on client's assets invested in these securities. Therefore, clients may pay two levels of advisory fees for the management of their assets, one directly to us or SAA and one indirectly to the managers of the mutual funds or variable annuities held in their portfolios.

#### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented. According to this definition, Smedley Financial Services, Inc. does not have custody of client funds or securities.

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

When providing asset management services, Smedley Financial Services maintains trading authorization over your Account and will provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account.

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

**Proxy Voting Policy** We do not vote client proxies. Therefore, although we may provide investment advisory services relative to client investment assets, our clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Smedley Financial Services, Inc. and/or the client will correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

With respect to assets managed by a third-party money manager, we will not vote the proxies associated with these assets. You will need to refer to each third-party money manager's disclosure brochure to determine whether the third-party money manager will vote proxies on your behalf. You may request a complete copy of third-party money manager's proxy voting policies and procedures as well as information on how your proxies were voted by contacting the third-party money manager or by contacting Smedley Financial Services at the address or phone number indicated on Page 1 of this disclosure document.

### **Item 18 – Financial Information**

This item is not applicable to this brochure. Smedley Financial Services, Inc. does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Smedley Financial Services, Inc. has not been the subject of a bankruptcy petition at any time (*Please refer to Information Required by Part 2B of Form ADV: Brochure Supplement for more information*).

## CUSTOMER PRIVACY POLICY NOTICE

Smedley Financial Services, Inc.<sup>®</sup> is committed to safeguarding the confidential information of our clients. We hold all personal information provided to our firm in the strictest confidence. Our investment advisor representatives may also be registered representatives of Securities America, Inc., ("SAI") a registered broker-dealer that is not affiliated with our firm. We may also have relationships with other nonaffiliated firms, including, but not limited to, investment advisor firms, such as Securities America Advisors, Inc. ("SAA") an affiliate of SAI, insurance companies, trust companies, custodians, other financial institution entities, and unaffiliated service providers, such as independent contractors, and internet web providers. Except as required or permitted by you or by law, we do not share confidential information about you with nonaffiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of your confidential information, we will provide written notice to you, and you will be given an opportunity to direct us as to whether such disclosure is permissible.

### AN IMPORTANT NOTICE CONCERNING OUR CLIENTS' PRIVACY.

**CLIENT INFORMATION WE COLLECT.** We collect and develop personal information about you, and some of that information is nonpublic personal information ("Client Information"). The essential purpose for collecting Client Information is to provide and service the financial products and services you obtain from our firm. The categories of Client Information collected by us depend upon the scope of the engagement with us and are generally described below. As an investment adviser, we collect and develop Client Information about you in order to provide investment advisory services. Client Information we collect includes:

- Information we receive from you on financial inventories through consultation with our representatives. This Client Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account, and other records concerning your financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- Information developed as part of financial plans, analyses or investment advisory services.
- Information concerning investment advisory account transactions, such as wrap account transactions.
- Information about your financial products and services transactions with us.

**DATA SECURITY.** We restrict access to Client Information to those representatives and employees who need the information to perform their job responsibilities within our firm. We maintain agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard Client Information about you.

**USE AND DISCLOSURE OF CLIENT INFORMATION TO PROVIDE CLIENT SERVICE FOR YOUR ACCOUNTS.** To administer, manage and service customer accounts, process transactions and provide related services for your accounts, it is necessary for us to provide access to Customer Information within our firm and to nonaffiliated companies such as SAI, SAA, other investment advisers, other broker-dealers, trust companies, custodians and insurance companies, and unaffiliated service providers, such as independent contractors, and internet web service providers. We may also provide Client Information

outside of our firm as permitted by you or by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

**FORMER CLIENTS.** If you close an account with our firm, we will continue to operate in accordance with the principles stated in the notice.

**REQUIREMENTS OF FEDERAL LAW.** In November of 1999, Congress enacted the Gramm-Leach-Bliley Act ("GLBA"). The GLBA requires certain financial institutions, including broker-dealers and investment advisors, to protect the privacy of Client Information. To the extent a financial institution discloses Client Information to nonaffiliated third parties other than as permitted by you or required by law, clients must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that we do not disclose Client Information to nonaffiliated third parties except as permitted by you or required by law (e. g., disclosures to service your account or to respond to subpoenas). All Client Information to nonaffiliated third parties except as permitted by you or required by law (e. g., disclosures to service your account or to respond to subpoenas). All Client Information obtained through SFS is kept private and confidential.