



A Registered Investment Advisor

## **FORM ADV PART 2A BROCHURE**

**300 Parkland Plaza, Ann Arbor, MI 48103**

(734) 663-1611

[spcinfo@bdops.com](mailto:spcinfo@bdops.com)

[www.spc4clients.com](http://www.spc4clients.com)

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This brochure provides information about the qualifications and business practices of SPC. If you have any questions about the contents of this brochure, please contact us at 734-663-1611. 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 SPC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for SPC is 110692.

SPC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2. Material Changes

### Annual Update

This section highlights material changes made to this brochure since its last annual update in March 2022. SPC is required to provide you with an annual notice containing a summary of any material updates made to this brochure and instructions on how to obtain an updated copy of this brochure in its entirety. In addition, SPC may offer you additional updates throughout the year as important material changes occur. The items below are material changes made to this brochure since the last annual update:

- Throughout this brochure, the term “solicitor” was replaced with “promoter” to reflect the new language of Rule 206(4)-1 of the Advisers Act.
- The “Advisory Business” section was updated to disclose in more detail SPC’s option to provide on-demand nondiscretionary services in return for a twenty (20) basis point (0.2%) fee, under the client services agreement for a SIGMA Managed Account, in the event a client’s investment adviser representative (“IAR”) dies, becomes permanently disabled, or terminates the relationship.
- The “Advisory Business” section was updated to inform clients that SPC reserves the right to cancel a client services agreement without notice in the event that the total value of the holdings in a SIGMA Managed Account fails to exceed \$100. SPC would exercise this right by removing itself from the account and converting the account to a retail brokerage account with Fidelity.
- The “Advisory Business” section was updated to disclose a new monthly option for ongoing consulting services in addition to the existing quarterly option.
- The “Advisory Business” section was updated to disclose that as of December 31, 2022, SPC managed \$5,951,434,898 in client assets on a discretionary basis and \$12,821,954 in client assets on a non-discretionary basis.
- The “Fees and Compensation” section was updated, relative to portfolio management services, to disclose in more detail how fees are calculated when account positions are excluded from management (e.g., with a Position Exclusion Form). In such circumstances, account positions that have been excluded will only be assessed the fifteen (15) basis point (0.15%) program fee. The effect of assessing the program fee on such excluded account positions will be to reduce your IAR’s overall compensation relative to the account. Consequently, a conflict of interest arises as a result of your IAR’s incentive not to exclude any of your account positions from management in order to maximize his or her compensation.
- The “Fees and Compensation” section was updated, relative to portfolio management services, to disclose that the program fee for a SIGMA Managed Account will be passed along to the IAR in the event the advisory fee cannot be assessed for that particular billing period, such as if the account contains insufficient cash to cover the advisory fee.
- The “Fees and Compensation” section was updated, relative to portfolio management services, to disclose that as of September 1, 2023, SPC will have switched to new and updated billing software. Once that occurs, accrued account assets under management (“AUM”) will be utilized for billing purposes with respect to SIGMA Managed Accounts, rather than unaccrued account AUM.
- The “Fees and Compensation” section was updated, relative to portfolio management services, to disclose that in the event the fifteen (15) basis point (0.15%) program fee is insufficient to generate the \$30 minimum, the client’s IAR will be responsible for paying the difference (i.e., \$30 less the 0.15% fee). However, in the event the IAR assigned to the SIGMA Managed Account has terminated his or her relationship with SPC, the client will be responsible for paying the difference. This typically applies to accounts with AUM below \$20,000.

- The “Fees and Compensation” section was updated, relative to portfolio management services, to clarify that in the event a client’s SIGMA Managed Account is funded at any time other than the first day of a calendar month (a “partial month”), the initial pro-rated advisory fee will be calculated in advance based upon the account AUM as of the date your account is funded; however this pro-rated advisory fee will not be billed until the end of this partial month. Except for this initial advisory fee and any adjustment due to mid-period asset flows, all other advisory fees will be billed and payable monthly in advance and calculated based upon the account AUM as of the last business day of the previous month.
- The “Fees and Compensation” section was updated, relative to portfolio management services, to clarify that the program fee will continue to be billed to a SIGMA Managed Account in the event the client’s IAR terminates his or her relationship with SPC. As long as the client services agreement remains in effect and has not been terminated, SPC will continue to bill the program fee to the SIGMA Managed Account each month.
- The “Fees and Compensation” section was updated, relative to portfolio management services, to disclose how SPC adjusts its monthly advisory fee, which is normally billed in advance, when there are mid-period asset flows of \$50,000 or more.
  - A daily net account deposit, addition, or contribution of \$50,000 or more will result in a pro-rata increase in the advisory fee for that month relative to the sudden inflow of account AUM. This adjustment takes into account the size of the mid-period account AUM inflow and the timing of the inflow event relative to the last business day of the previous month (which served as the reference point for the advisory fee billed in advance for the month). This mid-period adjustment to the advisory fee will be billed at the end of the month in which the inflow occurred.
  - A daily net account withdrawal of \$50,000 or more will result in a pro-rata decrease in the advisory fee for that month relative to the sudden outflow of account AUM. This adjustment takes into account the size of the mid-period account AUM outflow and the timing of the outflow event relative to the last business day of the previous month (which served as the reference point for the advisory fee billed in advance for the month). This adjustment to the advisory fee will be incorporated as an offset to the advisory fee for the following month; a client will receive an account credit only in the event there is no advisory fee for the following month (e.g., due to IAR termination).
- The “Fees and Compensation” section was updated, relative to portfolio management services, to disclose that when the single owner of a SIGMA Managed Account dies, SPC will discontinue billing the account for its management fee. However, when a primary joint account owner or a conservator dies, the fee charged to the account will be temporarily reduced to fifteen (15) basis points (0.15%) to cover the program fee for as long as the account remains restricted due to such event.
- The “Fees and Compensation” section was updated, relative to financial planning and ongoing consulting services, to disclose that the fee for a comprehensive financial plan will not exceed \$10,000, the number of hours billed on a project-based fee basis will not exceed thirty (30) hours, and the fee for ongoing consulting services is capped at \$600 per month (or \$1,800 per quarter).
- The “Fees and Compensation” section was updated to disclose additional details regarding the commissions and types of cash and non-cash compensation that can be received by IARs, who are also licensed as insurance agents, from the sale of annuity contracts and other insurance products, and how such commissions and compensation present a conflict of interest. Cash compensation can include bonus payments, bonus commissions, incentive payments, and other additional compensation above and beyond standard sales commissions, and non-cash compensation can include, but is not limited to, free or paid attendance at industry conferences held at luxurious locations, expense reimbursements, and free marketing services such as designing, developing, and maintaining websites, sending blast emails to clients, preparing and reviewing marketing materials, creating a company brochure, social media advertising, and developing marketing strategies. The commission received for selling an annuity contract is typically captured immediately and often dwarfs the compensation provided by recommending other investments,

including the annual asset-based advisory fee earned in return for managing investments on an advisory basis. Consequently, the sale of annuity contracts and insurance products presents a conflict of interest, because IARs who are licensed insurance agents have an incentive to recommend to clients the annuity contracts and insurance products of insurers, and to utilize the services of marketing organizations, that will generate the greatest possible amount of sales commissions and cash and non-cash compensation, rather than making financially disinterested recommendations that are solely based on clients' needs and in their best interest.

- The "Custody" section was updated to disclose that SPC does not process requests for, facilitate, or accept international wires, international checks, or international electronic funds transfers, whether to or from a foreign country.

The most recent copy of this brochure can be requested at any time by calling SPC at (888) 744-6264 or online at [www.spc4clients.com](http://www.spc4clients.com). SPC strongly encourages clients to review this important brochure in its entirety.

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## Item 4. Advisory Business

### Description of Services

Sigma Planning Corporation ("SPC") is registered with the United States Securities and Exchange Commission (the "SEC") as an investment adviser. SPC is a corporation formed under Michigan law in 1983. SPC is also under common ownership and control with Sigma Financial Corporation ("SFC") and Parkland Securities, LLC ("Parkland"). SFC and Parkland are independent broker-dealer firms that are each members of the Financial Industry Regulatory Authority, Inc. ("FINRA") as well as the Securities Investor Protection Corporation ("SIPC"). Moreover, SFC and Parkland are both registered as insurance agencies with various state insurance regulators. The Jerome S. Rydell Revocable Living Trust dated 12/21/1998, as amended and restated on 10/23/2020 (the "Trust"), owns all controlling (i.e., voting) equity interests in SPC, SFC, and Parkland. Jerome S. Rydell is the trustee of the Trust as well as the Chief Executive Officer of SPC, SFC, and Parkland.

As used in this brochure, SPC's "associated persons" are SPC's officers, employees, and all individuals providing investment advice on behalf of SPC ("Associated Persons"). Additionally, Associated Persons who provide investment advice or services to SPC's clients are referred to as "investment adviser representatives" ("IARs") throughout this brochure. Finally, as used in this brochure, the words "we," "our," "our firm," and "us" refer to SPC and/or its IAR who is assisting you, as the context requires, and the words "you," "your," and "client" refer to you, as the context requires, as either a client or prospective client of SPC. In the case of retirement plans, "you," "your," and "client" (and related terms) refer to the retirement plan, the sponsor of such plan and/or the named fiduciary of such plan, as the context or situation requires.

With a commitment to personal service, SPC partners with IARs looking to grow their practices in a professional and ethical manner. We provide investment management, financial planning and consulting services, and other services which allow our IARs to manage the assets of Middle American investors.

Most but not all of our IARs are registered representatives of SFC or Parkland, which are affiliated broker-dealers. Those IARs who are also registered representatives can offer securities and brokerage services in their capacities as registered representatives of SFC or Parkland. All of our IARs provide investment advisory services in their capacities as IARs of SPC. In the event your IAR deals with you in his or her brokerage capacity, he/she will notify you orally or in writing at or before the time he/she does so. As a result, when creating financial plans or providing portfolio management services, these IARs will be limited to the securities and insurance products approved by SFC and Parkland.

The following pages describe our services. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. In certain cases, we may provide clients with a complimentary general consultation to discuss available services, to give a potential client time to review desired services, and to determine the possibility of a client-adviser relationship.

### Portfolio Management Services

We provide portfolio management services through the SIGMA Managed Account. The SIGMA Managed Account is ordinarily a discretionary account by default, however clients can elect a non-discretionary arrangement upon written request. The SIGMA Managed Account is tailored to meet your needs and investment objectives. The custodian and clearing firm for assets held in SIGMA Managed Accounts is National Financial Services LLC ("NFS"), and the introducing broker is Fidelity Brokerage Services LLC ("FBS," and together with NFS and their affiliates, "Fidelity"). Through this arrangement, Fidelity provides SPC and its IARs with custodial services as well as other services and benefits in order to help us conduct our business and serve many types of clients. SPC does not have custody of client funds or securities, except to the limited extent that SPC can automatically deduct its advisory fees from client accounts. SPC also possesses the ability to effect certain bank wire transfers to a client's same-registration account outside Fidelity upon receipt of direct written instructions from the client. SPC is independently owned and operated and is not affiliated with Fidelity. NFS is also the custodian clearing firm utilized by SFC and Parkland.

If you retain SPC for portfolio management services, one of our IARs will meet with you to determine your financial situation, investment profile, investment objectives, risk tolerance, and other relevant information (collectively, your "suitability information"). This suitability information will serve as the basis for your IAR's recommendations and assist us with ensuring that your assets are managed appropriately. We will use the suitability information we

gather to develop a strategy that enables us to give you continuous and focused investment advice and to recommend or make investments on your behalf. Your IAR's recommendations are based on your suitability information. You must promptly notify your IAR if your financial situation, goals, objectives, or needs change. Your IAR may tailor his or her services to focus only on certain portfolio components, depending upon your wishes and/or the nature of the engagement with your IAR. However, comprehensive investment needs and objectives may not be fully considered if you elect to receive limited services and/or provide us with limited information.

In the case of a SIGMA Managed Account, your IAR will customize an investment portfolio for you in accordance with your suitability information. Once your IAR constructs an investment portfolio, your IAR will monitor your portfolio's performance on an ongoing basis and will either rebalance or trade the portfolio (in discretionary accounts) or recommend new allocations (for nondiscretionary accounts) as required by changes in market conditions or your investment needs and objectives. It is important to understand that your portfolio allocation may cease to be suitable for you based on certain changes in your financial situation, investment objectives, risk tolerance, or investment time horizon. In the event of any such changes, you should promptly contact your IAR in order to discuss the continued suitability of your portfolio allocation.

If you participate in our discretionary portfolio management program, we require you to grant SPC and your IAR discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities and the amount of securities to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted either by the client services agreement you sign with our firm or by trading authorization forms. You may limit our discretionary authority (e.g., by limiting the types of securities that can be purchased in your account) by providing our firm with your restrictions and guidelines in writing. (Our Exclusion/Inclusion Form can be used for such purposes.) However, such restrictions and guidelines may affect the composition and performance of your portfolio and/or our ability to meet your investment objectives. For nondiscretionary accounts, we will contact you to obtain consent prior to executing any transactions.

Clients who wish to open a SIGMA Managed Account or a direct-at-fund program account (discussed below) will complete and sign a client services agreement with SPC. (While the same agreement is used for both types of accounts, the applicable terms differ with respect to each account type.) In the case of a SIGMA Managed Account, in the event your IAR dies, becomes permanently disabled, terminates his or her relationship with SPC, or provides you with written notice terminating your relationship, your client services agreement will continue in full force and effect as between you and us. In determining the disposition of your account, we will, in our sole discretion, elect to take one of the courses of action outlined in the client services agreement. Such courses of action include: (i) providing more limited on-demand nondiscretionary services for a significantly reduced annual asset-based fee of twenty (20) basis points (0.2%); (ii) reallocating your account among one or more model portfolios that we offer; (iii) reallocating your account based on the algorithmic recommendations of a robo-advisor to which we subscribe for advice; (iv) appointing a new IAR to manage your account, regardless of whether or not your IAR had a succession plan in place (SPC may also elect this option in the event your IAR sells his or her book of business to another IAR of SPC, regardless of whether or not your IAR terminates his or her relationship with SPC, in order to help facilitate the sale transaction); or (v) converting your account to a retail brokerage account with Fidelity. Alternatively, you can request termination of your agreement and/or that we assist you with transferring your account to another investment adviser or provide your name and contact information to one or more IARs within your geographic proximity in order to locate a new IAR to service your account. We are presently in the process of developing the options described in clauses (i) through (iii) above and have not yet begun to utilize these options with clients. However, we have included these options in our client services agreement to reserve these options for future use. In the case of the option described above in clause (i), we anticipate that on-demand nondiscretionary services would consist of servicing the client's SIGMA Managed Account and providing the client with recommended investment allocations at the client's reasonable request and based upon the client's documented investment objectives, risk tolerance, time horizon, goals, and investment guidelines and restrictions. Under this arrangement, the client would be responsible for proactively monitoring the performance of the investments in the client's SIGMA Managed Account, contacting SPC to request recommended investment allocations, reviewing such recommendations prior to implementation, and conveying approval of such recommendations to SPC in order that SPC may place the necessary trades in the account, with the client being responsible for the cost of all ticket charges incurred in connection with any transactions. If and when we begin utilizing the options described in clauses (i) through (iii) with clients, we will update this brochure accordingly to describe the options in greater detail, including, but not limited to, the applicable policies, procedures, fees, and conflicts of interest associated with each option. Succession plans are

discussed below in this brochure.

The client services agreement may be canceled at any time, by any party thereto and for any reason, upon written notice to the other parties, as provided in such agreement. **However, in the event that the total value of the holdings in a SIGMA Managed Account fails to exceed \$100 for any reason, SPC reserves the right to cancel the client services agreement without notice by removing itself (and the IAR) from the account and converting the account to a retail brokerage account with Fidelity.** For the calendar month in which the client services agreement is terminated, our fee will be prorated and refunded based on the number of days that the client services agreement was in effect during such month.

### **Charitable Investment Advisor Program**

Account holders with more than \$250,000 in a donor-advised fund at Fidelity Charitable are eligible to nominate their IAR to manage some of the account assets for Fidelity Charitable. SPC permits IARs to provide such account management services, however the investment options are generally conservative or moderate in nature. IARs who manage these accounts are required to adhere to the terms and conditions set forth in Fidelity's *Charitable Investment Advisor Program: Investment Policies and Guidelines* as well as the *Fidelity Charitable Policy Guidelines: Program Circular*. For more information, please contact the SPC Department or visit [www.FidelityCharitable.org](http://www.FidelityCharitable.org).

### **Direct-at-Fund Programs**

SPC offers limited direct-at-fund programs for clients who are primarily or solely interested in the funds of a particular mutual fund company. A direct-at-fund program is a fee-based discretionary account held with a single mutual fund company that provides clients with access to mutual fund shares that do not impose charges or fees beyond the expenses associated with managing and administering the fund (e.g., sales loads, surrender charges, or 12b-1 fees).

If you retain SPC for portfolio management services through a direct-at-fund program, one of our IARs will meet with you to determine your suitability information. Based upon your suitability information, the IAR who services your direct-at-fund account will utilize an investment management methodology to construct and actively manage a portfolio consisting entirely of mutual fund shares made available by the mutual fund company sponsoring the direct-at-fund program. Once your IAR constructs an investment portfolio for you, your IAR will monitor your portfolio's performance on an ongoing basis and will rebalance or trade the portfolio as required by changes in market conditions or your investment needs and objectives.

Direct-at-fund programs are designed for managing client portfolios and accounts on a discretionary basis using the funds of a single mutual fund company. If you participate in a direct-at-fund program, we require you to grant SPC and your IAR discretionary authority to manage your direct-at-fund account. Discretionary authorization will allow us to determine the specific mutual funds to be purchased or sold in your account without your approval prior to each transaction. Discretionary authority is typically granted in both the client services agreement that you sign with SPC as well as the mutual fund company's account application and/or account conversion form. You may limit our discretionary authority (e.g., by limiting the types of mutual funds that can be purchased in your account) by providing SPC with your restrictions and guidelines in writing. Such restrictions and guidelines may affect the composition and performance of your portfolio and/or our ability to meet your investment objectives.

In the event your IAR dies, becomes permanently disabled, terminates his or her relationship with SPC, or provides you with written notice terminating your relationship, your client services agreement will continue in full force and effect as between you and us. In determining the disposition of your discretionary managed account, we will, in our sole discretion, elect to take one of the courses of action outlined in the client services agreement. Such courses of action include: (i) reallocating your account among one or more model portfolios that we offer, or (ii) appointing a new IAR to manage your account (SPC may also elect this option in the event your IAR sells his or her book of business to another IAR of SPC, regardless of whether or not your IAR terminates his or her relationship with SPC, in order to help facilitate the sale transaction). Alternatively, you can request termination of your agreement and/or that we assist you with transferring your account to another investment adviser or provide your name and contact information to one or more IARs within your geographic proximity in order to locate a new IAR to service your account. We are presently in the process of developing the option described in (i) above and have not yet begun to utilize this option with clients. However, we have included this option in our client services agreement to reserve this option for future use. If and when we begin utilizing this option with clients, we



will update this brochure accordingly to describe the option in greater detail, including, but not limited to, the applicable policies, procedures, fees, and conflicts of interest associated therewith.

The client services agreement may be canceled at any time, by any party thereto, for any reason, upon written notice to the other parties, as provided in such agreement. Mutual fund companies sponsoring direct-at-fund programs are free to choose the timing of when advisory fees for portfolio management services will be charged (e.g., quarterly or monthly) and whether such fees will be charged in arrears or in advance. If the client services agreement is terminated, no fee refund will be necessary for fees charged in arrears, whereas fees charged in advance will be refunded according to the fund platform's stated policies. In either case, our fee will be prorated based on the number of days that the client services agreement was in effect during such billing period.

## Retirement Plans

This section describes our services and fees for employer-sponsored retirement plans, particularly those covered by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). However, depending on the circumstances, we can also offer our services to retirement plans that are not covered by ERISA due to one or more federal exemptions.

Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to the individual needs of such retirement plans. In certain cases, we will provide clients with a complimentary general consultation to discuss available services, to give a potential client time to review desired services, and to determine the possibility of a client-adviser relationship.

### *Types of Retirement Plan Services Offered*

We offer a variety of services to employer-sponsored retirement plans and their participants, including discretionary fiduciary services, nondiscretionary fiduciary services, and non-fiduciary retirement plan consulting services. Depending on the type of retirement plan and the specific arrangement with the plan's sponsor, we will provide one or more of these services.

The plan sponsor can engage our IARs to perform retirement plan services by completing the Qualified Plan Service Agreement (the "QPSA"). The QPSA outlines the terms and the nature of our relationship with the plan and the plan sponsor, including a description of the services to be provided and the fees to be charged. Moreover, the QPSA enables us to obtain important information about the plan, including the plan's design, the plan's objectives, investment risk tolerance information, plan participant demographics, and the plan's third-party service providers. The responsible plan fiduciary must sign and submit the QPSA to SPC before any services are provided. Our retirement plan services are described below in greater detail.

### *ERISA § 3(38) Discretionary Fiduciary Services*

These services are designed to allow the plan sponsor (or plan fiduciary) to delegate responsibility for managing, acquiring, and disposing of plan assets that meet the requirements of ERISA. We will perform these investment management services through our IARs and will charge a fee for the investment management services, as described in this brochure and the QPSA. We will perform these services for the plan as an investment manager under ERISA § 3(38) and will act with the degree of diligence, care, and skill that a prudent person rendering similar services would exercise under similar circumstances.

The plan sponsor (or plan fiduciary) can engage us to perform any of the following services by selecting the appropriate boxes in Appendix A of the QPSA:

#### 1. Selection, Monitoring, and Replacement of the Plan's Designated Investment Alternatives ("DIAs")

We will review the investment objectives, risk tolerance, and goals of the plan with the plan sponsor (or plan fiduciary). We will also provide the plan sponsor (or plan fiduciary) with an investment policy statement ("IPS")—if it does not already have one—that contains criteria from which we will select, monitor, and replace the plan's DIAs. We will review the investment options available to the plan and will select the plan's DIAs in accordance with the criteria set forth in the IPS. On a periodic basis, we will monitor and evaluate the DIAs and replace any DIAs that no longer satisfy the IPS criteria.

## 2. Creation and Maintenance of Model Asset Allocation Portfolios (“Model Portfolios”)

We will review the investment objectives, risk tolerance, and goals of the plan with the plan sponsor (or plan fiduciary). We will also provide the plan sponsor (or plan fiduciary) with an IPS (or other documentation)—if it does not already have one—that contains criteria from which we will select, monitor, and replace the plan’s Model Portfolios. We will create a series of risk-based Model Portfolios comprised solely of the plan’s DIAs and, on a periodic basis or upon reasonable request, we will reallocate and rebalance the Model Portfolios in accordance with the IPS or other guidelines approved by the plan sponsor (or plan fiduciary).

## 3. Selection, Monitoring, and Replacement of Qualified Default Investment Alternatives (“QDIAs”)

We will review the investment objectives, risk tolerance, and goals of the plan with the plan sponsor (or plan fiduciary). We will also provide the plan sponsor (or plan fiduciary) with an IPS (or other guidelines)—if it does not already have one—which contains criteria from which we will select, monitor, and replace the plan’s QDIAs. Once the plan sponsor (or plan fiduciary) confirms the plan’s desired type of QDIAs, we will select, monitor, and replace the plan’s QDIAs in accordance with the IPS or other guidelines approved by the plan sponsor (or plan fiduciary).

## 4. Participant Investment Management

We will meet with plan participants, periodically and upon reasonable request, to collect information necessary to complete an investor profile to identify the participant’s investment objectives, risk tolerance, time horizon, and other suitability information. Based upon each participant’s profile, we will invest the participant’s plan account among one or more of the plan’s DIAs or Model Portfolios, if applicable. We will have sole discretion over the investment of the participant’s account.

### ***ERISA § 3(21)(A) Nondiscretionary Fiduciary Services***

These services are designed to allow the plan sponsor (or plan fiduciary) to retain full discretionary authority and control over the plan’s assets. We will solely make recommendations to the plan sponsor (or plan fiduciary). We will perform these nondiscretionary investment advisory services through our IARs and will charge a fee for these fiduciary services, as described in this brochure and the QPSA. We will perform these investment advisory services for the plan as a fiduciary under ERISA § 3(21)(A) and will act with the degree of diligence, care, and skill that a prudent person rendering similar services would exercise under similar circumstances.

The plan sponsor (or plan fiduciary) can engage us to perform one or more of the following nondiscretionary investment advisory services by selecting the appropriate boxes in Appendix A of the QPSA:

#### 1. Recommendations to Establish or Revise the Plan’s IPS

We will review the investment objectives, risk tolerance, and goals of the plan with the plan sponsor (or plan fiduciary). If the plan does not have an IPS, we will recommend investment policies to assist the plan sponsor (or plan fiduciary) in establishing an appropriate IPS. If the plan has an existing IPS, we will review it for consistency with the plan’s objectives. If the IPS does not represent the objectives of the plan, we will recommend revisions to the plan sponsor (or plan fiduciary) that will establish investment policies which are congruent with the plan’s objectives.

#### 2. Recommendations to Select and Monitor the DIAs

Based on the plan’s IPS or other guidelines established by the plan, we will review the investment options available to the plan and will make recommendations to assist the plan sponsor (or plan fiduciary) in selecting the DIAs to be offered to plan participants. Once the plan sponsor (or plan fiduciary) selects the DIAs, we will provide reports, information, and recommendations, on a periodic basis or upon reasonable request, to assist the plan sponsor (or plan fiduciary) with monitoring the investments. If the IPS criteria require an investment to be removed, we will provide information, analysis, and recommendations, on a periodic basis or upon reasonable request, to assist the plan sponsor (or plan fiduciary) with evaluating replacement investment alternatives.

#### 3. Recommendations to Select and Monitor QDIAs

Based on the plan’s IPS or other guidelines established by the plan, we will review the investment options available to the plan and will make recommendations to assist the plan sponsor (or plan fiduciary) in selecting the plan’s QDIAs for plan participants who fail to direct the investment of their accounts. Once the plan sponsor (or plan fiduciary) selects the QDIAs, we will provide reports, information, and recommendations, on

a periodic basis or upon reasonable request, to assist the plan sponsor (or plan fiduciary) with monitoring the investments. If the IPS criteria require an investment to be removed, we will provide information and analysis to assist the plan sponsor (or plan fiduciary) with evaluating replacement investment alternatives.

#### 4. Recommendations to Allocate and Rebalance Model Portfolios

Based on the plan's IPS or other investment guidelines established by the plan, we will review the investment options available to the plan and will make recommendations to assist the plan sponsor (or plan fiduciary) in creating and maintaining Model Portfolios. Once the plan sponsor (or plan fiduciary) approves the Model Portfolios, we will provide reports, information, and recommendations, on a periodic basis, designed to assist the plan sponsor (or plan fiduciary) with monitoring the plan's investments. If the IPS criteria require an investment to be removed, we will provide information and analysis to assist the plan sponsor (or plan fiduciary) with evaluating replacement investment alternatives to be included in the Model Portfolios. Upon reasonable request, we will make recommendations to the plan sponsor (or plan fiduciary) to rebalance the Model Portfolios to maintain their desired allocations.

### ***ERISA Non-fiduciary Retirement Plan Consulting Services***

We offer retirement plan consulting services designed to assist the plan sponsor (or plan fiduciary) in satisfying its fiduciary duties to administer the plan in the best interests of plan participants and their beneficiaries. Retirement plan consulting services are limited to non-fiduciary services under ERISA.

The plan's custodian, not SPC, will be responsible for arranging for the execution of securities transactions through a broker-dealer that it believes can provide best execution. We will not have any discretionary authority or discretionary responsibility over the administration of the plan, or any authority to interpret plan documents, approve the distributions to be made by the plan, or determine participant eligibility, benefits, or vesting. We will not perform record-keeping or brokerage services on behalf of the plan, nor will we assume the duties of a trustee or plan administrator (as defined in ERISA § 3(16)).

The plan sponsor (or plan fiduciary) can elect for us to provide any of the following services:

#### 1. Administrative Support

Assisting the plan sponsor (or plan fiduciary) with:

- Reviewing plan objectives and options available through the plan
- Reviewing retirement plan committee structure and administrative policies and procedures
- Recommending participant education and communication policies under ERISA § 404(c)
- Coordinating and reconciling participant disclosures under 29 C.F.R. § 2550.404a-5
- Developing requirements for responding to participant requests
- Assisting with the development and maintenance of a fiduciary audit file and document retention policy
- Delivering fiduciary training and/or education periodically or upon reasonable request

#### 2. Service Provider Support

Assisting the plan sponsor (or plan fiduciary) with:

- Developing a process to select, monitor, and replace service providers
- Reviewing covered service provider ("CSP") disclosures under ERISA § 408(b)(2) and fee benchmarking
- Providing reports and/or information designed to assist with monitoring CSPs
- Reviewing ERISA spending accounts or plan expense recapture accounts ("PERAs")
- Preparing and reviewing requests for proposals ("RFPs") and/or requests for information ("RFIs")
- Coordinating CSP replacements and conversions

#### 3. Investment Monitoring Support

Assisting the plan sponsor (or plan fiduciary) with:

- Periodically reviewing the IPS in the context of plan objectives
- Monitoring investment performance
- Educating committee members, as needed, regarding replacement of DIAs and/or QDIAs
- Assisting with monitoring designated investment managers ("DIMs") and/or third-party advice providers, as necessary

#### 4. Participant Services

Assisting the plan sponsor (or plan fiduciary) with:

- Facilitating group enrollment meetings
- Coordinating employee education regarding plan investments and fees
- Helping participants with financial wellness education, retirement planning, and/or gap analysis

#### *Direct-at-Fund Programs*

SPC also offers direct-at-fund programs to retirement plans that are primarily or solely interested in the funds of a particular mutual fund company. As explained above, a direct-at-fund program is a fee-based discretionary account held with a single mutual fund company that provides clients with access to mutual fund shares that do not impose additional charges or fees (e.g., sales loads, surrender charges, or 12b-1 fees). If SPC is retained for portfolio management services through a direct-at-fund program, SPC will perform these services for the retirement plan as an investment manager under ERISA § 3(38) and will act with the degree of diligence, care, and skill that a prudent person rendering similar services would exercise under similar circumstances.

Mutual fund companies sponsoring direct-at-fund programs are free to choose the timing of when advisory fees for portfolio management services will be charged (e.g., quarterly or monthly) and whether such fees will be charged in arrears or in advance. If the QPSA is terminated, no fee refund will be necessary for fees charged in arrears, whereas fees charged in advance will be refunded according to the fund platform's stated policies. In either case, our fee will be prorated based on the number of days that the QPSA was in effect during such billing period.

#### *Non-ERISA Retirement Plans*

Depending on the circumstances, we can also provide any of the services described above to retirement plans that are not covered by ERISA. In providing services to such plans, we would act as a fiduciary under the Act, but not as a fiduciary under ERISA § 3(21)(A).

#### *Potential Additional Retirement Services Provided Outside of the QPSA*

In providing services to retirement plans, SPC and its IARs are also able to establish client relationships with one or more plan participants or beneficiaries. Such client relationships develop in various ways, including, without limitation: (1) as a result of a decision by the participant or beneficiary to obtain advisory services from SPC not involving the use of plan assets; (2) as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relate exclusively to assets held outside of the plan; or (3) through an Individual Retirement Account rollover ("IRA Rollover") from a retirement plan. IARs will not, however, solicit plan participants or beneficiaries when providing services to the retirement plan.

If SPC is providing services to a retirement plan, the IAR working with the plan will, when requested by a plan participant or beneficiary, arrange to provide services to that participant or beneficiary through a separate agreement that excludes any investment advice on plan assets (but will consider the participant's or beneficiary's interest in the plan in providing that service). If a plan participant or beneficiary desires to complete an IRA Rollover, any decision regarding whether to complete the IRA Rollover or what to do with the IRA Rollover assets remains solely that of the participant or beneficiary.

In providing these optional services, we will provide employers and employees with information regarding other financial and retirement products or services offered by SPC and our IARs.

#### *No Responsibility for Preparing ERISA Documents*

Neither SPC nor any of its IARs shall be responsible for drafting or preparing, on behalf of the plan or plan sponsor (or plan fiduciary), any mandatory reporting documents required under ERISA or other federal or state legislation, including, but not limited to, Form 5500, the lifetime income disclosure required by Section 203 of the SECURE Act, and the participant disclosure document required under 29 C.F.R. § 2550.404a-5.

### *No Responsibility to Provide Fiduciary Education or Verification*

Neither SPC nor any of its IARs shall be responsible to the plan or plan sponsor (or plan fiduciary) for any of the following:

- Providing recommendations to ensure, or help ensure, that the plan's interested parties and/or fiduciaries are fulfilling their respective fiduciary responsibilities.
- Verifying fees paid by the plan to a third party other than SPC.
- Verifying that there is no difference in quarterly yield between a provider's proprietary and non-proprietary funds due to the receipt of revenue reimbursement.
- Verifying that a provider's current annual administration fee does not contain a surcharge to make up for a revenue reimbursement amount.

### *Potential Conflicts and Related Policies*

Associated persons and affiliates of SPC are permitted to provide other non-fiduciary retirement services to plans, such as record-keeping and third-party administrator ("TPA") services, and receive variable compensation therefrom. This presents a conflict of interest, as any IAR who recommends such non-fiduciary retirement services will receive compensation in connection therewith. However, the plan sponsor (or plan fiduciary) is free to obtain such non-fiduciary retirement services from the service provider of its choosing and need not work with the IAR who made the recommendation.

### **Recommendation of Third-Party Investment Advisers**

After gathering information about your financial situation and objectives (i.e., your suitability information), your IAR may recommend that you utilize the services of a third-party investment adviser ("TPIA") to manage your entire investment portfolio or a portion thereof. Factors that your IAR will take into consideration when making such a recommendation include, but are not limited to, the TPIA's historical performance, manager tenure, strategy, methods of analysis, and fees, as well as your financial needs, investment goals, risk tolerance, and investment objectives. Your IAR will periodically monitor the TPIA's performance to ensure its management and investment style remain aligned with your investment goals and objectives.

When recommending the services of a TPIA, your IAR will provide you with the TPIA's disclosure brochure and compensation disclosure document. Certain TPIAs require minimum portfolio conditions as outlined in each TPIA's disclosure brochure. You are never under any obligation to engage the services of a TPIA that your IAR recommends.

Due to SPC's various business relationships, there are two ways in which a client can establish an account with a recommended TPIA. The available options consist of the following:

- *Direct Relationships*. SPC has direct relationships with various TPIAs. A "direct" relationship is one in which SPC has entered into a contractual agreement directly with the TPIA after performing appropriate due diligence on the TPIA. In some instances, SPC functions as a co-advisor under the terms of a written tri-party agreement between the client, SPC, and the TPIA, thereby providing contractual services to the client separate from the TPIA. As a result, clients will pay a management fee to the TPIA for its account management services, and pay a separate fee to SPC for the other services agreed upon between the client and IAR, including, but not limited to, meeting with the client at least annually (or more often upon request) to discuss and review the TPIA's performance, being available during regular business hours to answer the client's inquiries regarding the TPIA, and periodically monitoring the TPIA's performance on an ongoing basis. At the TPIA's instruction, SPC's separate fee is collected from the client's account by the account custodian, and thereafter SPC's fee is remitted directly to SPC by the TPIA. However, in most cases, our agreement with the TPIA calls for SPC to function as the TPIA's promoter, within the meaning of Rule 206(4)-1 under the Act. As the TPIA's promoter under the agreement, SPC's primary role is to introduce you to the TPIA, and thereafter SPC is contractually obligated to provide you with disclosure documents and basic assistance with establishing an account with the TPIA; answering questions about the TPIA, on an ongoing basis; and performing other non-advisory services as outlined in SPC's agreement

with the TPIA. Under such an agreement, we receive referral fee compensation for introducing you to the TPIA. The amount and nature of this compensation is described in a disclosure document we deliver to you before you engage the TPIA for advisory services.

- Investnet. Through the Fidelity platform, our IARs have access to model portfolios and TPIAs that have been made available by Investnet for use with clients. SPC does not have a direct relationship with most of the TPIAs available through Investnet, nor does SPC act as a promoter with respect to TPIA accounts opened through Investnet. Instead, the client opens an account with Fidelity, and thereafter the client selects, with recommendations from the IAR, one or more TPIAs to manage the account assets.

SPC mitigates TPIA conflicts of interest by reviewing each recommendation to open a TPIA account, along with the recommendation to fund the account with the proceeds from liquidated investments, to ensure that the proposed course of action is suitable and consistent with SPC's duties of care and loyalty. This mitigation is performed for both co-advisory and promoter relationships with TPIAs.

You will customarily be required to sign an agreement directly with each recommended TPIA. You will be permitted to terminate your advisory relationship with the TPIA according to the terms of your agreement with the TPIA. You should review each TPIA's disclosure brochure for specific information on how you may terminate your advisory relationship with the TPIA and how you will receive a refund, if applicable. You should contact the TPIA directly for questions regarding your advisory agreement with the TPIA.

TPIAs are responsible for the specialized portfolio management, portfolio reporting services, best execution review, quarterly reporting, trade error resolution, custodial reconciliations, and trade implementation within their respective programs.

#### *When Your IAR Terminates*

When you open an account with a TPIA, the TPIA will assign your IAR as the representative of record for your account. If your IAR terminates his or her relationship with SPC, for any reason whatsoever, our process is to notify you and the TPIA of your IAR's termination. If your IAR had a succession plan in place, meaning a written agreement for another IAR (or group of IARs) (the "successor IAR(s)") to take over your IAR's book of business, we or the successor IAR(s) will notify you of that as well, including the name and contact information of the successor IAR(s). Thereafter, the successor IAR(s) will likely contact you to obtain updated suitability information and to request that you complete any necessary paperwork related to updating your account.

Depending on whether your IAR had a succession plan in place, your account with the TPIA will be updated as follows upon your IAR's termination:

- Multiple IARs. If your account is jointly assigned to multiple IARs, then the terminated IAR's name will be removed from your account, leaving the remaining IAR(s) assigned to your account as the representative(s) of record. In this scenario, SPC will continue receiving fees from the TPIA related to your account, as SPC will continue servicing your account.
- Succession Plan. If your account is solely assigned to your IAR, and your IAR had a succession plan in place, then after your IAR's departure, SPC will assist the successor IAR(s) with updating your account so that the successor IAR(s) are assigned to your account as the representative(s) of record. The process for reassignment varies, as some TPIAs require new client paperwork, whereas other TPIAs will accept a letter of instruction from SPC. If your account is not reassigned to the successor IAR(s) within approximately three (3) months of your IAR's departure, SPC will instruct the TPIA to stop paying fees to SPC until a new IAR (e.g., a successor IAR) is assigned to your account. **However, a cessation in the payment of fees to SPC has no impact on the amount of fees you will pay to have your account managed by the TPIA, or your obligation to pay these agreed-upon fees for so long as your client agreement with the TPIA remains in effect. Moreover, while your account has no IAR assigned to it, you will not receive the benefit of the client relationship management services that are included in the overall cost of your participation in the TPIA's program, as SPC does not have the capability to service your account unless an IAR of SPC is assigned to your account. While you have the option to work with the financial advisor of your choosing, or terminate your participation in the TPIA program at any time, we strongly encourage you to work with any new IAR of SPC who contacts you to request updated account profile information and the completion of any paperwork necessary to have such new IAR assigned to your account as the representative of record, as**

**SPC is unable to service your account while no IAR is assigned to it.** After your IAR's departure, and prior to a new IAR (e.g., a successor IAR) being assigned to your account, the TPIA will continue managing your account according to the client profile information the TPIA currently has on file. If you would like to update your client profile information on file with the TPIA, you should contact the TPIA directly. Please note, however, that the TPIA may not be able to facilitate any such update to your client profile information until you obtain the assistance of a new financial advisor to service your account with the TPIA. SPC cannot handle the communication of any such client profile information to the TPIA while your account remains unassigned to an IAR of SPC.

- No Succession Plan. If your account is solely assigned to your IAR, and your IAR had no succession plan in place, then after your IAR's departure, your account will be reassigned to and serviced by an in-house IAR who works in SPC's home office, and SPC will continue to receive fees from the TPIA based on the in-house IAR's services. The process for reassignment varies, as some TPIAs require new client paperwork, whereas other TPIAs will accept a letter of instruction from SPC. The in-house IAR will contact you in order to introduce himself or herself, request updated suitability information from you, request new client paperwork if required by the TPIA for account reassignment, and answer any questions you may have. The in-house IAR will also service your account on an ongoing basis in accordance with the terms of the written agreement between SPC and the TPIA.

## Financial Planning and Ongoing Consulting Services

We provide financial planning and consulting services on an hourly, fixed fee, project and/or ongoing basis. Services can be tailored to your needs and may be comprehensive in nature or may only focus on certain aspects of your financial situation. The scope of services to be provided will be memorialized in our Letter of Engagement. The Letter of Engagement is the agreement we use with clients for financial planning and consulting services. The four services that SPC offers—hourly financial planning, ongoing consulting services, comprehensive financial plans, and segmented financial plans—are described in greater detail below and in the Terms and Conditions of the Letter of Engagement.

IARs may provide non-legal advice and assistance with respect to financial management, risk management, asset allocation, investment research, understanding the financial impact of divorce or marital status, investment-related tax issues, retirement planning, education funding, goal setting, and other financial or investment-related needs that you identify. The financial planning process will involve the review of your current financial condition, needs, and goals. At his or her discretion, your IAR may also elect to utilize a client questionnaire to assist with making recommendations, and the advice offered may include recommendations for updates and reviews.

### *Segmented and Comprehensive Financial Planning*

We offer segmented financial plans, including, but not limited to, the following:

- Asset allocation / risk tolerance analysis
- Retirement planning analysis
- Social Security analysis
- College cost analysis
- Income planning analysis

Such plans will be developed based on recommendations consistent with your stated objectives and goals. Additionally, we offer more detailed, broad-based financial plans that comprehensively address most (or all of) a client's identified financial needs, interests, and goals.

Depending on the circumstances, we can also provide, on a limited basis, non-legal consultations, advice, research, or project assistance relating to subject matters which do not involve financial planning per se but still relate to your securities and investment accounts. However, SPC is not a general consulting firm, and we do not provide accounting services, estate planning services, estate planning coordination services, real estate advice or consultations, detailed tax advice, or other non-investment services that we deem as falling outside the definition of "investment adviser" under the Act.

Financial planning engagements terminate upon the delivery of services and will not include any reviews, follow-ups, or other services. Each engagement (other than single engagements involving two hours or less of hourly financial planning) is documented with a specific client invoice or other appropriate work documentation as described more fully in the Letter of Engagement. If other services are desired, you are welcome to secure

additional or follow-up services via a new SOW under the same Letter of Engagement.

Financial plans are based on your financial situation at the time your IAR constructs the plan for you and based on the financial information you provide to your IAR. You must promptly notify your IAR if your financial situation, goals, objectives, or needs change.

### *Ongoing Consulting Services*

In addition to financial plans, we also offer ongoing consulting services for clients who are interested in receiving continuous assistance with achieving their financial goals and objectives. If you elect this option, on either a monthly or quarterly basis, as agreed upon with your IAR, your IAR will provide you with one or more of the following ongoing consulting services:

- Performance reviews and asset allocation recommendations for your selected accounts that are held away from SPC (e.g., 401(k) plans) and for which your IAR is not listed as the representative of record.
- Performance reviews and subaccount allocation recommendations for fee-only annuities that you purchased at net asset value.
- Telephone, e-mail and/or in-person consultations and education related to general financial matters for which you request your IAR's assistance, and also on an as-needed basis during regular business hours.

### *Advice Implementation*

Financial planning services will include various recommendations and planning strategies, depending on the nature of the financial planning services selected. These recommendations are typically generic in nature and may include recommendations to allocate your assets among generic product or account types, although it is possible they could also include recommendations to purchase specific services or investments. Implementation of financial planning recommendations is the client's responsibility. You are welcome to implement any recommendations in whole or in part at the financial services firm of your choice. You are also free to use the service provider of your choosing for implementation of any advice or recommendations pertaining to non-securities matters (such as insurance). Your IAR is also available to assist with implementation services as well, either in his or her advisory capacity as an IAR of SPC, or, as applicable, in his or her brokerage and/or insurance capacity as a registered representative and/or agent of SFC or Parkland. If you accept your IAR's offer to assist with implementation of the financial plan, your IAR may make additional recommendations to invest in specific products or accounts or to purchase additional investment advisory services, but any such recommendations will be limited to those products, accounts, and services that SPC or its broker-dealer affiliates have authorized your IAR to offer. For information about which products and services your IAR is authorized to offer on behalf of SPC or its affiliates, please reach out to your IAR. When implementing the recommendations made in your financial plan, you are under no obligation to employ your IAR, SPC, or either of SPC's affiliated broker-dealers to implement the financial plan, or to purchase any investment or insurance product or obtain an advisory service from your IAR, SPC, or either of SPC's affiliated broker-dealers.

Our affiliates' obligations to you when they act as a broker-dealer or insurance agency differ from SPC's obligations to you when SPC is acting as an investment adviser. Similarly, your IAR's obligations to you when acting as an insurance agent or providing securities brokerage services to you differ from your IAR's obligations to you when acting as an investment adviser representative.

Your IAR may suggest that you work closely with your attorney, accountant, insurance agent, and the custodian of your account for implementation of a financial plan. When financial planning or consulting services only focus on certain areas, needs, or are otherwise limited, you should understand that your overall financial and investment needs and objectives may not be comprehensively considered as a result of time and/or service restraints that you place on our services. If you require assistance on issues relating to matters outside of investment advisory services, such as accounting, estate planning, estate planning coordination, or other legal issues, you should consult your accountant, legal counsel, or other qualified professionals for advice, as SPC does not provide such services. When providing plan-related services, the advice and recommendations are limited to plan offerings.



You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations set forth in a financial plan, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm of your choosing.

In connection with financial planning and/or consulting services, we may render advice relative to variable life/annuity products and/or individual employer-sponsored retirement plan accounts. In such cases, your IAR will either direct or recommend the allocation of assets among the various subaccounts or mutual funds that comprise the investment options available through the variable life/annuity product or the retirement plan. Moreover, your assets will be maintained at the specific insurance company that issued the variable life/annuity product or at the custodian designated by the sponsor of the retirement plan.

The financial planning Letter of Engagement includes language that permits us to modify or assign the Letter of Engagement by means of certain negative consent procedures. Specifically, we may propose to increase or otherwise modify the fees charged, to modify the services provided, to assign the Letter of Engagement, or to otherwise modify or amend the Letter of Engagement by giving you at least sixty (60) days advance notice of the proposed modification. The notice will: (i) explain the proposed assignment or modification of the fees, services or other provisions of the Letter of Engagement; (ii) fully disclose any resulting changes in the fees to be charged as a result of proposed modifications to the services or other provisions of the Letter of Engagement; (iii) identify the effective date of the modifications; (iv) explain your right to reject, in writing, the modifications or terminate the Letter of Engagement; and (v) state that pursuant to the provisions of the Letter of Engagement, if you fail to object to the proposed modifications before the date on which the modifications become effective, you will be deemed to have consented to the proposed modifications. If you reject any modification to the Letter of Engagement proposed by us in this manner, we will not be authorized to make the proposed modification without your affirmative consent.

The financial planning Letter of Engagement may be canceled at any time, by any party thereto and for any reason, upon notice to the other parties, as provided in the Letter of Engagement. In the event of termination, you will be charged for the portion of work performed, and you will receive a prorated refund of any pre-paid fees which we have not earned. Otherwise, except for ongoing service agreements, the agreement automatically terminates upon completion of the services to be rendered.

## Seminars

From time to time, IARs may hold seminars. These seminars may include presentations on general investment, securities, or financial planning strategies. We may charge a fee to those in attendance, not to exceed \$100 per attendee. In such cases, our refund or cancellation policy will be clearly outlined in the invitation or announcement. Attendees are welcome, but are never under any obligation, to utilize our other services.

## Health Savings Accounts (HSAs)

Clients who participate in a qualified high-deductible health insurance plan have the option of opening a health savings account ("HSA") with Fidelity. These HSAs are structured as SIGMA Managed Accounts, although account minimums do not apply.

Clients can use HSA funds to pay current medical bills as well as future healthcare costs; there is no deadline to use the money. HSAs offer clients the opportunity for tax-deductible contributions, tax-deferred growth, tax-free withdrawals for eligible medical expenses, and the ability to carry over unused balances year after year (i.e., no "use it or lose it" constraint). However, clients who open HSAs should understand that these tax-advantaged savings accounts are intended for use in paying eligible medical expenses such as co-payments, deductibles, and coinsurance. HSA funds are subject to income taxes and a tax penalty if used for any non-medical expenses before age 65. While there is no penalty after age 65, income taxes still apply if HSA funds are used to pay for something other than eligible medical expenses. Total annual contributions are limited to specified amounts set by the Internal Revenue Service ("IRS").

You and your IAR should carefully discuss beforehand how you plan to use the money in your HSA. For example, if you plan to use your HSA primarily as an investment vehicle for *future* healthcare costs, your IAR will need to consider your anticipated time horizon and the impact of fees on performance in connection with actively managing your HSA. On the other hand, if you plan to use your HSA primarily as a spending vehicle for *current* medical bills, the actively managed HSA that we offer may not be appropriate for you. For more information

regarding HSAs, please consult the related Investor Bulletin published by the SEC.<sup>1</sup>

## Fee-Only Annuities

The IRS has recently begun issuing private letter rulings ("PLRs") that permit owners of annuity contracts to pay for investment advice (provided by an investment adviser) related specifically to the contract, using funds from the annuity itself (rather than a separate account) without running afoul of Section 72 of the Internal Revenue Code of 1986, as amended (the "IRC"). As a result, insurance companies have begun offering fee-only annuities which are sold by an agent at net asset value or "NAV" (i.e., without a sales commission) and then serviced, for an ongoing advisory fee, by an investment adviser. According to the terms of the PLRs:

- The annuity contract owner will receive ongoing investment advice from the investment adviser with respect to the contract so that the owner may properly utilize the contract. The investment adviser is expected to help the owner select options related to the contract.
- The fees paid from the contract's cash value will not serve as consideration for anything other than investment advice provided by the investment adviser in relation to the contract. Furthermore, the fees cannot exceed an annual rate of 1.5% of the contract's cash value based on the period in which the fees related.
- The fees will only be used to pay for investment advisory services relating to the contract. Because the contracts are designed to work with an investment adviser, the contract is solely liable for the fees. The fees do not constitute compensation to the investment adviser for services related to any assets of the owner other than the contract, or any services other than investment advice services with respect to the contract.

In late 2023 or beyond, we anticipate that IARs will be able to offer investment advice to owners of fee-only annuity contracts issued by insurance companies that obtained such PLRs. In addition to any required insurance paperwork, clients will sign an advisory agreement unique to fee-only annuities to obtain the investment advisory services. The agreement may be canceled at any time, by any party thereto, for any reason, upon written notice to the other parties. If the agreement is terminated, no fee refund will be necessary for fees charged in arrears, whereas fees charged in advance will be refunded according to the annuity carrier's stated refund policies. If and when we begin offering investment advice to owners of fee-only annuity contracts, we will update this brochure accordingly to describe the service in greater detail, including, but not limited to, the applicable policies, procedures, fees, and conflicts of interest associated with each option.

## Types of Investments

We do not primarily recommend or utilize one specific type of investment over another because each client has his or her own investment objectives, risk tolerance, needs, and goals. By way of example, we may recommend investments in mutual funds, including index funds; individual securities; exchange-traded funds; money market funds; certificates of deposit; commercial paper; variable life insurance and variable annuities; U.S. Government debt securities, municipal bonds, and other fixed-income securities; securities options; and alternative investments.

## Securities-Backed Lines of Credit

As the SEC explains,<sup>2</sup> securities-backed lines of credit ("SBLOCs"), also referred to as non-purpose loans ("NPLs"), are revolving lines of credit that allow clients to borrow money using securities held in their investment accounts as collateral. SBLOCs are NPLs, which means the proceeds may *not* be used to purchase or trade securities. Clients can continue to trade and buy and sell securities in their pledged accounts. An SBLOC requires the borrower to make monthly interest-only payments, and the loan remains outstanding until repaid. Clients typically have the option to repay some (or all) of the outstanding principal at any time, then borrow again later. The contract specifies the maximum amount clients are permitted to borrow, and they must agree to use their investment account assets as collateral. If the value of the borrower's securities declines to an amount where it is no longer sufficient to support the line of credit, the borrower will receive a "maintenance call" notification that they must post additional collateral or repay the loan within a specified period (typically two or three days). If the

<sup>1</sup> <https://www.sec.gov/oiea/investor-alerts-and-bulletins/investor-bulletin-health-savings-accounts-hsas>

<sup>2</sup> <https://www.sec.gov/oiea/investor-alerts-bulletins/sbloc.html>

borrower is unable to add additional collateral to the account or repay the loan with readily available cash, the firm can liquidate securities and keep the cash to satisfy the maintenance call.

SBLOCs are just one type of securities-based lending offered to clients. Other types include margin and stock-based loan programs. The fact that you might be eligible for an SBLOC does not mean taking a loan is necessarily a wise or prudent idea. SPC makes SBLOCs available solely as a convenience to clients. Neither SPC nor any of its IARs receive any compensation whenever a client decides to borrow money through an SBLOC.

Although neither SPC nor your IAR receives compensation in connection with SBLOCs, they do have an incentive to recommend that you use an SBLOC for liquidity purposes rather than liquidating your holdings or using other sources of liquidity. SPC and your IAR will benefit from your SBLOC because you don't have to liquidate assets in your account to pay for things with cash, which would diminish the assets held in the account and the potential fees that could be earned by SPC and your IAR from holding or engaging in future transactions with those assets. For example, by encouraging investors to take out an SBLOC to fund a purchase or financial need rather than liquidate securities or withdraw cash from their accounts, SPC and your IAR will continue to earn fees on the full account value.

### **Assets Under Management**

As of December 31, 2022, we manage \$5,951,434,898 in client assets on a discretionary basis and \$12,821,954 in client assets on a non-discretionary basis.

### **Advertising**

SPC advertises its advisory services in compliance with Rule 206(4)-1 under the Act. Specifically, IARs are permitted to disclose their affiliation with SPC in communications with the public and to list the advisory services they provide through SPC. However, IARs are not permitted to advertise investment performance or share hypothetical performance with clients or prospective clients.

### **Policies and Procedures**

In accordance with Rule 206(4)-7 under the Act, SPC has adopted and implemented written compliance policies and procedures reasonably designed to prevent violation, by SPC and its Associated Persons, of the Act and the rules promulgated under the Act.

## **Item 5. Fees and Compensation**

### **Compensation for Advisory Business**

#### *Portfolio Management Services*

Clients who elect to receive asset management services through our SIGMA Managed Account program will first enter into a client services agreement with their IAR and SPC. In return for these services, clients agree to pay an ongoing annual account management fee (the "advisory fee") that is set forth in the investment management fee schedule in the client services agreement.

As explained in the client services agreement, a small portion of the advisory fee consists of a program fee, with the remaining portion of the advisory fee constituting the IAR's gross compensation (before application of SPC's payout grid as described below). The advisory fee (and consequently the program fee) is based on a percentage of the client's account assets under management ("account AUM").

For purposes of this section describing fees for portfolio management services, "account AUM" means the current value (i.e., account balance) of all assets in the client's account, including cash. Additionally, for purposes of calculating the advisory fee for accounts that hold short positions, "account AUM" includes the absolute value of all positions (i.e., short positions are not excluded from billing).

However, account positions that have been expressly excluded by the client from the IAR's management through the submission of a Position Exclusion Form, along with account positions that SPC's compliance personnel have determined to exclude from account management, will only be assessed the program fee. The effect of assessing the program fee on such excluded account positions will be to reduce your IAR's overall

compensation relative to the account. Consequently, a conflict of interest arises as a result of your IAR's incentive not to exclude any of your account positions from management in order to maximize his or her compensation.

There may be times where the advisory fee cannot be assessed based on account AUM for a particular billing period, such as when the account contains insufficient cash to cover the advisory fee. If this were to occur, the program fee will still be calculated as described in this brochure, however SPC will instead pass along the full amount of the program fee to the IAR.

Please see the "Review of Accounts" section of this brochure for information regarding asset valuation. Also, please see the "Methods of Analysis, Investment Strategies and Risk of Loss" section of this brochure for more information about the ways in which the use of margin, including margin debit balances, can impact the calculation of the advisory fee.

SPC's current practice is to bill client accounts in advance based upon the prior month-end unaccrued account AUM. SPC utilizes a blended advisory fee schedule (explained in further detail below) to calculate the monthly advisory fee. This blended advisory fee schedule is the investment management fee schedule selected in your client services agreement which identifies the specific segments of your account AUM to be charged at different advisory fee rates. Your prior month-end unaccrued account AUM at the beginning of the billing period is applied to this fee schedule to determine the advisory fee to be assessed against your account. Unlike the advisory fee, the program fee is not blended, and the same program fee rate applies to all of your account AUM in this advisory program. **Beginning on September 1, 2023, SPC will have switched to new and updated billing software, and as a result accrued account AUM will then be utilized for account billing purposes, rather than unaccrued account AUM, for all SIGMA Managed Accounts.**

The program fee is designed to compensate Fidelity and SPC for the administrative services provided in connection with your account. Under SPC's pricing arrangement with Fidelity, clients are responsible for certain transaction charges and other ancillary fees. These charges and fees are summarized in the Fidelity Ticket Charge Schedule that is available on the SPC website ([www.spc4clients.com](http://www.spc4clients.com)) or upon request by contacting SPC using the information provided on the cover page of this brochure. Short-term trading fees are discussed later in this brochure (under "Brokerage Practices") and on Fidelity's website.<sup>3</sup>

Under the Fidelity pricing arrangement, the default fee schedule is as follows:

Account AUM	Program Fee**	Default Advisory Fee	Default IAR Compensation
\$500,000 or below	0.15% (15 basis points)	2.50%	2.35%
\$500,001-\$750,000	0.15% (15 basis points)	1.75%	1.60%
\$750,001-\$1,000,000	0.15% (15 basis points)	1.50%	1.35%
Greater than \$1,000,000	0.15% (15 basis points)	1.25%	1.10%

**\*\* The minimum annual program fee is \$30. In the event the 0.15% fee is insufficient to generate this \$30 minimum, your IAR will be responsible for paying the difference (i.e., \$30 less the 0.15% fee). However, in the event your IAR terminates his or her relationship with SPC, for any reason whatsoever, you will be responsible for paying the difference. This typically applies to accounts with AUM below \$20,000 due to the amount of the minimum program fee.**

For example, assume a prior month-end account AUM of \$1,500,000 and the following blended advisory fee schedule:

Account AUM	Fee
\$500,000 or below	2.50%
\$500,001-\$750,000	1.75%
\$750,001-\$1,000,000	1.50%
Greater than \$1,000,000	1.25%

In this hypothetical example, the blended advisory fee schedule would be applied as follows to calculate the advisory fee: The first \$500,000 of the account AUM will be billed at a rate of 2.50%; the next \$250,000 will be billed at a rate of 1.75%; the next \$250,000 will be billed at a rate of 1.50%; and the remaining \$500,000 will be billed at a rate of 1.25%.

<sup>3</sup> <https://www.fidelity.com/mutual-funds/all-mutual-funds/fees>

To determine the advisory fee, each of the different fee assessment amounts is added together and scaled using an "actual/actual" day count convention to reflect the duration of the billing period and a 365-day calendar year. Continuing with the example above, for a 30-day billing period, the advisory fee is calculated as follows:

$$(30 \div 365) \times [(\$500,000 \times 2.5\%) + (\$250,000 \times 1.75\%) + (\$250,000 \times 1.5\%) + (\$500,000 \times 1.25\%)] = \$2,208.90.$$

Please note that the example above is merely designed to illustrate the blended advisory fee schedule. In this example, the program fee would equal \$184.93, which is calculated as follows:

$$(30 \div 365) \times (\$1,500,000 \times 0.15\%) = \$184.93.$$

SPC's pricing arrangement with Fidelity was implemented in January 2019. Certain conflicts of interest have resulted from this new pricing arrangement:

- Fidelity assesses SPC a minimum charge for each client account equal to 0.05% of the value of the "chargeable assets" in the account; "non-chargeable assets" are excluded from the calculation. SPC passes along (i.e., recoups) Fidelity's charge by means of the 0.15% program fee that is assessed to each client account based on the account AUM, which includes both "chargeable assets" and "non-chargeable assets."
- In the case of "non-chargeable assets," SPC retains the entire program fee, as no account charge is assessed by Fidelity for such assets. Consequently, SPC's portion of the program fee could exceed 0.1% in certain circumstances, especially as the proportion of "non-chargeable assets" in the account increases. This creates a conflict of interest, as SPC has a financial incentive to purchase, favor, or recommend "non-chargeable assets" in client accounts, thereby increasing SPC's compensation through the avoidance of Fidelity's charge.
- In the case of "chargeable assets," SPC retains any difference between the 0.15% program fee and the amount that Fidelity assesses SPC, meaning that SPC's portion of the program fee could be up to 0.1%.
- Generally speaking, the program fee creates a conflict of interest, as SPC has a financial incentive to maintain its relationship with Fidelity so it can continue receiving its portion of the program fee. SPC also has an incentive to recommend your participation in the SIGMA Managed Account program (as opposed to other programs that do not assess a program fee or do not share any program fees with SPC) so SPC can receive its portion of the program fee.
- SPC mitigates these conflicts by (1) ensuring that SPC does not intentionally direct, encourage, or incentivize IARs to favor, purchase, or recommend assets based on whether they qualify as "chargeable assets" or "non-chargeable assets"; (2) periodically reviewing its relationship with Fidelity to ensure that it is in clients' best interests and that clients are receiving best execution; and (3) reviewing on an initial and ongoing basis whether the SIGMA Managed Account program is a suitable account type for each client.

The maximum annual advisory fee that can be charged by any IAR for any amount under management is 2.5%. The advisory fee for SIGMA Managed Accounts is flexible and negotiable, depending on individual client circumstances, but will not exceed this maximum. However, the advisory fee is *solely* for the account management services and other services explicitly described or listed in the client services agreement, and not for any other advisory services. IARs, in their discretion, may provide services without charging advisory fees to immediate family members and charitable organizations.

**SPC will begin billing the advisory fee only after your IAR has submitted all required applications, agreements, and other supporting documentation in good order, and your account is funded. In the event your account is funded at any time other than the first day of a calendar month (a "partial month"), the initial pro-rated advisory fee will be calculated in advance based upon your account AUM as of the date your account is funded; however this pro-rated advisory fee will not be billed until the end of this partial month. Except for this initial advisory fee and any adjustment due to mid-period asset flows (discussed below), all other advisory fees will be billed and payable monthly in advance and calculated based upon your account AUM as of the last business day of the previous month.**

**SPC will begin billing the program fee as soon as your SIGMA Managed Account is established and assets are transferred into the account. This is so even if your account is not yet being managed by your IAR and not all required applications, agreements, and other supporting documentation have been submitted in good order. In addition, the program fee will continue to be billed to your SIGMA Managed Account in the event your IAR terminates his or her relationship with SPC. In other words, as long as your client services agreement remains in effect and has not been terminated, SPC will continue to bill the program fee to your SIGMA Managed Account each month.**

**When calculating the advisory fee and program fee, SPC takes into account mid-period asset flows of \$50,000 or more by adjusting its advisory fee for that period on a pro-rata basis. As a result:**

- **A daily net account deposit, addition, or contribution of \$50,000 or more will result in a pro-rata increase in the advisory fee for that month relative to the sudden inflow of account AUM. This adjustment takes into account the size of the mid-period account AUM inflow and the timing of the inflow event relative to the last business day of the previous month (which served as the reference point for the advisory fee billed in advance for the month). This mid-period adjustment to the advisory fee will be billed at the end of the month in which the inflow occurred.**
- **A daily net account withdrawal of \$50,000 or more will result in a pro-rata decrease in the advisory fee for that month relative to the sudden outflow of account AUM. This adjustment takes into account the size of the mid-period account AUM outflow and the timing of the outflow event relative to the last business day of the previous month (which served as the reference point for the advisory fee billed in advance for the month). This adjustment to the advisory fee will be incorporated as an offset to the advisory fee for the following month; a client will receive an account credit only in the event there is no advisory fee for the following month (e.g., due to IAR termination).**

For the calendar month in which your client services agreement is terminated, the advisory fee will be prorated and refunded based on the number of days that the client services agreement was in effect during such month. The effective date of termination, and any notice requirements related thereto, are set forth in the terms of the client services agreement.

For SIGMA Managed Accounts with a single owner (e.g., IRAs), when the account owner dies, the account assets may become subject to a will, estate laws, and other governing laws or documents. Consequently, upon receiving notice of the account owner's death, SPC will discontinue billing the account for its management fee and will submit a request to Fidelity for the account to be restricted (i.e., frozen) until necessary documents are received (e.g., a death certificate) and legal distribution has been determined. In addition, SPC will advise the IAR to cancel any open orders and remove the account from any models.

For SIGMA Managed Accounts with more than one owner (e.g., a joint tenants account), if the owner whose Social Security number (or tax ID) is assigned to the account dies, in order to ensure proper tax reporting, SPC will submit a request to Fidelity for the account to be restricted (i.e., frozen) until the Social Security number (or tax ID) of a living account owner is assigned to the account. For a SIGMA Managed Account owned by a client with a court-appointed conservator, if the conservator dies, SPC will submit a request to Fidelity for the account to be restricted (i.e., frozen) until a new conservator has been appointed and SPC receives copies of the applicable court records (e.g., court orders and letters of conservatorship). While the account remains restricted (i.e., frozen), the fee charged to the account will be temporarily reduced to fifteen (15) basis points (0.15%) to cover the administrative program fee.

We will either deduct the advisory fee directly from your account through Fidelity, or else we will invoice you directly. We will deduct the advisory fee only when you have given our firm written authorization permitting the advisory fees to be paid directly from your account. Furthermore, Fidelity will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements carefully for accuracy.

For SIGMA Managed Accounts, in order to comply with Section 4975 of the IRC and related IRS guidelines, SPC does not permit Individual Retirement Accounts ("IRAs") to be billed for services involving, or provided to, other accounts. This restriction applies to all IRA registrations. Consequently, IRAs cannot be utilized as alternate billing accounts on the Fidelity platform.

## Retirement Plan Services

The fees we charge for providing retirement plan services are flexible and negotiable. Depending on the arrangement, the plan sponsor (or plan fiduciary) will be charged a percentage fee based upon the value of plan assets under our management, an hourly fee, a flat fee, or a project-based fee. These fees are set forth in the table below.

Fee Type	Fee
Asset-Based Percentage Fee	A level fee decided on a case-by-case basis and calculated based on the value of plan assets under our management. The maximum annual fee that can be charged by any IAR for any amount under management is 2.5%.
Hourly Fee	Maximum of \$300 per hour; maximum of \$50 per hour for staff time.
Flat Fee	No minimum fee; maximum fee to be decided on a case-by-case basis depending on the time, effort, and complexity of the services provided as disclosed in the QPSA.
Project-Based Fee	No minimum fee; maximum fee to be decided on a case-by-case basis depending on the time, effort, and complexity of the services provided as disclosed in the QPSA.

### How The Retirement Plan Service Fee Is Paid

The plan sponsor (or plan fiduciary) can request to be invoiced directly or may authorize the plan's record-keeper or custodian to be invoiced so that our fees will be deducted from the plan's assets. Flat fees and recurring asset-based fees calculated based upon assets under management can be charged monthly or quarterly, whereas project-based fees will be charged in connection with one-time services.

### How Flat Fees Are Calculated

Flat fees are annual fees which are payable either monthly or quarterly, and either in advance of the period for which services are to be rendered or in arrears. At our sole discretion, annual fees can be increased each year with a cost-of-living adjustment of up to three percent (3%). The annual fee will be recalculated after one year and billed either monthly or quarterly.

### How Project-Based Fees Are Calculated

Project-based fees are one-time flat fees for non-fiduciary retirement plan consulting services. Such fees are payable upon the earlier of delivery of the services or a specified date to be selected by the parties. Please note that if the QPSA provides for additional, project-based fees for facilitating a change in the plan's recordkeeper or custodian (also known as a "conversion fee"), we have the ability to collect a higher amount up front and collect an ongoing, asset-based fee beginning at some point thereafter as agreed to by the plan sponsor (or plan fiduciary) in the QPSA. Certain recordkeepers will offer to pay the conversion fee to us directly. In that event, and in order to avoid the resulting conflict of interest associated with accepting such payments, our policy is to apply any conversion fees we receive from recordkeepers as an offset against the amount that would otherwise be paid by the plan sponsor as described in the QPSA.

### How Asset-Based Fees Are Calculated

- Asset-based fees are determined by reference to the value of assets held in custody by the plan's custodian. The fees for accounts custodied at Fidelity or other approved custodial platforms will be billed either monthly or quarterly, and either in advance or in arrears, depending on the selection of the plan sponsor (or plan fiduciary).
- The initial fee will be prorated based upon the number of days remaining in the initial billing period (i.e., the month or quarter) from the date of the QPSA's execution. The initial fee will be based upon the market value of the plan's assets as of the last business day of the preceding period.
- Thereafter, ongoing asset-based fees will be based upon the market value of the plan's assets as of the last business day of the preceding billing period, without adjustment for anticipated withdrawals by plan participants or beneficiaries or other anticipated or scheduled transfers or distributions of assets.

### Calculation of Fee Upon Termination

- If the QPSA is terminated prior to the end of the billing period (either a month or quarter), SPC will be entitled to its customary fee, prorated for the number of days in the billing period prior to the effective date of termination, and for asset-based fees, based upon the market value of the plan's assets at the close of business on the effective date of termination. SPC will provide a pro rata refund of any prepaid

fees based upon the number of days remaining in the billing period of termination. For more information, please refer to sections 2 and 8 of the QPSA.

For accounts managed by a TPIA, please refer to the TPIA's Form ADV brochure for a description of its fees and billing practices.

It is possible that sponsors receiving retirement plan services could pay more or less than a client would otherwise pay if obtaining these retirement plan services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the plan, the specific investments made by the plan, the locations and number of the different participants, the retirement plan services offered by other service providers, and the actual costs of retirement plan services obtained elsewhere. In light of the specific retirement plan services we offer, the fees charged could be more or less than those of other similar service providers.

#### *Direct-at-Fund Programs*

As a participant in a direct-at-fund program, you will pay SPC and your IAR an annual asset-based investment management fee of fifty (50) basis points (0.5%). In addition, you will authorize the mutual fund company sponsoring the direct-at-fund program to deduct this fee from your account (or another of your accounts with the same mutual fund company) and remit the funds to SPC. The calculation of this investment management fee and the frequency and timing of such deductions, as well as any other account expenses and charges such as termination or transfer fees, will be determined in accordance with the instructions and authorizations included in the applicable mutual fund account application and/or mutual fund account conversion form that you sign in connection with your enrollment in the direct-at-fund program. Clients should be aware that in addition to the annual asset-based management fee paid to SPC and their IAR, they will also be responsible for any expenses associated with buying or owning mutual fund shares (e.g., transaction fees, internal fund expenses, etc.) as well as any other miscellaneous fees and charges imposed by the mutual fund company sponsoring the direct-at-fund program. Please carefully review the relevant prospectus and any other applicable documentation provided by the mutual fund company sponsor for additional information on these fees.

#### *Recommendation of Third-Party Investment Advisers*

When we (through an IAR) recommend a TPIA to a client in our capacity as that TPIA's promoter, as compensation for our services we receive a referral fee from the TPIA that is typically a portion of the management fee charged by the TPIA (which may include performance-based fees). Our compensation will differ depending upon the specific terms of the agreement we have with each TPIA. Consequently, a conflict of interest arises as a result of our IARs' incentive to recommend TPIAs with whom we have more favorable compensation arrangements over other advisory programs offered by TPIAs with which we have less favorable or no compensation arrangements at all.

Clients who select a TPIA through Envestnet will pay a management fee to the TPIA for its account management services, and will also pay a separate fee to SPC (that is collected from the client's account and remitted by Fidelity on SPC's behalf) for the other services agreed upon between the client and IAR. The maximum such fee that can be charged by an IAR for such services is 2.5% annually.

The advisory fees that you will pay to the TPIA for account management services are determined and payable in accordance with the TPIA's disclosure brochure and/or client agreement. Depending on the TPIA, these fees may or may not be negotiable. You should review the recommended TPIA's disclosure brochure and take into consideration the TPIA's fees along with SPC's fees to determine the total amount of fees that you will pay when utilizing the account management services of the TPIA.

In certain circumstances, a TPIA will be permitted to reimburse an IAR for reasonable costs incurred in connection with (1) conducting a client seminar and/or presentation involving the TPIA's services; (2) obtaining financial planning software or an approved professional designation; or (3) enrolling in training, education, or conference events related to financial planning, practice management, portfolio management, client growth and retention, and similar topics. Such reimbursement presents a conflict of interest, as IARs have a financial incentive to recommend TPIAs that provide higher levels of expense reimbursement. SPC has implemented procedures to mitigate this conflict. First, reimbursement is only permitted with prior approval from a member of SPC's



compliance staff, and the amounts reimbursed are limited to actual and reasonable expenses incurred by the IAR for (1) renting a venue and providing a meal, in the case of seminars and presentations; (2) financial planning software subscriptions; (3) professional designation tuition, textbooks, and exam fees; and (4) customary costs of training, education, or conference attendance, including tuition, textbooks, personal travel, lodging, and meals. Second, the TPIA must remit the reimbursement funds to SPC, which then distributes the funds to the IAR. Finally, the reimbursement amount cannot be conditioned or based on the IAR placing a fixed or predetermined amount of client assets, or generating a threshold level of revenue, with the TPIA during a limited period of time.

In addition, TPIAs may choose, at their own discretion, to provide certain of our IARs with one or more of the following non-cash benefits: (1) invitations to summits, networking events, and workshop retreats; (2) business management, business development, and growth support; (3) business consulting; (4) monthly training webinars; (5) office visits and business discovery; (6) better or more timely service experiences; (7) designated or specialized relationship managers; (8) account transition assistance; and (9) access to other business resources and tools. Ordinarily, a TPIA elects to provide these non-cash benefits to IARs who place significant amounts of client assets with the TPIA. These non-cash benefits present a conflict of interest, as IARs have a financial incentive to recommend TPIAs that provide higher levels of such benefits over TPIAs that do not. SPC mitigates this conflict of interest by reviewing each recommendation to open a TPIA account, along with the recommendation to fund the account with the proceeds from liquidated investments, to ensure that the proposed course of action is suitable and consistent with SPC's duties of care and loyalty.

### *Shareholder Services Fees*

Prior to November 2019, SPC actively solicited clients for The Pacific Financial Group, Inc. ("TPFG"), a registered investment adviser that focuses on providing account management services to ERISA plan participants in their retirement accounts. A plan participant who wished to obtain advisory services from TPFG entered into an agreement with SPC according to which the client agreed to pay SPC an advisory fee of seventy-five (75) basis points (0.75%). However, to comply with the prohibited transaction provisions of ERISA, and in reliance upon DOL Advisory Opinion 97-15A, this amount owed by clients is entirely offset by a fifty (50) basis point (0.5%) promoter referral fee paid to SPC by TPFG, along with a twenty-five (25) basis point (0.25%) shareholder services fee paid to SPC by Northern Lights Fund Trust, an investment company that provides services to the Pacific Financial Group mutual funds (the "PFG Funds") utilized in client accounts managed by TPFG. Although SPC no longer recommends or actively solicits clients for TPFG, SPC is disclosing this arrangement because SPC continues to service client accounts and receive compensation as a result of client assets placed with TPFG prior to November 2019.

### *Financial Planning and Ongoing Consulting Services*

Our fees for financial planning and ongoing consulting services are negotiable based upon the time and effort required and/or the nature and complexity of services. IARs are permitted to charge up to \$300 per hour for these services. Additionally, IARs are permitted to charge up to \$50 per hour for office staff time, at the IAR's discretion, in the event such services require additional administrative support.

For project-based fees, we use an hourly fee and take into account the time, effort, and complexity of services as a guide for determining the fee. In no event will the number of hours billed for the project exceed thirty (30) hours. No increase in the fees we charge will be effective without prior written notice. We may require an initial partial deposit of the proposed fee with the balance due upon completion of the services to be rendered. Additional fees may apply in the event your circumstances change during the course of our engagement and new advice, recommendations or research are required, or your IAR is required to expend additional effort to provide materially different advice, recommendations, or other services. We will not engage in additional services that result in additional fees without your prior approval.

For segmented financial plans, we charge a maximum of \$750 per plan. For a comprehensive plan, the fee will be determined on a case-by-case basis in accordance with the scope and complexity of the plan but will not exceed \$10,000. We may charge additional fees for follow-up services depending upon the nature and complexity of the services requested, in addition to the scope of the engagement. In such cases, we would charge an hourly or project-based fee.

Clients who elect to receive ongoing consulting services will be billed monthly or quarterly as agreed upon with their IAR. The fee for such ongoing consulting services is a flat fee rather than an hourly or project-based fee and

is capped at \$600 per month (or \$1,800 per quarter). Consequently, this fee will not be calculated based upon the work your IAR performs. Instead, it is a recurring fee for the specific ongoing consulting services that you retain your IAR to provide.

It is possible that your financial plan may include recommendations to purchase additional advisory services, securities and/or insurance products. The actions necessary to implement a financial planning recommendation, including the development of specific implementation recommendations, are not included in financial planning services, nor are the costs of such implementation included in the financial planning fees charged to the client. In circumstances where your IAR and SPC (or its affiliates) to receive additional compensation as a result of such recommendations creates a conflict between your interests and those of SPC and your IAR. In addition, if you separately purchase a product or service recommended by your IAR in order to implement a financial planning recommendation, you generally will be charged commissions or fees in connection with those transactions and services that are separate from, and in addition to, the fees charged by SPC for financial planning services. However, at the discretion of your IAR, financial planning fees may be offset, in whole or in part, if you decide to implement the plan by purchasing securities through your IAR acting in his or her capacity as a registered representative. Please note, however, that no fee offset is available for any investment advisory products or services recommended in the financial plan. Additionally, offsets for insurance products are subject to anti-rebate statutes under applicable state insurance laws and may be prohibited in many cases.

Depending on the circumstances, we can also provide, on a limited basis, non-legal consultations, advice, research, or project assistance relating to subject matters which do not involve financial planning per se but still relate to your securities and investment accounts. However, SPC is not a general consulting firm, and we do not provide accounting services, estate planning services, estate planning coordination services, real estate advice or consultations, detailed tax advice, or other non-investment services that we deem as falling outside the definition of "investment adviser" under the Act.

For our financial planning services, we will charge an hourly, fixed, or project-based fee. The fee is negotiable and will be based upon the time, effort, and complexity of the engagement. In connection with such an engagement, your IAR may recommend the purchase and/or sale of securities, investments, and insurance products. If you elect to implement these recommendations through your IAR, then in addition to this planning fee your IAR will also receive transaction-based compensation, in the form of commissions, from the resulting transactions. However, you are under no obligation to implement any advice or recommendations through your IAR, SPC, SFC, or Parkland.

Clients may submit payment for the above-described financial planning and ongoing consulting services through one of SPC's approved payment methods. The approved payment methods for such services are described more fully in our Letter of Engagement.

Clients should also understand that SPC and its IARs perform advisory and/or brokerage services for numerous other clients with various needs, goals, risk tolerances, and objectives. Consequently, SPC and its IARs will typically give advice or take actions for some clients that differ from the advice given or actions taken for other clients. The timing or nature of actions taken for one client may also be different from that of other clients, resulting in the receipt of more compensation from some clients than others, including as a result of charging higher fees due to the complexity or involvement of the work and services performed. IARs are permitted to charge clients different fees for different levels of service, for example "gold," "silver," and "bronze" advisory service arrangements. Typically, the more "precious" the metal, or the closer the personal relationship between the client and IAR, the greater the level of service. However, we do not believe that such different outcomes and levels of service present a material conflict of interest, as they are often driven by client circumstances, client preferences, and cost considerations. Moreover, IARs' activities in this regard are monitored to ensure suitability and consistency with our duties of care and loyalty.

**PLEASE NOTE THAT ALL OF THE FEES AND COMPENSATION DESCRIBED BELOW IN THE REMAINDER OF THIS SECTION ARE IN ADDITION TO, OR SEPARATE FROM, OUR REGULAR ADVISORY FEES DESCRIBED ABOVE. WE ARE DISCLOSING OUR CONFLICTS OF INTEREST IN CONNECTION WITH OUR DUTY OF LOYALTY.**

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

### *Securities*

IARs providing investment advice on behalf of SPC generally are registered representatives with either SFC or Parkland. In their capacity as registered representatives, these persons receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products (i.e., mutual funds). Compensation earned by these persons in their capacities as registered representatives is separate from and in addition to our advisory fees. This practice presents a conflict of interest, because IARs providing investment advice on behalf of SPC who are also registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. SFC and Parkland mitigate this conflict by reviewing such transactions for adherence to applicable FINRA suitability or SEC Regulation Best Interest standards, the requirements of applicable state and federal securities laws, and applicable fiduciary standards under state and federal law. You are under no obligation, contractually or otherwise, to buy or sell securities or investment products through SFC, Parkland, or any person affiliated with SPC.

### *Insurance*

SFC and Parkland are licensed insurance agencies with various state insurance regulators, and many IARs are also licensed as independent insurance agents with the ability to sell certain annuity contracts and insurance policies and products (e.g., life insurance, health insurance, and long-term care insurance). Such insurance agents will earn sales commissions from selling annuity contracts and insurance policies and products to our clients, including each time a client purchases a new annuity contract or replaces (or switches) an existing annuity contract with a new annuity contract. In addition, such insurance agents ordinarily have the opportunity to receive additional cash and non-cash compensation (1) from third party field marketing organizations ("FMOs") or insurance marketing organizations ("IMOs"), as a result of routing insurance product transactions through such FMOs or IMOs, and (2) from insurance companies, if certain annual sales targets or sales levels involving non-qualified assets are met, which are sometimes referred to as "loyalty programs." Such cash compensation received from FMOs, IMOs, and insurance companies can include bonus payments, bonus commissions, incentive payments, and other additional compensation above and beyond standard sales commissions. Such non-cash compensation can include, but is not limited to, free or paid attendance at industry conferences held at luxurious locations, expense reimbursements, and free marketing services such as designing, developing, and maintaining websites, sending blast emails to clients, preparing and reviewing marketing materials, creating a company brochure, social media advertising, and developing marketing strategies. Finally, SFC and Parkland receive compensation in connection with the sale of fixed annuities, indexed annuities, variable annuities, and variable universal life insurance. Insurance commissions earned in this manner are separate from, and in addition to, our advisory fees.

Unlike with an asset-based annual advisory fee that fluctuates with the stock market and ceases if the client dies or otherwise terminates the relationship, an insurance commission is received up-front each time an agent sells, or a client replaces (or switches), an annuity contract or other insurance policy or product. The commission received for selling an annuity contract is typically captured immediately and often dwarfs the compensation provided by recommending other investments, including the annual asset-based advisory fee earned in return for managing investments on an advisory basis. Consequently, the sale of annuity contracts and insurance policies and products presents a conflict of interest, because IARs providing investment advice on our behalf who are licensed insurance agents have an incentive to recommend to clients the annuity contracts and insurance policies and products of insurers, and to utilize the services of FMOs or IMOs, that will generate the greatest possible amount of sales commissions and cash and non-cash compensation, rather than making financially disinterested recommendations that are solely based on clients' needs and in their best interest. SFC and Parkland mitigate this conflict by reviewing fixed annuity, indexed annuity, variable annuity, and variable universal life insurance transactions for adherence to applicable FINRA suitability or SEC Regulation Best Interest standards, the requirements of applicable state and federal securities laws, applicable state insurance laws, and applicable fiduciary standards under state and federal law. You are under no obligation, contractually or otherwise, to purchase or replace an annuity contract, or to purchase an insurance policy or product, through SFC, Parkland, or any person affiliated with SPC.

### *Unit Investment Trusts*

Unit investment trusts ("UITs") are typically offered in a single public offering and hold a fixed portfolio of securities for a specific period of time, after which the UIT terminates and the proceeds are distributed to UIT investors. Interests in any particular UIT are often sold with multiple fee structures. For instance, UITs are often offered with one fee structure intended for broker-dealer customers and another structure intended for investors who will hold the UIT in a fee-based advisory account. The broker-dealer fee structure may include significant sales charges that are not charged to purchasers under the fee-based account structure. Most of these sales charges are ultimately paid to the broker-dealer that executes the trade. Because many IARs are dually registered with SPC's affiliated broker-dealers (SFC and Parkland), we are disclosing that IARs have a financial incentive to recommend purchases of UIT interests under the fee structure that generates more revenue for the IAR. SFC and Parkland mitigate this conflict of interest by reviewing such transactions for adherence to applicable FINRA suitability or SEC Regulation Best Interest standards, and we mitigate this conflict of interest by reviewing such transactions for consistency with applicable fiduciary standards under state and federal law. You are under no obligation, contractually or otherwise, to buy or sell UITs through SFC, Parkland, or any person affiliated with SPC.

### *Outside Business Activities*

Many IARs are involved in other outside business activities ("OBAs") unrelated to their association with SFC, Parkland, or SPC. Depending on the circumstances, your IAR's OBAs can create conflicts of interest, either because of the additional compensation that the OBAs provide or because of the time that they require. Your IAR's OBAs, if any, are described in your IAR's Form ADV Part 2B brochure supplement and, if your IAR is also a registered representative, his or her FINRA BrokerCheck report which is available online at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

## **Additional Fees and Expenses**

### *Money Market Funds*

We utilize unaffiliated money market funds as investment vehicles for the cash balances in client accounts that we manage. In such cases, the overall fees charged on managed account values will include these money market balances. This is a conflict of interest, because our management fee is higher than it otherwise would be if we excluded cash/money market positions when calculating our management fee. Because cash balances are not invested in the market and are included in our management fee, we actively monitor for accounts with larger cash positions using third-party software that alerts our compliance staff to significant money market fund allocations. When an account is flagged, we follow up with the IAR and inquire further in accordance with our policies and procedures.

### *Fund Fees and Expenses*

As part of our investment advisory services to you, we will very likely invest, or recommend that clients invest, in mutual funds and exchange-traded funds, as these are common investments for client account management. The fees that you pay to us for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and exchange-traded funds (which are described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses.

### *Custodial Fees and Expenses*

Account custodians are permitted to charge clients various fees, including, but not limited to, account opening, maintenance, transfer, termination, wire transfer, electronic fund, retirement plan, 990-T reporting, fiduciary, and applicable third-party fees.

Depending on the securities and/or transaction in question, clients may also be subject to deferred sales charges, oddlot differentials, transfer taxes, and other fees and taxes on brokerage. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed.

To fully understand the total costs you will incur for the services being provided, you should review the fees and expenses associated with the mutual funds and other investment options available to clients, the custodian's

account opening documents, this brochure, the TPIA's brochure (if applicable), the fees and expenses disclosed in the prospectuses for the investments you own, and the fees and expenses of other service providers.

### *TPIAs and Additional Revenue*

We receive additional revenue from Envestnet that is separate from our regular advisory fee, in an amount ranging from zero to five basis points (0% to 0.05%). We receive this additional revenue in connection with clients who direct assets to a TPIA through Envestnet using any of the following five options: (i) a Multi-Manager account; (ii) the Advisor Directed Unified Managed Account Program (UMA); (iii) a Mutual Fund Wrap / ETF Wrap account; (iv) the Model Management program; or (v) a Separately Managed Account. This additional revenue represents a portion of the Envestnet platform fee. For more information regarding the amount of additional revenue we receive, please review the Revenue Sharing Disclosure posted on the [www.spc4clients.com](http://www.spc4clients.com) website.

Such additional revenue presents a conflict of interest, because our compensation increases whenever clients open Envestnet accounts in lieu of an account with a TPIA that does not pay SPC such additional revenue. SPC ensures that IARs receive none of this compensation, meaning they have no personal financial incentive to recommend such TPIAs. Furthermore, SPC mitigates this conflict by ensuring that SPC does not intentionally direct or incentivize IARs to favor one TPIA over another. Finally, no such revenue sharing takes place with respect to ERISA accounts.

Some of the TPIAs available through Envestnet have also entered into a direct relationship with SPC. As a result, IARs have an incentive to recommend the more lucrative access option (i.e., direct versus Envestnet) to clients. SPC mitigates this conflict by ensuring that it does not intentionally direct or incentivize IARs to favor one access option over another.

As a promoter for GeoWealth Management, LLC ("GeoWealth"), SPC receives additional revenue from GeoWealth that is separate from the referral fee paid to SPC, in an amount equal to five basis points (0.05%) of the fee earned by GeoWealth for administrative services to clients' investment accounts. Such additional revenue presents a conflict of interest, because our compensation increases whenever clients open an account with GeoWealth in lieu of an account that does not pay SPC additional revenue. SPC ensures that IARs receive none of this compensation, meaning IARs have no personal financial incentive to recommend GeoWealth. Furthermore, SPC mitigates this conflict by ensuring that SPC does not intentionally direct or incentivize IARs to favor GeoWealth over another investment option.

### *Broker-Dealer Strategic Partnership Program*

Our affiliated broker-dealers, SFC and Parkland, have launched a "strategic partnership program" that is available to alternative investment, retirement plan, mutual fund, and annuity product sponsors. This program consists of four partnership structures at increasing partnership fee levels—Basic, Executive, Premier, and Elite—that offer benefits which increase with each level. Depending on the level, such benefits can include, but are not limited to, joint reviews and planning sessions between key personnel of the broker-dealer and product sponsor, sharing of registered representative mailing lists and contact information, the ability to provide education and training to registered representatives, co-branded email campaigns, presentation opportunities at corporate conferences, and access to virtual events throughout the year. In all cases, the partnership fee paid by product sponsors is a flat dollar amount. These partnership arrangements are made between the broker-dealers and the product sponsor, and the resulting compensation is disclosed on the broker-dealers' public websites. We are disclosing these arrangements for two reasons. First, certain investments issued by some of these sponsors (e.g., alternative investments) are held in or linked to SPC advisory accounts, often times for consolidation purposes, although SPC and its IARs receive no direct or indirect compensation from the product sponsors in connection therewith, other than occasional meals and entertainment of reasonable value consistent with industry rules and regulations. Second, certain insurance companies offer fee-only versions of their annuities (both variable and fixed) which are intended for use with clients of investment advisers, rather than broker-dealer customers. Although we receive no sales compensation from the insurance companies in connection with these annuities, SPC and its IARs do receive occasional meals and entertainment of reasonable value consistent with industry rules and regulations. For more information regarding these tier sponsorship agreements, please review the Revenue Sharing Disclosure posted on the [www.sigma4clients.com](http://www.sigma4clients.com) and [www.parkland4clients.com](http://www.parkland4clients.com) websites.

## *SPC Strategic Partnership Program*

Similarly, SPC has created a “strategic partnership program” that is available to interested TPIAs. This program consists of four partnership structures at increasing partnership fee levels—Basic, Executive, Premier, and Elite—that offer benefits which increase with each level. Depending on the level, such benefits can include, but are not limited to, joint reviews and planning sessions between key personnel of SPC and the TPIA, sharing of IAR mailing lists and contact information, the ability to provide education and training for our IARs, co-branded email campaigns, presentation opportunities at corporate conferences, and access to virtual events throughout the year.

In all cases, the partnership fee that SPC receives is a flat dollar amount. However, the partnership fees can vary from TPIA to TPIA based upon the partnership structure selected by the TPIA. These partnership fees present a conflict of interest by creating an incentive for SPC to steer clients and IARs toward participating TPIAs over non-participating TPIAs by promoting, touting, and otherwise favoring participating TPIAs in SPC’s communications and marketing efforts. Furthermore, the fact that these fees can differ in amount from TPIA to TPIA present a conflict of interest by creating an incentive for SPC to steer clients and IARs toward participating TPIAs that pay more to SPC than others. SPC mitigates these conflicts of interest by reviewing each recommendation to open a TPIA account, along with the recommendation to fund the account with the proceeds from liquidated investments, to ensure that the proposed course of action is suitable and consistent with SPC’s duties of care and loyalty.

Please note that our IARs do not receive any portion of the partnership fee payments that SPC receives from TPIAs. All partnership fees are remitted by the TPIA directly to SPC and are not derived from client funds or assets. For more information about the strategic partnership program, including the TPIAs who participate as well as the amounts of partnership fees SPC receives from them, please review the Revenue Sharing Disclosure posted on the [www.spc4clients.com](http://www.spc4clients.com) website.

## *Other Compensation*

Various vendors, product providers, TPIAs, distributors, and other third parties provide SPC and its IARs with non-monetary compensation by paying some expenses related to training and education, including the expenses of travel and acquiring professional designations, but excluding rewards, purchase points, and travel credits. We also occasionally receive payments from such entities to subsidize our own internal training programs. Additionally, certain vendors invite us to participate in conferences or online training and also provide us with access to publications that further IARs’ and employees’ skills and knowledge. Finally, such entities occasionally provide us with gifts, meals, and entertainment of reasonable value consistent with industry rules and regulations. We do not believe that these benefits create a material conflict of interest given their purpose (e.g., training) or the low amounts involved (e.g., meals). However, we believe it is important to disclose this additional compensation in fulfillment of our duty of loyalty. SPC does not permit IARs to participate in TPIA sales contests that award prizes, or TPIA programs that provide cash or non-cash compensation, based upon the volume of client assets placed with the TPIA.

It is our policy, however, to not accept additional compensation (monetary or non-monetary) from Fidelity or a vendor, product provider, distributor, TPIA, or other third party when such compensation is tied to or calculated based upon amounts invested by an ERISA-covered plan to which an IAR provides ERISA fiduciary services. Any non-monetary compensation received in connection with the delivery of services to an ERISA-covered plan (e.g., from Fidelity, a plan record-keeper, custodian, etc.) will be separately disclosed to such plan, when applicable.

## **Compensation to Associated Persons**

### *Payout Grids*

Each IAR’s “total production” is calculated by aggregating his or her annual compensation from (1) providing advisory services through SPC and (2) selling securities and qualifying annuities through SFC or Parkland, our broker-dealer affiliates. An IAR’s total production determines his or her payout percentage under our payout grid. (A “payout grid” uses an escalating series of payout percentages according to which the percentage compensation paid to the IAR increases at certain predetermined thresholds.) By using an escalating payout grid with IARs, we attempt to avoid transmitting firm-level conflicts to IARs by setting the payout percentage thresholds according to neutral factors. That is, our payout grid is prospective in nature, rather than retroactive, employing

gradual increases, and is not tied to how lucrative different investments are for the firm. Payout percentages are determined solely according to total production and without regard to specific investments or categories of investments. However, certain IARs, including, but not limited to, some home office employees who also work as financial advisors, have negotiated increased payout percentages. These exceptions are granted in the sole discretion of SPC's executives on a case-by-case basis.

### *Top Producer Conference*

Each year, representatives whose total production exceeds a predetermined threshold (i.e., "top producers") are invited to attend an annual Top Producer Conference event. This multiday conference is typically held at a resort hotel located in a desirable vacation destination, and costs of travel, lodging, transportation, and meals are paid for by SPC, SFC, and Parkland. While the conference does have an educational component, much of the time is spent on recreational activities, making this conference a reward for top producers. This creates a conflict of interest, as IARs have a financial incentive to qualify for the conference by increasing their total production through charging higher advisory fees and recommending additional sales of securities and annuity products.

SPC mitigates this conflict of interest in two ways. First, the qualifying production level is not announced in advance; the threshold is only disclosed after the fact at the conference. Second, SFC, Parkland, and SPC each review their representatives' recommendations to ensure that the proposed course of action is suitable and consistent with industry standards. Finally, you are under no obligation, contractually or otherwise, to purchase securities or insurance products through SFC or Parkland, just as the fees you pay for advisory services are negotiable.

### *Forgivable Loans and Bonuses*

Our affiliated broker-dealers, SFC and Parkland, typically offer new registered representatives either a bonus or a forgivable loan in order to help defray their transition expenses. The amount of such bonus or forgivable loan, including whether such compensation will even be offered in the first place, is determined by such factors as the individual's regulatory history, past total production at the prior firm, and ongoing contractual commitments (e.g., non-solicitation agreements). We are disclosing this compensation because such representatives often choose to associate with SPC as well.

In certain circumstances, we will provide new IARs with either a bonus or a forgivable loan in order to help defray their transition expenses. The amount of such bonus or forgivable loan, including whether such compensation will even be offered in the first place, is determined by such factors as the individual's regulatory history, past total production at the prior firm, and ongoing contractual commitments (e.g., non-solicitation agreements). Furthermore, we will occasionally provide current IARs with a bonus or forgivable loan to ameliorate the negative economic impact of a change in SPC's business policies or operations. The decision whether to offer such compensation is made solely in the discretion of SPC's management, based upon the IAR's prior history with SPC, and the amount of such bonus or forgivable loan ordinarily will not exceed the estimated cost of such negative economic impact. The forgiveness of such bonus or forgivable loan (i.e., the avoidance of any repayment obligation or cancellation of indebtedness) is contingent upon the IAR remaining affiliated with SPC for a stated period of time. For example, with a five-year forgivable loan, approximately one-fifth of the principal will be forgiven each year on the annual loan anniversary, and the entire loan will be forgiven after five years. Generally speaking, a bonus or forgivable loan creates a conflict of interest for IAR recipients, as the IAR has a financial incentive to maintain his or her relationship with SPC so he or she can receive forgiveness for the bonus or loan. SPC mitigates the client impact of bonuses and forgivable loans by not imposing any additional forgiveness terms, such as annual or minimum production requirements.

### *Succession Plans*

We assist our IARs by facilitating succession plans that involve transitioning a book of business from one IAR (the "seller") to another (the "buyer"). Such transitions often occur when the seller wishes to retire from the industry and "hand off" his or her client accounts (or "book of business") to the buyer. By assisting with such succession plans, we can help ensure that clients do not experience an interruption in service and also avoid a potential decrease in our overall assets under management due to client attrition. Because the seller will reap an additional profit from monetizing his or her client relationships, and will select a buyer based upon financial considerations rather than in a purely disinterested manner, such transitions naturally create a conflict of interest involving potential self-dealing. We mitigate this conflict of interest by reviewing IARs' transition agreements.

### *Non-Forgivable Personal Loans*

Our affiliated broker-dealers, SFC and Parkland, will occasionally offer existing registered representatives a non-forgivable personal loan, at an interest rate that meets or exceeds the Applicable Federal Rate at the time of the loan, in order to assist such individuals with legitimate business matters, such as expanding their financial practices (e.g., purchasing another representative's book of business). The amount and the terms of such non-forgivable loans are determined by such factors as the individual's regulatory history and prior experience with the firm. We are disclosing this compensation because such representatives are often associated with SPC as well. In certain circumstances, we will provide IARs with a non-forgivable loan for similar legitimate business reasons.

### *Program Fee Sharing*

SPC remits two basis points (or 0.02%) of the program fee to certain grandfathered IARs who maintain more than \$40 million in client assets under management in SIGMA Managed Accounts. This creates a conflict of interest, as these IARs have an incentive to recommend that clients open or remain in SIGMA Managed Accounts in lieu of other advisory programs or investments held in a brokerage account or other buy-and-hold investments that could be more suitable for clients. However, this practice has been discontinued with respect to new IARs who join SPC. We mitigate these conflicts of interest by reviewing each recommendation to open a SIGMA Managed Account, along with any recommendation to fund the account with the proceeds from liquidated investments, to ensure that the proposed course of action is suitable and consistent with our duties of care and loyalty. We also conduct ongoing reviews to ensure that the SIGMA Managed Account remains appropriately managed and is a suitable account type for the client.

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

Fees based on the performance of an account are calculated based upon a share of capital gains or capital appreciation in the advisory account. We do not charge performance-based fees in connection with SIGMA Managed Accounts or direct-at-fund accounts. However, certain TPIAs we recommend charge performance-based fees to qualified clients, as defined by Rule 205-3 under the Act, and we (and our IARs) will receive a portion of such fees as part of our referral fee if we act as the TPIA's promoter. IARs may therefore have an incentive to recommend TPIAs that charge performance-based fees over other TPIAs that do not. We mitigate this conflict of interest by reviewing each recommendation to open an account with a TPIA, along with the recommendation to fund the account with the proceeds from liquidated investments, to ensure that the proposed course of action is suitable and consistent with our duties of care and loyalty. You should refer to the TPIA's disclosure brochure for further information on any performance-based fees the TPIA may charge and the conflicts of interest that presents.

We do not charge performance-based fees or recommend to ERISA-covered plans any TPIAs that charge performance-based fees.

## **Item 7. Types of Clients**

We offer investment advisory services to individuals, banks and thrift institutions, retirement plans, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

SPC's retirement plan services are available to clients who are sponsors or other fiduciaries to retirement plans, including, but not limited to, 401(k), 457(b), 403(b), and 401(a) plans. "Plans" include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA. SPC does not require a minimum asset amount for retirement plan consulting services.

For individual portfolio management services, we require a minimum account size of \$5,500 for SIGMA Managed Accounts maintained at Fidelity. In our discretion, we may waive this minimum. We may, at our discretion, combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum. In addition, TPIAs may impose their own account minimums.



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

### Methods of Analysis and Investment Strategies

IARs work directly with you to evaluate your stated needs and objectives. IARs attempt to measure a client's stated risk tolerance, time horizon, goals, and objectives through an interview and data-gathering process in an effort to determine an investment plan or portfolio that best fits the client's profile.

Investment strategies may be based upon a number of concepts and determined by the type of client. IARs each provide individualized advisory services to their clients. The investment advisory strategies utilized by our IARs may range from speculative to conservative, but each is designed to meet the varying needs of our clients. IARs determine which portfolios are suitable after working with clients to define their objectives, risk tolerance, and time horizons. In managing retirement plan assets, IARs shall invest as a prudent investor would, taking into account the purposes, terms, and other requirements expressed in applicable governing instruments, while exercising reasonable care, skill, and caution.

IARs generally follow a portfolio construction and review process when developing advice and recommendations based upon information provided by clients. There are two components to an IAR's portfolio management process: (1) individual security selection, and (2) the asset allocation process.

Each IAR researches and develops his or her own investment philosophy and methodology. IARs may utilize portfolio models which are designed to target specific degrees of investment risk, ranging from conservative to speculative. IARs generally conduct portfolio reviews on a quarterly basis to ensure adherence to the risk objective for each portfolio. IARs may also utilize asset allocation software and historical performance modeling software to assist with portfolio construction.

As noted in the "Advisory Business" section above, IARs may recommend to clients the services of TPIAs who offer various investment management platforms. When an IAR recommends and helps place a client with a TPIA, the IAR will review the TPIA's investment strategies and past performance and monitor the TPIA's ongoing performance to the extent available. The methods of analysis and investment strategies utilized by a given TPIA are disclosed in that TPIA's disclosure brochure.

IARs have access to the SPC home office as well as that of SFC and Parkland. IARs may consult with the due diligence staff of our affiliated broker-dealers regarding various investments including mutual funds, alternative investments, variable annuities, and TPIAs.

For financial planning services, IARs generally take a long-term perspective. After your IAR evaluates your short-term cash needs and emergency funds, he or she can then develop investment and insurance strategies to assist you in achieving your stated goals and objectives.

IARs may use one or more of the following methods of analysis or investment strategies when providing investment advice:

- **Charting and Technical Analysis** – Charting analysis involves the gathering and processing of price and volume information for a particular security. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which are used to predict future price movements based upon price patterns and trends. Technical analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.
- **Fundamental Analysis** – Fundamental analysis involves analyzing individual companies and their industry groups, usually through reviewing a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the

company's industry. The resulting data is then used to estimate the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a security's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

- **Cyclical Analysis** – Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic and business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may also be difficult to predict with accuracy. The risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- **Long-Term Purchases** – Securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short-Term Purchases** – Securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of short-term price fluctuations.
- **Margin Transactions** – These are securities transactions in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. The interest charge for borrowing on margin is in addition to our advisory fee for portfolio management services. In the event of a margin credit extension, the costs incurred by you will generally increase as the size of the outstanding margin balance increases. In cases where margin is used in a SIGMA Managed Account, the advisory fee can be calculated in one of two ways. First, in a net-of-margin arrangement, the advisory fee is based upon the net equity of the account (i.e., the market value of the securities in the account less margin debit balances). Second, in a gross-of-margin (also known as a "multi-margin") arrangement, the advisory fee is based upon the market value of the securities in the account *without* a reduction or offset for any margin debit balances. Consequently, our compensation will be greater, all other things being equal, if a gross-of-margin arrangement is utilized. Your IAR will orally disclose which arrangement is applicable if you purchase securities on margin. However, your IAR has an incentive to increase his or her compensation by recommending the gross-of-margin arrangement, as well as the acquisition of securities on margin, which will increase the size of the asset base from which your IAR's advisory fee is calculated. SPC mitigates this conflict through disclosure. Moreover, the fees you pay for our advisory services are negotiable.
- **Options Trading/Writing** – A securities transaction that involves buying or selling (i.e., writing) an option. If an investor writes an option, and the buyer exercises the option before it expires, the investor will be obligated to purchase or deliver a specific number of shares at a specific price regardless of the current market value of the underlying security. Conversely, purchasing an option gives the holder the right to purchase or sell a specified number of shares at a specified price until the option expires, regardless of the current market value of the underlying security.

TPIAs each have their own methods of analysis, investment strategies, and unique investment risks that you should review and consider before investing.

Our investment strategies and advice may vary depending upon each client's specified needs and financial situation. As such, we determine investments and allocations based upon a client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Clients may impose restrictions on investing in certain securities or types of securities. Any restrictions, guidelines, or constraints imposed by a client may affect the composition of the client's portfolio.

IARs may use short-term trading (in general, selling a security within thirty (30) days of purchasing the same security) as an investment strategy when managing accounts. Short-term trading is not a fundamental part of our overall investment strategy, but IARs may occasionally use this strategy when they determine that it is suitable given a client's stated investment objectives and tolerance for risk.

Depending upon his or her investment methodology, your IAR may use investment strategies that involve the

frequent buying and selling of securities in an effort to capture significant gains and avoid significant losses during volatile market conditions. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

You should note that if your IAR effects short-term transactions in your nonqualified account, such transactions could result in short-term gains or losses for federal and state tax purposes. Your IAR's strategies and investment selections may have unique and significant tax implications. However, unless we specifically agree otherwise in writing, tax efficiency is not our primary consideration in IARs' management of assets. Regardless of account size or any other factors, we strongly recommend that clients frequently consult with qualified tax counsel to ensure compliance with applicable tax laws and IRS regulations.

Retirement plans may make available to plan participants a number of different types of securities, including mutual funds, collective investment funds, guaranteed investment contracts, exchange-traded funds, annuity subaccounts, or other securities and investments. Each different type of security comes with inherent risks that are unique to that specific type of security. Mutual funds, collective investment funds, exchange-traded funds, and annuity subaccounts may also invest in various types of securities which carry these risks.

Options trading is highly speculative and entails more risks than those present when investing in other types of securities. Option prices are generally more volatile than prices of other types of securities. When trading options, clients can run the risk of losing the entire investment in a relatively short period of time. With more risky option strategies, an investor could theoretically have an unlimited risk of loss.

Similarly, alternative mutual funds are more speculative in nature and come with greater risks than traditional exchange-traded funds and mutual funds. If an IAR determines that it is suitable to utilize alternative mutual funds in a client's managed account, that client will be asked to complete and sign our Alternative Mutual Fund Disclosure Form. For more information regarding these products, please visit the SEC<sup>4</sup> website and look for the investor alert.

All investments involve risk, and investment performance can never be predicted or guaranteed. Account values can fluctuate (perhaps significantly) due to market conditions, manager performance, and other factors. The use of any benchmark or index in connection with investment management services is no guarantee that the investments will experience the same performance results as the index or benchmark, including the results shown on the various reports that are delivered in connection with our management services. It is not possible to invest directly in an index.

### *Retirement Plans*

SPC and its IARs may use or provide to the plan sponsor (or plan fiduciary) data or other information we receive from third parties in connection with providing investment management services. While we reasonably believe that such information or data is generally reliable, we do not promise and cannot guarantee that such information or data is accurate, current, or will be consistently available.

The plan sponsor (or plan fiduciary) is not required to accept our assistance or follow any recommendations that we provide in connection with our retirement plan services. If the plan sponsor (or plan fiduciary) selects us to allocate or rebalance the plan's assets among Model Portfolios or to recommend investment managers, the plan sponsor (or plan fiduciary) or plan participant, as the case may be, may freely elect to change allocations or managers.

The plan sponsor (or plan fiduciary) is responsible for all of the tax liabilities and/or applicable penalties, fees, or restitution arising from or as a result of any plan-related transactions, including any liabilities arising from the failure to maintain the qualified status of a retirement plan receiving our services. The plan sponsor (or plan fiduciary), not SPC or its IARs, shall be responsible for the overall administration of the plan and shall be solely liable for any ERISA violations committed in connection therewith. We advise all plan sponsors (or plan fiduciaries) to seek and follow the advice of ERISA legal counsel when administering a retirement plan.

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<sup>4</sup> [https://www.sec.gov/oiea/investor-alerts-bulletins/ib\\_altmutualfunds.html](https://www.sec.gov/oiea/investor-alerts-bulletins/ib_altmutualfunds.html)

## **Cost Basis Reporting**

As a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Custodians will default to the FIFO accounting method for calculating the cost basis of investments. You are responsible for contacting your tax advisor to determine if this accounting method is the correct or most advantageous choice. In the event it is not, you should provide prompt written notice to your IAR and we will alert the account custodian of the individually selected accounting method. Please note that all decisions regarding cost basis accounting methods must be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will successfully predict future investment results, identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way indicative of future performance or success.

## **Material Risks of Recommendations to Select and Monitor Investment Managers, QDIAs, and DIAs**

As part of our services to provide recommendations to select and monitor investment managers, QDIAs, or DIAs, we may provide the plan sponsor (or plan fiduciary) with a list of investments, including mutual funds, to consider as options for the plan, and we may also provide a list of investment managers to manage the assets of the plan. Any such lists are for informational purposes only. The plan sponsor (or plan fiduciary) retains full authority to select all plan investments in such circumstances. Such lists should not be considered a primary or sole basis for the plan sponsor's (or plan fiduciary's) decision.

## **Material Risks of Recommendations to Establish or Revise the Plan's IPS**

We will consider information regarding the plan provided by the plan sponsor (or plan fiduciary) when assisting with the preparation of, or recommending changes to, the plan's IPS. It is important that the plan sponsor (or plan fiduciary) provide accurate information and that such information remains current, as changes in the information will impact the assistance we provide and/or the recommendations we make.

## **Material Risks of Recommendations to Allocate and Rebalance Model Portfolios**

Any report containing a proposed asset allocation model is based upon a number of factors which may include the demographics of plan participants, current asset allocations, and the value of the plan's assets. We may change asset allocations and investment options within the Model Portfolios in the regular course of managing such portfolios. We may inform the plan sponsor (or plan fiduciary) of changes in our assumptions or the Model Portfolios that we believe are significant or material in nature.

The analyses and suggested asset allocations contained in the reports may be based upon historical financial data, assumptions about future financial and economic trends (including market appreciation or decline, rates of return, and risks for various asset classes), assumptions about applicable laws and regulations, and appropriate financial planning strategies.

Any projections, analyses, or other information contained in or provided with the reports regarding various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future performance or success.

The reports do not provide advice regarding the plan's specific securities investments. Therefore, it is important for the plan sponsor (or plan fiduciary) to monitor current events, such as changes in tax laws or in the financial markets, which may affect the plan sponsor's (or plan fiduciary's) decisions regarding the plan.

The return rates and dollar figures contained in the report may not include all investment expenses, and any results shown may be reduced by such costs. Also, where applicable (and only as indicated), assumptions as to federal income tax rates, state income tax rates, and estate taxes reflected in the report would only be general estimates.

## Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this brochure, we recommend a variety of investments and we do not necessarily recommend one particular type of security over another since each client has his or her own investment objectives, risk tolerance, needs, and goals. We do not primarily recommend or utilize one specific type of investment over another because each client has his, her, or its own investment objectives, risk tolerance, needs, and goals.

When recommending or selecting investments for retirement plans, we will act in accordance with, and follow the mandates of, the plan documents and IPS.

## Item 9. Disciplinary Information

As a fiduciary, we are committed to providing our clients with full disclosure regarding any material disciplinary information relating to our firm or our IARs.

SPC entered into a settlement Order with the SEC that was finalized on September 19, 2019. The settlement Order addresses allegations that SPC failed to disclose certain conflicts of interest associated with the following:

1. Rule 12b-1 fee payments that SPC received between January 1, 2013 and March 1, 2017 in connection with mutual fund share class investments purchased, held, or sold in SIGMA Managed Accounts, which also resulted in a failure to seek best execution. According to the SEC, SPC's receipt of such fees created an incentive for SPC to invest advisory clients in a more expensive share class that paid 12b-1 fees when lower-cost share classes of the same funds were available. SPC did not disclose this conflict of interest to clients.
2. Asset-based fees that SPC avoided paying to Fidelity between January 1, 2013 and March 31, 2018 in connection with mutual fund investments purchased, held, or sold in SIGMA Managed Accounts. According to the SEC, SPC's asset-based fee agreement with Fidelity presented an additional conflict of interest because SPC benefitted, in the form of reduced asset-based fees, if it invested its clients in more expensive mutual fund share classes. SPC did not disclose this additional conflict of interest to clients.
3. Revenue-sharing payments received by SFC and Parkland in connection with tiered sponsorship agreements with various alternative investment sponsors. Pursuant to the tiered sponsorship agreements, the sponsors paid SFC and Parkland revenue sharing, in the form of a flat fee, in return for certain benefits. SPC did not disclose the revenue sharing paid to SFC and Parkland by the product sponsors.

The SEC's Order finds that SPC violated the antifraud provisions of Sections 206(2) and 206(4) of the Act and Rule 206(4)-7 thereunder, as well as the broker registration provisions of Section 15(a) of the Securities Exchange Act of 1934. Without admitting or denying the SEC's findings, and as part of the settlement terms of the Order, SPC paid disgorgement of \$1,920,809, prejudgment interest of \$225,909, and a civil penalty of \$400,000. SPC distributed these funds to harmed investors. SPC also consented to a censure and the entry of a cease-and-desist order from committing or causing further violations of these provisions of the federal securities laws.

For clients who would like additional information, a copy of the settlement Order can be found on both the SEC's website (<https://www.sec.gov/litigation/admin/2019/34-87029.pdf>) and SPC's public client website ([www.spc4clients.com](http://www.spc4clients.com)).

In addition, certain SPC IARs have reportable disciplinary information. Please obtain and read a copy of your IAR's Form ADV Part 2B brochure supplement for more information.

## Item 10. Other Financial Industry Activities and Affiliations

IARs are generally registered representatives with SFC or Parkland, both of which are affiliated broker-dealers of SPC. Please see the "Fees and Compensation" section in this brochure for more information regarding the compensation received by registered representatives.

It is important to note that clients are under no obligation to grant SPC and its IARs investment discretion. Clients should understand that the investment products, securities, and services that an IAR may select or offer in connection with providing investment advisory or retirement plan services are generally available through other broker-dealers, investment advisers, or investment firms not affiliated with SPC.

SFC and Parkland are also licensed as insurance agencies. Many IARs of our firm are also licensed insurance agents. IARs acting in their capacity as insurance agents will earn commission-based compensation from selling insurance products (e.g., fixed annuities) and policies (e.g., life insurance). SFC and Parkland will also receive compensation from such sales. Insurance commissions are separate from our advisory fees. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

Some IARs may also own their own accounting firm, law firm, independent registered investment adviser and/or TPA firm. For clients in need of accounting, legal, or TPA services, such IARs may recommend that clients retain these entities for such services. These recommendations present a conflict of interest, because IARs have a financial incentive to recommend these services to you. The fees for such services are separate and apart from the advisory fees charged by SPC. You are under no obligation to use any IAR's affiliated entity, and you may select and use the service provider of your choice.

Based on your needs and objectives, we may recommend that you utilize the services of a TPIA. If we act as the TPIA's promoter, we will receive compensation from the TPIA in the event you decide to utilize the TPIA's services. These compensation arrangements present a conflict of interest, because we have a financial incentive to recommend the services of such TPIAs. You are not obligated, contractually or otherwise, to utilize the services of any TPIA that we recommend.

### *Retirement Plans*

Associated persons and affiliates of SPC are permitted to provide other non-fiduciary retirement services to plans, such as record-keeping and TPA services, and receive variable compensation therefrom. This presents a conflict of interest, because any IAR who recommends such non-fiduciary retirement services will receive compensation in connection therewith. However, the plan sponsor (or plan fiduciary) is free to obtain such non-fiduciary retirement services from the service provider of its choosing and need not work with the IAR who made the recommendation.

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

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for our Associated Persons' professional standards of conduct. Our goal is to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Associated Persons are also required to report, and we monitor for, any violations of our Code of Ethics. Additionally, we maintain and enforce written policies and procedures reasonably designed to prevent insider trading as well as the misuse or dissemination of material, nonpublic information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You can obtain a copy of our Code of Ethics by contacting the SPC Department at (888) 744-6264 or spcinfo@bdops.com.

## **Agency Trades**

An agency trade is a trade where an investment adviser acts as a broker for its clients by placing a client trade in a market or with another person. In Advisers Act Release No. 1732 (July 17, 1998), the SEC released an interpretation of Section 206(3) of the Act clarifying that an "agency transaction between advisory clients" is an agency transaction arranged by an investment adviser whereby one advisory client sells a security to a different advisory client of the investment adviser.

SPC does not ordinarily facilitate transactions between its advisory clients, nor does SPC receive any compensation (other than advisory fees) resulting from any agency trades. Consequently, SPC does not "act as a broker" within the scope of Section 206(3).

## **Agency Cross Transactions**

In an agency cross transaction, an investment adviser acts as a broker on behalf of a client as well as another party involved in the transaction. In other words, the investment adviser operates on behalf of several interests, including those of its client and those of the party on the other side of the transaction. The precise definition of "agency cross transaction for an advisory client" can be found in Rule 206(3)-2(b) of the Act.

SPC does not ordinarily execute agency cross transactions for its advisory clients. Nevertheless, in the event that were to change, SPC has adopted agency cross transaction procedures that are designed to promote fairness among the client accounts we manage and to conform to applicable regulatory principles. We would only conduct an agency cross transaction if a client has consented in advance to such a transaction, either in the client's account agreement or in a separate written consent. Each agency cross transaction would be effected at the independent current market price of the security. We would send to both clients participating in the agency cross transaction a written confirmation at or before the completion of each transaction containing: (i) a statement of the nature of such transaction; (ii) the date on which such transaction took place; (iii) an offer to furnish, upon request, the time when such transaction took place; and (iv) the source and amount of any compensation or other remuneration received (or to be received) by us or our affiliates. We would also send the client an annual summary of all agency cross transactions. A client's written consent authorizing us to effect agency cross transactions on his or her behalf could be revoked by the client at any time by means of written notice to SPC. Finally, all such purchase and sale transactions that qualify as agency cross transactions would comply with our procedures and Rule 206(3)-2 under the Act. In such circumstances, we would have a conflicting duty of loyalty to both clients for whom we conduct agency cross transactions, and our affiliated broker-dealers (SFC and Parkland) would earn commissions in connection with agency cross transactions.

We do not perform agency cross transactions in connection with retirement plan accounts or retirement plan assets.

## **Principal Transactions and Step-Out Arrangements**

In a principal transaction, an investment adviser, acting on its own account (or an affiliate's account), purchases a security from, or sells a security to, an advisory client. SPC does not engage in principal transactions.

In a "step-out" arrangement, an investment adviser directs the broker-dealer executing a client's trade to allocate all or part of the trade to another broker-dealer. In some cases, the broker-dealer "stepping in" only performs one aspect of the trade, such as clearance. In other cases, the investment adviser may desire that the executing broker-dealer step out a portion of a trade to another broker-dealer that provides research to the investment adviser. SPC does not enter into step-out arrangements with broker-dealers.

## **Personal Trading Practices**

IARs may buy or sell the same securities for clients at the same time they buy or sell such securities in their own accounts. IARs may also combine their orders to purchase securities with client orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this brochure for information about our block trading practices.

A conflict of interest exists in such cases because IARs have the ability to trade ahead of clients and potentially receive more favorable prices than clients will receive. To mitigate this conflict of interest, it is SPC's policy that

no Associated Persons shall have priority over your account in the purchase or sale of securities. This policy is enforced by reviewing Associated Person trades to determine whether any Associated Person (i) profited from trading ahead of his or her clients, or (ii) received more favorable pricing than clients on same-day trades. Associated Persons are not permitted to retain any profits from such activities.

On occasion, SPC invests a portion of its cash assets in securities in order to achieve a potentially higher rate of return than money market mutual funds can provide. A conflict of interest exists in such cases because SPC has the ability to trade ahead of clients and potentially receive more favorable prices than clients will receive. To mitigate this conflict of interest, SPC has imposed certain controls. First, the back-office staff with authority to place such trades is limited to a handful of individuals, the majority of which are corporate officers who do not have client relationships and do not manage client accounts on a discretionary basis. Second, the lone individual with trading authority who is an IAR and has client relationships is prohibited from purchasing or selling the same security (or securities) in both SPC's account and client accounts on the same day.

### **Political Contributions**

To avoid potential conflicts of interest associated with political contributions, especially with respect to clients that are government or municipal entities, we limit our IARs' political contributions to the lower *de minimis* amount under Rule 206(4)-5(b)(1) of the Act. Currently, this amount is limited to \$150 for any one official per election.

## **Item 12. Brokerage Practices**

### **Dual Registration**

As discussed herein, most IARs in their respective individual capacities are registered representatives of SFC or Parkland ("dually registered IARs"), SPC's two affiliated broker-dealers. Many of the same securities and other investment products approved by SPC are also approved by SFC and Parkland. As a result, for a given recommendation, dually registered IARs have an incentive to favor the more lucrative access option (i.e., SPC versus broker-dealer) with clients. SPC mitigates this conflict through disclosure and by supervising recommendations to ensure that they are suitable and consistent with SPC's duties of care and loyalty.

Dually registered IARs are subject to FINRA Rule 3280, which restricts registered representatives from conducting securities transactions away from their broker-dealer unless the broker-dealer provides written consent. Therefore, clients are advised that dually registered IARs, when offering securities and brokerage services in their capacities as registered representatives, are restricted to conducting securities transactions through SFC or Parkland (and their clearing firm) unless they first secure written consent to execute securities transactions through a different broker-dealer. Absent such written consent or separation from their broker-dealer, these IARs are prohibited from executing securities transactions through any broker-dealer other than SFC or Parkland (or their clearing firm) under each entity's internal supervisory policies and procedures. The information contained in this paragraph is not applicable to IARs who are not dually registered.

### **Brokerage Firm and Custodial Choices**

Financial planning and consulting clients can use any brokerage firm of their choice to implement any advice we provide or any transactions we (or our IARs) recommend. However, because our firm is related to, and many of our IARs are registered representatives with, SFC or Parkland, if you choose to implement our advice through our IARs, we will use SFC or Parkland for securities transactions.

In selecting broker-dealers for custodial services, we consider the following:

- Quality of overall execution services provided
- Promptness of execution
- Creditworthiness, financial condition, and business reputation
- Research provided (if any)
- Promptness and accuracy of reports on execution
- Ability and willingness to correct errors
- Promptness and accuracy of confirmation statements
- The broker-dealer's facilities and technology
- The securities trading markets and market centers to which the broker-dealer has access
- Any expertise in executing trades for particular types of securities



- Transaction costs
- Reliability of the broker-dealer
- Ability to use electronic communication networks to gain liquidity, price improvement, lower ticket charges, and anonymity
- Execution and operational capabilities of the broker-dealer

SPC has an arrangement with Fidelity through which Fidelity provides SPC and its IARs with custodial services, access to TPIAs through Envestnet, and other benefits to help us conduct our business and serve all types of clients. SPC is independently owned and operated and is not affiliated with Fidelity. NFS is also the clearing firm utilized by SFC and Parkland. SPC is required to disclose products, services, and other assistance it receives that do not directly benefit your account or cause (or may potentially cause) conflicts of interest for your IAR.

Fidelity is the sole custodian that we utilize for our managed accounts, including all SIGMA Managed Accounts. SPC has negotiated ticket charge schedules, account pricing options, and service fees for client accounts custodied at Fidelity. These items were determined based upon the current and expected type and amount of business SPC conducts with Fidelity. You should carefully evaluate Fidelity's costs and services before opening an account.

Fidelity's current ticket charge schedule is available on the SPC website ([www.spc4clients.com](http://www.spc4clients.com)) or upon request by contacting SPC using the information provided on the cover page of this brochure. Fidelity generally does not charge its investment adviser clients separately for custody services but is compensated by account holders through ticket charges and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (e.g., transaction fees are charged for certain no-load mutual funds, whereas ticket charges are imposed for particular securities transactions). Fidelity also provides access to many no-load mutual funds without transaction charges and other no-load mutual funds at nominal transaction charges.

Fidelity charges a short-term trading fee each time a client sells or exchanges shares of a FundsNetwork No Transaction Fee (NTF) fund held less than sixty (60) days. This fee does not apply to Fidelity funds, money market funds, FundsNetwork Transaction Fee funds, FundsNetwork load funds, funds redeemed through the Personal Withdrawal Service, or shares purchased through dividend reinvestment. In addition, Fidelity reserves the right to exempt other funds from this fee, such as funds designed to achieve their stated objective on a short-term basis. The short-term trading fee charged by Fidelity on FundsNetwork NTF funds is different and separate from a short-term redemption fee assessed by the fund itself. Not all funds have short-term redemption fees, therefore please review the fund's prospectus to learn more about any potential short-term redemption fees charged by a particular fund or fund family. If you require additional details, more information regarding Fidelity's short-term trading fees is available online.<sup>5</sup>

Fidelity pays for and provides us with technology platforms and other software in order to enable us (and our IARs) to access Fidelity's brokerage system and streamline our business operations. These systems aid us in providing service to client accounts and include software that makes available client account data, facilitates trade execution, allocates aggregated trade orders, facilitates payment of fees from client accounts, and assists with back-office functions such as record-keeping and client reporting. As a result of these benefits, SPC has significant incentives to select FBS to provide brokerage services for all SIGMA Managed Accounts, and NFS to continue providing custodial services for those accounts.

In certain instances, groups of two or more IARs choose to operate and conduct business from the same SPC branch office and/or form a joint business association spanning multiple branch offices in different locations. **You should be aware that if your IAR works out of such an office and/or participates in such a joint business association, each of the other IARs in your IAR's office and/or the joint business association will have the ability to see your account information and process trades in your account(s), solely in a ministerial capacity, at the instruction of your IAR. However, authority over your account(s) shall continue to reside solely with your IAR.**

Fidelity also offers other services intended to help SPC manage and further develop its advisory business. Such services include, but are not limited to, performance reporting software, financial planning software, contact management systems, third-party research, and investment-related publications, as well as access to

<sup>5</sup> <https://www.fidelity.com/mutual-funds/all-mutual-funds/fees>

educational conferences, roundtable discussions, webinars, practice management resources, consultants, and other third-party service providers who offer a wide array of business-related services and technology with whom SPC can contract directly. Fidelity additionally provides investment research to help IARs make well-informed investment decisions for client accounts.

These services, as well as any other services that Fidelity provides to SPC, are often provided for free or at a discount. The terms of any agreements between Fidelity and SPC may be better or worse than the terms that Fidelity offers to other investment advisers. SPC's ability to negotiate more favorable terms depends upon the type and amount of business that SPC conducts with Fidelity, including the amount of client assets held in Fidelity accounts during a certain timeframe. It is possible that some or all of the products and services Fidelity offers to SPC will not directly benefit you.

Fidelity assists SPC in certain marketing activities. This includes, but is not limited to, providing marketing materials, co-sponsoring client events, and engaging in joint marketing programs. Fidelity also assists IARs in joining the Fidelity platform and in some cases may, at its sole discretion, pay or waive account transfer fees or other charges that clients would otherwise ordinarily incur when changing custodians or service providers.

On occasion, Fidelity makes direct payments to SPC for items such as reimbursing SPC or an IAR for reasonable travel expenses incurred in connection with traveling to a Fidelity-sponsored event, including to assess Fidelity's business practices and operations.

## **Additional Compensation**

### *Soft Dollars*

SPC does not have a soft dollar agreement with Fidelity or any other person or entity.

### *Software and Other Benefits*

We receive certain added benefits when clients utilize Fidelity to custody their accounts. Such benefits include research, the ability to deduct our advisory fees from clients' accounts, discounts on periodicals or other published materials, complimentary business and compliance newsletters, and various other non-cash services. Additionally, we receive the following benefits from Fidelity: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its investment adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

We also receive from Fidelity, without cost to us, computer software and related systems support which allow us to better monitor client accounts maintained at Fidelity. We receive the software and related support without cost because we render portfolio management services to clients who maintain assets at Fidelity. The software and related systems support benefit us but do not directly benefit our clients. We endeavor at all times to put the interests of our clients first. Clients should be aware, however, that our receipt of such economic benefits from Fidelity creates a conflict of interest. In particular, these benefits influenced us to select Fidelity as our custodian over other broker-dealers that do not furnish similar software, systems support, or services, and also influence us to continue our relationship with Fidelity.

## **Block Trading**

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time ("block trade" or "aggregate"). We are permitted (but not obligated) to aggregate such orders to obtain best execution, to obtain more favorable ticket charge pricing, or to allocate equitably among clients any differences in prices and ticket charges or other transaction costs that would have been obtained had such orders been placed independently. If orders are aggregated under this procedure, we will distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts

owned by our firm or Associated Persons are permitted to participate in block trading with your accounts; however, they will not be given preferential treatment.

In the event we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made at our discretion (or alternatively at Fidelity's discretion) based upon other relevant factors, such as the following: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position, or to an account that is out of line with respect to security or sector weightings relative to other portfolios with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, we may exclude the accounts from the allocation, and the transactions may be executed on a pro rata basis among the remaining accounts; and (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Trade Errors**

In the event a trading error occurs in your account and results in a loss, our policy is to restore your account to the position in which it should have been had the trading error never occurred. Depending on the circumstances, our corrective actions include the following options: (1) canceling the trade, (2) adjusting an allocation, and/or (3) reimbursing the account.

If a trade error results in a profit, you will not keep the profit. Instead, profits from trade errors will remain in SPC's trade error account (i.e., the Fidelity account that SPC utilizes to correct trade errors) throughout the quarter and will be netted against other trade errors that result in losses. In the event the trade error account has a net profit at the end of the quarter, SPC will donate that amount to a charity of its choosing. Notwithstanding the foregoing, retirement plans will be entitled to keep any profits resulting from a trade error.

### **Brokerage-Client Referral Arrangements**

Some investment advisers reward broker-dealers for referring advisory clients by directing client trades (and thus the resulting commissions) to such broker-dealers. However, SPC has not entered into any such brokerage-client referral arrangements with any broker-dealers.

### **Deceased Account Owners**

For SIGMA Managed Accounts with a single owner (e.g., IRAs), when the account owner dies, the account assets may become subject to a will, estate laws, and other governing laws or documents. Consequently, upon receiving notice of the account owner's death, SPC will discontinue billing the account for its management fee and will submit a request to Fidelity for the account to be restricted (i.e., frozen) until necessary documents are received (e.g., a death certificate) and legal distribution has been determined. In addition, SPC will advise the IAR to cancel any open orders and remove the account from any models.

For SIGMA Managed Accounts with more than one owner (e.g., a joint tenants account), if the owner whose Social Security number (or tax ID) is assigned to the account dies, in order to ensure proper tax reporting, SPC will submit a request to Fidelity for the account to be restricted (i.e., frozen) until the Social Security number (or tax ID) of a living account owner is assigned to the account. For a SIGMA Managed Account owned by a client with a court-appointed conservator, if the conservator dies, SPC will submit a request to Fidelity for the account to be restricted (i.e., frozen) until a new conservator has been appointed and SPC receives copies of the applicable court records (e.g., court orders and letters of conservatorship). While the account remains restricted (i.e., frozen), the fee charged to the account will be temporarily reduced to fifteen (15) basis points (0.15%) to cover the administrative program fee.

## Item 13. Review of Accounts

### Portfolio Management

IARs are expected to conduct internal portfolio reviews no less than quarterly, or more frequently as needed, based upon individual circumstances and the nature and/or complexity of the portfolio. Internal reviews may also occur as a result of market conditions, significant new account deposits or withdrawals, upon request, or as otherwise determined by the IAR. We request that clients meet with their IAR at least annually to ensure the investment plan/strategies continue to be aligned with their stated individual needs, goals, objectives, time horizon, and risk tolerance. However, clients are obligated to promptly inform us of any change in their financial condition or circumstances.

Clients engaging us for portfolio management services must play an active role. We require you to participate in the formation of your investment plan and provide us with needed information to develop investment advice and recommendations. During the course of the engagement, without restriction, you may call your IAR to discuss your portfolio or ask questions, but we strongly recommend that you meet with your IAR no less than annually.

You will receive monthly or quarterly statements from your account custodians, depending on account activity. Additionally, we have the ability to create quarterly portfolio reports using third-party software which detail the performance of your account and other pertinent information. We make such reports available to clients exclusively on an electronic basis. Any unsupervised portfolio holdings disclosed therein are assets in your account which are not managed on a discretionary basis. These assets ordinarily consist of either legacy positions (e.g., employer stock) or investments which paid the selling broker a commission at the time of sale. Unsupervised portfolio holdings are excluded from consideration when calculating both the management fee as well as the performance figures disclosed in the report. Our Exclusion/Inclusion Form can be used to denote such holdings.

When preparing quarterly portfolio reports, reasonable efforts are made to obtain data which we believe is accurate. However, you should understand that such quarterly reports are provided for informational purposes only and should be compared against the account statements provided by the asset custodian. In the event any discrepancies exist, the official statements presented by the asset custodian (and not the quarterly report) should be deemed correct.

### Valuations

Generally speaking, valuations pose potential conflicts of interest for investment advisers because (1) a higher valuation of assets under management usually translates into a higher advisory fee and inflated performance representations, and (2) many securities are difficult to value. However, SPC does not custody your assets and therefore relies upon reputable third-party custodians (e.g., Fidelity) and vendors to provide accurate pricing and valuation data for the securities and assets that we manage, including for the purpose of calculating advisory fees and generating quarterly portfolio reports using third-party software. While SPC believes the pricing and valuation information it receives is accurate, SPC does not actually verify such data for accuracy or completeness. As SPC is not the custodian, SPC is not liable for any damages due to inaccurate data.

### Financial Planning Services

Financial planning services are generally not ongoing in nature and therefore we do not provide reviews or follow-up services unless specifically outlined in our written agreement with you. Financial planning services terminate upon the delivery of services or as otherwise stated in such agreement. While the advice may include the recommendation for a review or follow-up services, it is your responsibility to secure additional or follow-up services.

### Cybersecurity

SPC and its broker-dealer affiliates have relationships with various vendors and service providers that store, or have access to, confidential and sensitive client information. Such vendors include, but are not limited to, technology companies that provide us with account aggregation software, account statement software, risk tolerance software, and electronic document storage. When negotiating contractual agreements with such third parties, we seek to ensure that provisions are included that require the service provider to abide by industry standard safeguards in securing confidential and sensitive information. We exercise appropriate and effective oversight of service provider arrangements in accordance with Regulation S-ID (17 C.F.R. § 248.201(e)(4)), and we safeguard the client information in our possession or under our control in accordance with Rule 30 of

Regulation S-P (17 C.F.R. § 248.30).

## **Privacy Policy**

SPC has prepared a Privacy Policy in accordance with Regulation S-P (17 C.F.R. § 248.1 *et seq.*). This document describes, in summary fashion, how SPC handles and protects clients' personal information. The Privacy Policy is included with SPC's account opening documents and is also publicly available on our website ([www.spc4clients.com](http://www.spc4clients.com)).

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

## **Referral Program**

Our IARs may recommend to clients that they utilize the asset management services of a TPIA for which we act as a promoter. Consistent with Rule 206(4)-1 of the Act, we will receive compensation from the TPIA in our role as a promoter in the event you decide to utilize the recommended TPIA's services. Such compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of such TPIAs to you instead of other TPIAs with which we do not have an agreement. You are not obligated, contractually or otherwise, to utilize the services of any TPIA that is recommended.

From time to time, we may elect to utilize promoters for the purpose of obtaining client referrals to our firm. The promoters we utilize typically include (1) employees of financial institutions such as banks and credit unions, and (2) professionals such as Certified Public Accountants, Enrolled Agents, and attorneys (collectively, "Promoters"). In order to receive a cash referral fee from our firm, Promoters must comply with the requirements of the jurisdiction in which they operate. If you were referred to our firm by a Promoter, you should have received a copy of this brochure along with the Promoter's disclosure statement at the time of the referral. If you become a client, the Promoter that referred you to our firm will receive a percentage of the advisory fee for as long as you remain a client with our firm or until such time as our agreement with the Promoter expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Promoter are contingent upon your entering into an advisory agreement with our firm. Therefore, a Promoter has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms. Promoters that refer business to more than one investment adviser have a financial incentive to recommend advisers with more favorable compensation arrangements.

We do not utilize or compensate promoters in connection with referrals involving clients that are retirement plans.

## **Other Compensation**

As disclosed under the "Fees and Compensation" section in this brochure, our affiliates SFC and Parkland are licensed insurance agencies and registered broker-dealers. Also, many IARs providing investment advice on behalf of our firm are also licensed insurance agents as well as registered representatives with SFC or Parkland. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" and "Other Financial Industry Activities and Affiliations" sections of this brochure.

# **Item 15. Custody**

For accounts custodied at Fidelity or other approved custodial platforms, we directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your account(s) causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds or securities. Your funds and securities will always be held with an outside party such as a bank, broker-dealer, or other independent qualified custodian.

You will receive account statements at least quarterly from the independent qualified custodian holding your funds and securities. The account statements from your custodian will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review the account statements from the custodian. You should also compare the account statements received from the custodian with any statements or reports you receive from us.

In connection with certain custody requirements under Rule 206(4)-2 of the Act, for accounts custodied at Fidelity we have restricted the Asset Movement Authority on all client accounts. Consequently, all client wire instructions require either a client signature or a standing written instruction to be on file. SPC does not process requests for, facilitate, or accept international wires, international checks, or international electronic funds transfers ("EFTs"), whether to or from a foreign country.

If your account is custodied by a TPIA, please refer to the TPIA's Form ADV Part 2A Brochure for disclosures regarding their custody information. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact the SPC Department at (888) 744-6264 or [spcinfo@bdops.com](mailto:spcinfo@bdops.com).

## Item 16. Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our client services agreement. By signing our client services agreement, you grant our firm discretion over the selection and amount of securities to be purchased or sold for your SIGMA Managed Account or direct-at-fund account without obtaining your consent or approval prior to each transaction (although you can elect a non-discretionary arrangement if you prefer, provided you inform us of such preference in writing). Please refer to the "Advisory Business" section in this brochure for more information regarding our discretionary management services.

Our investment authority is subject to specific conditions you impose. For example, you may specify that the investment in any particular industry should not exceed specific percentages of the value of your portfolio. Such restrictions and guidelines may affect the composition and performance of your portfolio and/or our ability to meet your investment objectives.

### *Retirement Plans*

Before we can buy or sell securities on your behalf, you must first sign our QPSA and select the appropriate ERISA § 3(38) services in Appendix A thereof. By doing so, you grant SPC discretion over the selection and amount of securities to be purchased or sold for your accounts without obtaining your consent or approval prior to each transaction.

## Item 17. Voting Client Securities

### **Proxy Voting**

We will not vote proxies on your behalf for any of the securities you hold in an advisory account. Additionally, our IARs do not offer advice regarding corporate actions (e.g., mergers) or the exercise of proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we will forward them directly to you by mail, unless you have authorized SPC to contact you by electronic mail, in which case we will forward any electronic solicitation to vote proxies.

### **Class Action Lawsuits and Bankruptcies**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation, nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of the securities that you own. Additionally, we do not determine if securities held by you are the subject of a bankruptcy petition (or a similar proceeding for the benefit of creditors) or whether you are eligible to participate in bankruptcy or creditor litigation. SPC does not provide legal advice or act on behalf of clients with respect to these matters.

## Item 18. Financial Information

SPC does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. SPC does not take physical custody of client funds or securities, nor does SPC serve as a trustee or signatory for client accounts. Additionally, SPC does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. Therefore, we are not required to include a financial statement with this brochure.

B/D Ops, LLC ("B/D Ops") is an affiliated company, under common ownership and control with SPC, that provides back office, administrative, operational, and supervisory services that support the businesses of SPC and its other affiliates. B/D Ops earns revenue from these services it provides pursuant to the terms of a management services agreement. However, B/D Ops does not perform advisory functions for clients of SPC.

B/D Ops elected to participate in the Paycheck Protection Program ("PPP") established by the U.S. Small Business Administration ("SBA") in conjunction with the relief provided by the federal CARES Act in response to the COVID-19 pandemic. B/D Ops determined, at the time of its application for the PPP loan, that it would be reasonable to expect that the severe volatility in the financial markets, as well as the many "shelter in place" orders issued by local and state governments, would result in a significant loss of revenue for its affiliates. Consequently, B/D Ops applied for a PPP loan and received and retained approximately \$1,817,400 in final PPP loan funds in May 2020. The amount of this PPP loan is approximately equal to 2.5 times B/D Ops' average monthly payroll.

Without the PPP loan, and with the prospect of ongoing market and economic declines, B/D Ops would have had to consider salary reductions and employee layoffs. The PPP loan funds that B/D Ops received were utilized to pay the wages and salaries of B/D Ops employees, including those employees who are primarily responsible for providing services to SPC under the terms of the management services agreement, along with other expenses allowed under the parameters of the PPP. B/D Ops' loan was forgiven by the SBA in January 2021.

SPC has not applied for a PPP loan, nor has SPC experienced an interruption or delay in service.