

# Sorrento Pacific Financial, LLC

## Firm Brochure

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**This Brochure provides information about the qualifications and business practices of Sorrento Pacific Financial, LLC ("SPF"). If you have any questions about the contents of this Brochure, please contact the SPF Compliance Department at 858/805-7900 opt 2, opt 1. 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.**

**SPF is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training.**

**Additional information about SPF also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## **Item 2 – Material Changes**

Since the last update on March 31, 2021, SPF has added additional information to Item 5 where an acknowledgment of fiduciary status was added stating that when an Investment Adviser Representative (i) provides investment advice to participants in ERISA-covered retirement plans and to owners of IRAs, and (ii) recommends to participants in ERISA-covered retirement plans or owners of IRAs to make a rollover to an IRA, that we are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code, as applicable.

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## Item 4 – Advisory Business

Sorrento Pacific Financial, LLC ("SPF") provides financial planning and investment advisory services through individuals associated with SPF as Investment Advisor Representatives ("IARs") consistent with the individual clients' financial and tax status and risk/reward objectives. Since July 2009, SPF has been registered as an investment advisor ("RIA") with the Securities and Exchange Commission and a broker/dealer member of the Financial Industry Regulatory Authority ("FINRA"). SPF, as an investment advisory firm offers the following advisory programs: AssetMark, Contour, Financial Planning, Morningstar, Employer-Sponsored Retirement Plans, SEI and SPF Advisor Directed Non-Discretionary Advisory Account.

Sorrento Pacific Financial, LLC is a California limited liability company. SPF is owned by 100% by AWS 3, Inc. ("AWS 3").

Total assets under management as of December 31, 2020 were \$103,692,621 (non-discretionary) and \$29,662,368 (discretionary).

### Contour Program

The Contour Program offers clients access to mutual fund ETF, uniform managed accounts and separately managed accounts through Envestnet Asset Management, Inc. ("Envestnet"), a registered investment advisor. Envestnet acts in the capacity of service provider and Account Manager to the Contour Program and the discretionary Account Manager to the Contour Program excluding Managers, Contour Strategists, and Contour Direct. As a service provider, Envestnet monitors performance, provides statements, and generates research and analysis in relation to sub-advisor selection, when applicable. SPF acts as an investment adviser for Contour. For Contour Managers and Contour Strategists, Clients elect a third-party Portfolio Strategist available through Envestnet. For Contour UMA, the program offers the IAR the ability to construct a portfolio utilizing individual securities, Sub-Account Managers, Strategists and third-party model providers ("Model Providers") within a single account. The IAR is the Account Manager for this Program and Envestnet acts as overlay manager. For Contour SMA, this program makes available a broad array of investment strategies managed by third-party money managers (each, an "Account Manager"), which may include Envestnet acting as overlay manager to manage accounts using model portfolios provided by third party model providers.

In opening a Contour account, clients complete an Investment Strategy Report to provide the IAR with the client's necessary financial data including investment goals, income requirements, time horizon and risk tolerance. The IAR then assists the client in setting appropriate investment objectives and goals. The IAR will meet with the client periodically to determine whether the investment strategy should be modified or continued and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity or risk tolerance. Based on the information obtained, Envestnet will construct

and manage a portfolio for the client. Envestnet periodically monitors each client's portfolio and when deemed appropriate makes changes in both asset allocation and security selection. Client shall retain the ability to modify their investment strategy at any time.

Envestnet shall have unlimited investment discretion with respect to any changes to investments in the Program Accounts, within the parameters of the selected portfolio model. This includes discretion to adjust asset allocations and replace investments in the Program Accounts. All transactions in the Program Accounts shall be initiated by Envestnet. Subject to the limitations described in the client's responses to the Profile or other appropriate suitability analysis (including any reasonable restrictions the client may place on Program Account investments) the Account Manager shall have full authority to supervise and direct the investment of the monies contributed by client to the Program Account without prior consultation except as set forth below. SPF and its IAR's generally do not have discretionary investment authority in the Program Accounts. In the Contour Direct account, the IAR will construct and manage a portfolio for the client on a non-discretionary basis, however clients grant discretionary authority to the IAR to reallocate funds among the available subaccounts within a fee-based annuity. The IAR will periodically monitor each client's portfolio and when deemed appropriate will recommend changes in both asset allocation and security selection. The client must approve all transactions within a Contour Direct account. Alternatively, by executing an amendment to the Contour Direct account agreement, a client may elect to grant discretionary authority to the IAR.

There are several different Contour Programs available, each using a different investment vehicle as follows:

#### Contour Program Eligible Assets

1. Contour Funds - This Program consists of a broad range of mutual funds.
2. Contour ETF- This Program consists of exchange traded funds ("ETFs").
3. Contour Index Plus- This Program consists of both mutual funds and ETFs. The IAR has a choice of model portfolios that contain recommended mutual funds and ETFs for each asset class.
4. Contour UMA- Eligible assets include general securities, including mutual funds, Exchange Traded Funds ("ETFs"), stocks, and bonds.
5. Contour SMA- Eligible assets include general securities, mutual funds, Exchange Traded Funds ("ETFs"), stocks, bonds. Mutual funds, if utilized, shall be purchased on a "no load" or a "load waived" basis through the Custodian.
6. ActivePassive Portfolios- This program consists of a series of third-party index mutual funds as well as one or more actively managed funds from the PMC Fund Family, a proprietary fund family of Envestnet. The IAR has a choice of approximately 14 allocation models.

7. Contour Third Party Strategists- This program consists of mutual funds and ETFs whereby one or more third-party asset managers acting as a Model Provider (“Strategists”) construct an asset allocation and select the underlying investments.

8. Contour Direct– This is an IAR managed program consisting of various eligible securities listed as following: mutual funds, ETFs, options, structured products, UITs, equities, bonds, non-traded REITs, Business Development Companies (BDCs), Alternative ’40 Act Funds, fee based annuities, and deposit and money market options.

SPF makes available various mutual fund share classes in the Contour Program. The mutual fund share classes include load-waived A shares, institutional class shares and advisor class shares. In some cases, a mutual fund may only offer load-waived A shares. However, another similar mutual fund may be available that offers institutional class shares or advisor class shares. In general, institutional class shares and advisor class shares are not subject to 12b-1 fees. As a result of the different expenses associated with the various mutual fund share classes, the fees may be greater in load-waived A shares versus institutional class shares or advisor class shares. To off-set these potentially higher fees, for any mutual fund position in your account that pays a 12b-1 fee, it will be credited to your account. For non-Contour Direct program accounts, the Account Manager is responsible for determining which share class of a mutual fund to invest in and will follow their own share class selection practices.

#### AssetMark, Inc.

AssetMark offers consulting services for mutual funds and exchange traded funds (ETFs) as well as AssetMark’s Privately Managed Accounts. The SPF IAR obtains the necessary financial data from the client, assists the client in determining suitability of asset management and assists the client in setting the appropriate investment objective.

Mutual Funds and ETFs- AssetMark has established relationships with independent investment management firms (the Strategists), to create a variety of strategic asset allocation model portfolios (Models) comprised with mutual funds (both independent and affiliated) and ETFs. The Strategist will select and monitor the performance of the mutual funds and ETFs in their Models and will periodically adjust and rebalance the portfolios in accordance with their investment strategies.

The Strategists are selected by AssetMark to provide a wide range of investment options. Each Strategist will provide a range of Models corresponding to a specific risk-return profiles ranging from conservative to aggressive. The Models will be generally rebalanced quarterly. Any proprietary AssetMark funds will be fully identified when the client is making their model selection.

Privately Managed Accounts-Additionally, AssetMark may offer Privately Managed Accounts, in which clients will engage AssetMark to act as an overlay manager. In this situation, AssetMark will contract with institutional investment management firms (Sub-Advisors) to provide model portfolios of individual securities. As overlay manager, AssetMark has limited discretionary authority to execute transactions on behalf of clients to track the model portfolios, provide tax management transactions, or to implement

client-requested restrictions. Clients will retain discretion to choose the Models, mutual funds and ETFs for their account, and will have the opportunity to periodically rebalance their portfolio, and to change investment components within the selected Models. All transactions will be affected automatically through software administered by AssetMark.

#### Financial Planning Services

SPF, through its IARs, provides financial plans and investment advice consistent with a client's financial status, investment objectives and tax status. IARs should have a current subscription to firm approved financial planning software. IARs will obtain the necessary financial data from the client to prepare the financial plan or provide investment advice. The financial plan may include information regarding asset allocation, budgeting and cash flow analysis, business succession planning, corporate 401(k) analysis, disability insurance, education planning, estate planning, investment objectives and goal setting, investment strategies, life insurance needs, long term care, major purchase planning, portfolio analysis, retirement income/longevity planning, retirement planning, risk management, and risk tolerance assessment. Client may receive a written financial plan from the IAR. In some instances, the financial plan may result in the IAR recommending to the client specific investment products.

IARs may also provide investment advice to clients with respect to assets held within a participant-directed retirement account held on a third-party platform. The services are provided by the IAR on a non-discretionary basis and include initial fund selection and asset allocation recommendations. In addition, the IAR will meet periodically with the client to discuss whether the funds continue to meet the client's objectives and to recommend rebalancing transactions if necessary.

SPF is not licensed to engage in the practice of law or accounting and, consequently, will not offer legal or accounting advice when preparing the personal financial plan or providing financial advice. None of the fees for services under this program relate to legal or accounting services. If such services are necessary, it shall be the responsibility of the client to obtain them. Although the scope of services may include the IAR making specific investment product recommendations, the decision to implement any recommendations rests solely upon the client's approval. Clients are not required to implement their financial plan through SPF and may elect any broker/dealer.

#### Morningstar

The Morningstar Program offers client's access, through SPF IARs, to Morningstar Investment Services ("MIS") an unaffiliated investment advisor. The primary purpose of MIS' investment adviser operations is to provide discretionary investment advice on portfolios consisting of no-load and load-waived open-end mutual funds and/or exchange-traded funds ("Funds"). MIS delegates certain services to the SPF IAR such as assisting each client in completing a questionnaire and/or other applicable account opening forms for determining suitability. The questionnaire helps in determining such things as client risk tolerance, investment objectives, and financial goals and identifies any reasonable restrictions that clients wish to place on the management of their account assets. Additionally, the SPF IAR will meet periodically with clients to obtain any changes in their financial situation and acting as liaison.

Pursuant to the discretionary authority granted by the client to MIS, MIS initiates transactions in fund shares to rebalance and/or to reallocate account assets to be consistent with the client's selected portfolio and restrictions, if any, and as frequently as MIS deems necessary. The SPF IAR will not have discretion.

#### Employer-Sponsored Retirement Plan Services

SPF, through its IARs may provide investment advisory services to business owners, tax-exempt nonprofit organizations and their employees with regard to their employer-sponsored retirement plans. These retirement plans may include but are not limited to the following: SEP & SIMPLE IRA, 401(k), 403(b), 457(b), 457(f), Profit Sharing, Cash Balance, Defined Benefit and Deferred Compensation plans. Investment advisory services are generally provided in tandem with bundled or unbundled third-party retirement plan providers who are unrelated to SPF and under separate contract with the employer.

The IAR accepts their responsibility as a Fiduciary with regard to the services and actions they perform that fall within the definition of "Retirement Investment Advice" as defined by the Department of Labor.

Services provided to business owners and tax-exempt nonprofit organization may include:

- Assist with securing administrative/ record-keeping services with the retirement plan provider of their choice.
- Assist with securing the services of a third-party 3(21) or 3(38) Investment Fiduciary for the selection and ongoing monitoring of Plan investments.
- Assist with the business owner's or tax-exempt nonprofit organization's periodic review of the Plan's investments (performance and objectives). This may include assistance with interpreting and reviewing plan related reports and disclosures provided by third-party investment fiduciaries and/or retirement plan providers.
- Assist with employer-scheduled group employee plan enrollment, periodic re-enrollment (if applicable) and related activities when new employees are hired and/or become eligible to participant in the Plan.

Services provided to the business owner's or tax-exempt nonprofit organization's employees may include the following:

- Provide guidance and support regarding increasing their level of retirement readiness with the goal of achieving a successful retirement outcome by participating in their employer-sponsored retirement plan.
- Conduct periodic group educational meetings to acquaint and reinforce the ideals and prudent practices of saving for retirement.
- Act as a resource. Be available on an ongoing basis to address investment and Plan related questions and concerns.
- Provide assistance with personal risk tolerance assessments and corresponding evaluation of available investment options for the purpose establishing an appropriate asset allocation.



Please note that Plan participants will self-direct their own investment accounts. Neither SPF nor the IAR will have any discretionary trading authority and may not be involved in directing or placing any transactions on behalf of Plan participants.

Additionally, neither SPF nor the IAR, in the performance of the above noted services, will assume any responsibilities related to duties of the plan trustee, responsible plan fiduciary, plan sponsor, plan administrator or have any discretion over the operation of the plan or any responsibilities to interpret its provisions or definitions.

#### SEI

SEI is an independent and unaffiliated third-party custodian. SPF acting as the investment advisor may use the SEI Asset Management Program. Clients may invest in SEI mutual fund models, ETF models and separately managed accounts. In the SEI Management Program, SPF (i) assists clients in completing a suitability questionnaire, (ii) educates the clients about SEI asset allocation investment styles, (iii) recommends an appropriate allocation of SEI model portfolios and (iv) provides ongoing client assistance in monitoring performance. Clients retain the authority to change the portfolio selected.

#### SPF Advisor Directed Non-Discretionary Advisory Accounts-(N6Y- is no longer available for new business.)

The Advisory Account is a non-discretionary advisory program. Therefore, the Client must review and approve each trade before it is placed. The IAR assists the Client in completing an Investment Policy Guideline based on the Client's stated financial information, investment goals, time horizon and risk tolerance. With this information, the IAR creates an asset allocation plan. Once the proper allocation is determined the IAR can present the Client with a wide range of eligible investment vehicles designed to achieve their risk and allocation parameters. These investment vehicles may include no-load and load-waived mutual funds, exchange traded funds ("ETFs"), individual stocks, bonds and UITs.

Various mutual fund share classes are available for purchase in the SPF Asset Management Account. The mutual fund share classes include load-waived A shares, institutional class shares and advisor class shares. In some cases, a mutual fund may only offer load-waived A shares. However, another similar mutual fund may be available that offers institutional class shares or advisor class shares. In general, institutional class shares and advisor class shares are not subject to 12b-1 fees. As a result of the different expenses associated with the various mutual fund share classes, the fees may be higher in load-waived A shares versus institutional class shares or advisor class shares. To off-set these potentially higher fees, for any mutual fund position in your account that pays a 12b-1 fee, it will be credited to your account.

### Digital Investment Program

SPF offers an automated investment program (the “Program”) through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds and mutual funds (“Funds”) and a cash allocation. The client may instruct us to exclude up to three Funds from their portfolio. The client’s portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. (“CS&Co”). We use the Institutional Intelligent Portfolios® platform (“Platform”), offered by Schwab Performance Technologies (“SPT”), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. We are independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, “Schwab”). SPF, and not Schwab, is the client’s investment advisor and primary point of contact with respect to the Program. SPF is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client’s investment needs and goals, and managing that portfolio on an ongoing basis. We have contracted with SPT to provide us with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables us to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the “System”).

The System includes an online questionnaire that can help us determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that, if we use the online questionnaire, we will recommend a portfolio via the System in response to the client’s answers to the online questionnaire.

SPF charges clients a fee for our services as described below under Item 5 Fees and Compensation. Our fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client’s brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client’s brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution. We do not pay SPT fees for the Platform so long as we maintain \$100 million in client assets in accounts at CS&Co. that are not enrolled in the Program. If we do not meet this condition, then we pay SPT an annual licensing fee of 0.10% (10 basis points) on the value of our clients’ assets in the Program. This fee arrangement gives us an incentive to recommend or require that our clients with accounts not enrolled in the Program be maintained with CS&Co.

## Item 5 – Fees and Compensation

Advisory fees are typically calculated as a percentage of assets under management and are subject to negotiation. SPF retains a portion of the advisory fee and pays a portion to the IAR managing the account and the IAR's financial institution, if applicable.

Specific program fees are discussed below. Note that advisory fees may be higher or lower than the Program's listed fees depending on the client's unique circumstances. The fee charged by SPF is established in the client's written agreement with SPF. Depending on the Program selected, fees will be billed on a monthly or quarterly basis in advance or arrears. All fees are specified in the Program advisory agreement. For accounts where Pershing serves as the custodian and for Participant Directed Retirement Accounts held on a third-party platform, clients will be billed for fees by authorizing SPF to directly debit fees from client accounts. For client accounts held at other third-party custodians, the client authorizes the custodian to directly deduct the advisory fees from the client's account.

Advisory fees are prorated for each deposit and withdrawal made during the applicable calendar month or quarter (with the exception of de minimis contributions and withdrawals). Accounts opened or terminated during a calendar month or quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. Accounts may be terminated by providing written notice to SPF.

Certain programs require the client to pay additional account fees and transaction fees where noted below. SPF's advisory fees are separate from and in addition to any account fees and other related costs and expenses incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment advisors and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

When Pershing, LLC ("Pershing") is the custodian, SPF, as negotiated with Pershing, including for accounts introduced by SPF as broker-dealer, clients are charged fees for: outgoing transfers, wired funds, stop payments, direct registration of securities, statement and confirm fees, margin extensions, ticket charges, IRA maintenance and termination fees, as well as asset-based fees on money market positions, uninvested cash balances, margin balances and cash sweeps to bank accounts. SPF receive a portion of these fees, including where SPF marks up the fees, which can be substantial. SPF's receipt of these fees represents a conflict of interest for SPF because the fees constitute additional revenue to SPF. To mitigate this conflict of interest, the IAR does not receive a portion of these fees and SPF does not require or incent IARs to recommend advisory programs custodied with Pershing.

In addition to the investment advisory fees and transaction charges and account fees will also incur certain fees and charges imposed by third parties in connection with investments made through the program. These will include, but are not limited to, the following: Mutual fund or money market 12b-1 and/or

service fees, mutual fund, money market or ETF management fees and administrative expenses, mutual fund transaction fees, other transaction charges and service fees, IRA and qualified plan fees, and other charges required by law. SPF receives a portion of these fees, which can be substantial, and this creates a conflict of interest for SPF because the fees constitute additional revenue to SPF. To mitigate this conflict of interest, the IAR will not receive a portion of these fees and SPF rebates to your advisory account the amount of any 12b-1 fees it receives on mutual fund positions in your advisory account. Further information regarding charges and fees assessed by a mutual fund are available in the appropriate prospectus.

As noted above, mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in the fund's prospectus. Such charges and fees are exclusive of and in addition to SPF's fee, and SPF does not receive any portion of these fees. Clients may generally avoid advisory account and brokerage fees by purchasing funds directly from a fund family and not receiving investment advice from an investment advisor such as SPF.

Variable annuities also charge mortality, expense and administrative charges, fees for additional riders purchased by client on the contract, and charges for excessive transfers within a calendar year if imposed by the variable annuity sponsor.

A customized program account may cost the client more or less than purchasing program services separately. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include: the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client related services provided to the account.

The costs associated with a program account may be more than costs associated with a traditional brokerage account arrangement where the client pays a commission for each transaction but does not receive ongoing investment advice. This is particularly true for clients that intend to have a low number of transactions or follow a buy-and-hold approach. If the client intends to follow a buy-and-hold investment strategy, or does not wish to receive ongoing investment advice or management services, the client should consider opening a commission-based brokerage account rather than an advisory account.

In advisory accounts, the client is paying for ongoing investment advice from the IAR. The IAR recommending a program account to the client receives a portion of the advisory fee as a result of the client's participation in the program. In some circumstances, this compensation will be more than what the IAR would receive if the client participated in brokerage accounts available through SPF and the IAR. As a result, if compensation would be more in recommending a program account than a brokerage account, there would be a financial incentive to recommend advisory programs or services over brokerage programs or services. Notwithstanding that conflict of interest, SPF and its IARs take their responsibility to clients seriously and will recommend an advisory program or service to a client only if it is believed to be in the client's best interest.

The compensation to the IAR also varies between advisory programs and services. Therefore, there is a financial incentive to recommend one advisory program or service over other advisory programs or services. As stated above, recommendations will be made based on the best interests of the client and not based on the potential compensation to be received.

Certain advisory programs will also offer the ability to household eligible accounts for a lower fee-schedule. If a client has multiple accounts and/or immediate family members with accounts who reside at the same legal address, they may be eligible to household. Households are established through the IAR and must be requested by the client. Neither SPF nor its IAR are responsible for identifying eligible accounts. The client is responsible for determining if they have eligible accounts and ensuring those accounts remain eligible. Householding a retirement account with a non-retirement account can result in tax penalties for a client. SPF and its IARs earn higher fees if clients elect not to household eligible accounts where available. SPF addresses this conflict of interest by disclosing it to clients in this Brochure so that they may discuss the program fee and any potential fee reduction available through householding with their IAR.

In most circumstances, IARs are also registered representatives with SPF and, as such, may act in a broker-dealer capacity. In such capacity, he or she may sell securities through SPF and receive normal and customary commissions as a result of purchases and sells as well as 12b-1 fees from mutual funds held in client accounts. To the extent that the IAR recommends that a client invest in a security, which results in a commission being paid to the IAR in their capacity as a registered representative, and then recommends the security be moved to an advisory account, this represents a conflict of interest. SPF conducts ongoing reviews of IAR commission and advisory fees to ensure suitability for source of funds for new advisory deposits. The focus of the review includes the IAR's past compensation on the advisory assets.

For SPF and its IARs, there is a conflict of interest regarding rollovers. More specifically, upon reaching a distributable event, a plan participant may decide to liquidate and withdraw funds from their employer-sponsored retirement plan account and rollover the proceeds to an IRA. Given the existing relationship, it would not be uncommon for a plan participant to naturally seek the assistance of the Plan's associated financial advisor/IAR to effect the rollover. A conflict of interest exists because the compensation that SPF shares with the IAR related to the IRA, will often be higher than if the money remained in the retirement plan. As a result, SPF and its IAR will have a financial incentive to recommend that the participant take a distribution from their employer-sponsored retirement plan account and invest the proceeds in an IRA. As a result, a plan participant should also include in their rollover decision making process a thorough review of all options presented when reaching a distributable event; for example (i) Remain invested under the plan, (ii) Transfer Plan assets to a new employer-sponsored retirement plan (if applicable), (iii) Transfer plan assets to an IRA with a financial institution, or (iv) Withdraw assets directly which would be subject to federal and applicable state and local taxes and possibly be subject to the IRS penalty of 10% if the participant is under age 59 ½.

The following fiduciary acknowledgement applies only when our Financial Professional (i) provides investment advice to participants in or the fiduciaries of ERISA-covered retirement plans and to owners

of IRAs, and (ii) recommends to participants in ERISA-covered retirement plans or owners of IRAs to make a rollover to an IRA.

When we provide investment advice to you regarding your retirement plan account or IRA, we are fiduciaries within the meaning of Title I of ERISA and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. Fiduciary status for this purpose does not necessarily mean we are acting as fiduciaries for purposes of other applicable laws. This acknowledgement of fiduciary status does not confer contractual rights or obligations on you, the Firm, or the Financial Professional.

### Contour Fees

Contour clients pay an annualized fee ("Account Fee"), divided into monthly payments not to exceed 2.3% annually, based upon the type of Contour account and the total assets under management (AUM) within the Contour account. The Account Fee is composed of a Program Fee, which is shared between SPF, Envestnet, and Pershing, and an IAR Fee which is shared between SPF, the SPF IAR and the SPF IAR's financial institution, if applicable. Please refer to the Contour account descriptions and Account Fee grids below for more information. In addition, the Account Fee is detailed in the Statement of Investment Selection signed by the client at account opening. There is also a statement surcharge fee of \$0.75 cents per statement plus a \$5 confirm fee both of which do not apply if the client opts for paperless statements/confirms.

Although clients do not pay a charge for transactions in the Contour Program, SPF pays a fee to Pershing for most transactions in a client's Program account. The transaction charges vary based on the type of transaction (e.g., mutual fund, equity, options, etc.). This charge is paid by SPF and not the IAR on the account.

Any Strategists fees are separate from and in addition to the Account Fee and are assessed directly by the Strategists to a Contour account in accordance with their respective billing terms. These fees are detailed in the fee schedule and/or Form ADV, Part 2A disclosure brochure and are not determined by SPF.

The fees and charges of any Sub-Account Manager are paid to them from the Total Annual Account Fee listed in the client Statement of Investment Selection. Sub-Account Manager fees vary based on the selection of specific Sub-Account Managers and the Account assets allocated to the Sub-Account Manager. Sub-Account Manager fees range from 0.15% to 1.00% depending on the asset class, asset style managed, Program Account asset value and other factors. This variation in payments will occur between Sub-Account Managers across investment strategies as well as within an investment strategy.

If the Client's assets are allocated to the UMA or SMA Program, any change in the portfolio allocation, including a change in Sub-Account Manager, will impact the total fee paid by the Client. Any such change will affect only the compensation paid to the new Sub-Account Manager, and not any of the other parties to this Agreement. Additionally, SMA Managers, Sub-Managers or Envestnet can elect to execute trades at broker/dealers other than Custodian for some or all of their transactions or investment styles. This is frequently referred to as "trading away" or "step out trades". Clients who select such managers or

participate in the SMA or UMA are subject to any transaction charges or other charges, including commissions, mark-ups, mark-downs, or other additional trading costs that can be imposed by the executing broker/dealer. Those costs are in addition to your program fees and will be included in the net price of the security. Such costs will not be reflected as a separate charge on your trade confirmation or account statements.

For all **Contour 3<sup>rd</sup> Party Strategists, Contour Funds, Contour ETF, and Contour Index Plus** Program accounts, you will pay the following standard fees:

SPF Program Fee: Up to 0.30% of account assets

IAR Fee: Up to 1.70% of account assets

For all **Contour UMA** Program accounts, you will pay the following standard ranges:

SPF Program Fee: Up to 0.30% of account assets

IAR Fee: Up to 1.10% of account assets

Manager Fee: Up to 0.75% of account assets

For all **Contour SMA** Program accounts, you will pay the following standard ranges:

SPF Program Fee: Up to 0.28% of account assets

IAR Fee: Up to 1.10% of account assets

Manager Fee: Up to 0.75% of account assets

For all **ActivePassive Portfolios** Program accounts, you will pay the following standard ranges:

SPF Program Fee: Up to 0.05% of account assets

IAR Fee: Up to 1.75% of account assets

For all **Contour Direct** Program accounts, you will pay the following standard ranges:

SPF Program Fee: Up to 0.25% of account assets

IAR Fee: Up to 1.70% of account assets

The total fee that you will pay will be the combination of the SPF Program Fee, the IAR Fee, and the Manager Fee (if applicable).

The Account Fee is negotiable with minimums and is payable monthly in arrears based on the average daily balance of the aggregate client accounts during the preceding calendar month. For purposes of calculating Account Fees and providing performance reports, the account month begins on the day on which the account is funded. The initial Account Fee is due at the end of the calendar month following execution of the Contour Investment Advisory Agreement and may include a prorated fee for the initial quarter. Subsequent Account Fee payments are due and assessed at the end of each month based on the average daily value of the assets under management as of the close of business on the last business day of that month as valued by an independent pricing service, where available, or otherwise in good faith reflected on the client's quarterly performance report.

#### AssetMark

A quarterly fee on assets under management will be assessed by SPF to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged in advance on the aggregate account balance at the end of each calendar quarter. If the program selected includes only AssetMark or their affiliate's proprietary mutual funds, there is no Program Fee since AssetMark will receive a management fee from the underlying funds. In addition to the below fees, the account will also be charged a custodian fee the amount of which varies per custodian. The custodian fee may be a fixed amount ranging from 0-\$250. Other custodians charge a percent of assets under management ranging from 0-.28%.

For all **AssetMark** Program accounts, you will pay the following standard ranges:

Program Fee:	Up to 0.90% of account assets
IAR Fee:	Up to 1.45% of account assets
Manager Fee:	Up to 0.60% of account assets

The total fee that you will pay will be the combination of the Program Fee, the IAR Fee, and the Manager Fee (if applicable).

#### Financial Planning Fees

Fees and services for financial planning are agreed upon with the client prior to the commencement of the planning process. Fees for financial planning services depend upon the scope and complexity of the financial plan and may be a flat fee or hourly rate. Unless otherwise approved in advance by the SPF Compliance Department, the maximum hourly rate may not exceed \$250 per hour and the maximum flat fee may not exceed \$10,000 within a 12-month period. In limited circumstances, SPF may also agree to charge an asset-based fee. Fees for services are specified in the client's Financial Planning/Investment Advice Profile (Schedule A). Considerations for establishing fees may depend upon (i) the complexity and number of financial



planning reports, (ii) the complexity of the client's investment goals and circumstances, (iii) including the amount and complexity of custom documents for the IAR to review to complete the financial plan, and (iv) the total amount of assets involved in the client relationship.

Fees for financial planning services are negotiable and charged as services are rendered. Fees for financial planning service should be paid by check made payable to Sorrento Pacific Financial, L.L.C. Other arrangements for paying fees (e.g., paying in advance, deducting from an account where SPF is the broker/dealer, or through monthly or quarterly installments) may be arranged with advance approval of SPF. Financial Planning services may be terminated upon written notice without penalty. Any unearned portion of fees paid in advance will be refunded upon termination.

The financial plan or investment advice may include generic recommendations as to general types of investment products or specific securities, which may be appropriate for the Client to purchase given his financial situation and objectives. The Client is under no obligation to purchase such securities through SPF and the IAR in his/her capacity as a registered representative of SPF. However, if the Client desires to purchase securities or advisory services in order to implement the financial plan, this may result in the payment of normal and customary commissions or advisory fees to SPF and the IAR. To the extent that the IAR recommends that the Client invest in products that will result in compensation being paid to the IAR, this is a potential conflict of interest. SPF conducts periodic reviews of the IARs commissions received from financial planning clients to ensure that all fees and compensation are reasonable.

#### Participant Directed Retirement Account Fees

A quarterly fee on assets under management will be assessed by SPF to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter. The fee may be assessed to one account if multiple accounts exist.

The fees are based on a flat rate with a maximum Fee of 1.5% or on a sliding scale below:

<b>Account Balance</b>	<b>Annual Fee</b>
\$0-\$500,000	1.50%
\$500,001-\$1,000,000	1.25%
Over \$1,000,000	1.00%

## Morningstar

A quarterly fee on assets under management will be assessed by SPF to the client's account or accounts based on the Fee Schedule below. The fee will be calculated and charged on the aggregate account balance at the end of each calendar quarter. Mutual fund models are custodied at BNY and charge fees quarterly in arrears. The ETF and Stock Portfolios are custodied at Fidelity and charge quarterly fees in advance.

### Mutual Funds

For all **Morningstar** Mutual Fund Program accounts, you will pay the following standard ranges:

Program Fee: Up to 0.40% of account assets

IAR Fee: Up to 1.10% of account assets

The total fee that you will pay will be the combination of the Program Fee and the IAR Fee.

### ETF Portfolio

For all **Morningstar** ETF Portfolio Program accounts, you will pay the following standard ranges:

Program Fee: Up to 0.30% of account assets

IAR Fee: Up to 1.10% of account assets

The total fee that you will pay will be the combination of the Program Fee and the IAR Fee. \*

\*Annual Minimum MIS Advisory Fee: \$150

### Select Equity Portfolio

For all **Morningstar** Select Equity Program accounts, you will pay the following standard ranges:

Program Fee: Up to 0.55% of account assets

IAR Fee: Up to 1.10% of account assets

The total fee that you will pay will be the combination of the Program Fee and the IAR Fee. \*

\*Annual Minimum MIS Advisory Fee (Custom Series): \$1,375

\*Annual Minimum MIS Advisory Fee (Strategist Series): \$550

### Employer-Sponsored Retirement Plan Services

The IAR will be paid an advisory fee as agreed upon by the business owner or the tax-exempt nonprofit organization based upon the total assets in the retirement plan. Advisory fees may be paid directly by the employer or deducted quarterly in arrears from participant accounts on a pro-rata basis. If deducted from participant accounts, the third-party record-keeper would typically facilitate the deduction of those fees and remit those to SPF (RIA).

The IARs advisory fee is based on an annualized percentage of total plan assets with a maximum fee of 1.00% per year as indicated on the sliding scale below:

<b>Total Plan Assets</b>	<b>Max Fee/Year</b>
\$0-\$500,000	1.00%
\$500,001-\$1,000,000	0.75%
Over \$1,000,000	0.50%

### SEI – Mutual Funds, ETF and SMA

With the exception of accounts under the SEI Wealth Platform, a quarterly fee on assets under management will be assessed by SPF to the client's account or accounts based on the Fee Schedule below. Accounts under the SEI Wealth Platform will be assessed a monthly fee instead. The fee will be calculated and charged in arrears on the aggregate account balance at the end of each calendar quarter or month, as applicable. SEI does not charge a program fee on their mutual fund portfolios since they are using their own proprietary fund family within their models.

<b>Maximum Fee</b>	<b>Amount Invested</b>
1.90%	For the first \$1 Million assets under management
1.10%	For the next \$2 Million assets under management
1.00%	For the next \$2 Million assets under management

SPF Advisor Directed Non-Discretionary Advisory Account (N6Y)

<i>Eligible Assets</i>	FEES	
	Annual Fee	Max
Equities, Mutual Funds, ETFs, UITs Options, Fixed Income, Cash, Money Market	.40%	1.5%

The Program Fee will be paid every calendar quarter in advance, based on the value of Eligible Assets in the Account on the average of the last business days of the prior three month-ends, and it will be due within the first 5 business days of the calendar quarter. If billable asset values for three month-ends are not available, the most recent month-end will be used. The minimum annual Program Fee under this Agreement will be \$125.00. There will be a \$15 flat fee ticket charge for all transactions.

SPF Advisor Directed Non-Discretionary Advisory Account (QQA)

The below annual asset-based fee is prorated and payable quarterly in arrears.

<i>Eligible Assets</i>	FEES	
	Annual Fee	Max
Equities, Mutual Funds, ETFs, UITs, Options, Fixed Income, Cash, Money Market, CD's, Variable Annuities	.40%	1.5%

Accounts deemed to have excessive trading may be assessed additional trading costs. Other administrative or miscellaneous account fees may be assessed such as wired funds fees plus certain other fees required by law, SEC sales fees or fees for products and services that are not included in the Program.

SPF Margin Interest Rates

Margin Account Balance	SPF Margin Interest Rates
Less than \$24,999	1.50% above Base Lending Rate

\$25,000 to \$49,999.99	1.00% above Base Lending Rate
\$50,000 and up	0.50% above Base Lending Rate

Advisory programs offer varying pricing structures, which may or may not result in a higher fee to the client. For additional program information, please refer to Item 12 – Brokerage Practices.

#### Digital Investment Program

The annual fee for management within the account is an asset-based fee of 0.10% (the “Fee”). The Fee is prorated and billed on a calendar quarter basis, in advance, based upon the account value on the last business day of the quarter. The initial Fee will be billed immediately based on the initial account value prorated for the remainder of the quarter. The Fee will be deducted directly from the Program account.

As described in Item 4 Advisory Business, clients do not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that we select to buy and hold in the client’s brokerage account; (iii) fees received by Schwab from mutual funds in the Schwab Mutual Fund Marketplace® (including certain

Schwab Funds and Laudus Funds) in the client’s brokerage account for services Schwab provides; and (iv) remuneration Schwab receives from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

### **Item 6 – Performance-Based Fees**

SPF does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Item 7 – Types of Clients**

SPF provides portfolio management services to individuals, corporate pension and profit-sharing plans, charitable institutions, corporations, foundations, endowments, and trusts.

#### Minimum Account Size

None	Ascensus, Financial Planning, SEI Mutual Funds
\$5,000	Digital Investment Program
\$10,000	SPF Advisor Directed Non-Discretionary Advisory Account (N6Y)
\$25,000	Contour ActivePassive Portfolios, Contour Direct
\$50,000	Contour Funds, Contour ETF, Contour Index Plus, AssetMark Mutual Funds, Morningstar, AssetMark ETF's, SEI ETF
\$100,000	Contour UMA and SMA
\$200,000	SPF Advisor Directed Non-Discretionary Advisory Account (QQA)
\$250,000	SEI SMA, AssetMark GPS
Varies by Manager	Contour 3rd Party Strategist

Minimum account size for Contour Strategists vary by strategist starting as low as \$25,000. SPF, in its discretion, may decide to waive the minimum account sizes stated above. Contour Direct should not be used for day trading or other high volume or extremely speculative trading activity, including, without limitation, excessive options trading or trading in mutual funds based on market timing. If SPF, in its sole discretion, determines that the trading activity in a Contour Direct Account is excessive, SPF reserves the right to restrict trading or terminate the account.

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

#### **Analysis and Strategies**

Advisors may utilize varying techniques in formulating investment advice or managing assets for clients. The third-party managers determine the method and source of their analysis and investment strategies. Please refer below and to the ADV brochure for the third-party managers for more information.

#### Contour

IARs obtain detailed financial and other pertinent data from clients. This assists in determining the appropriate investment strategy for the account. All security analysis methods, sources of information with respect to securities, and investment strategies are determined by SPF IARs for the Contour Direct Program and Financial Planning Services.

### Contour Direct

Clients may elect to purchase and sell equity options and/or equity index options within the Contour Direct account. All Contour Direct accounts that wish to invest in options of any type must be approved for option trading in advance of any option transactions. Buying and selling options entails additional risks. These risks will be disclosed in writing to clients prior to signing an option approval form to receive approval for options. Clients should fully understand and agree to the risks associated with the type of option transactions that they will authorize in the Contour Direct account prior to signing the option approval form.

### Structured Products

Clients may also elect to purchase structured products within the Contour Direct account. Structured products are securities derived from or based on a single security, a basket of securities, an index, a commodity, a debt issuance and/or a foreign currency. Structured products have a fixed maturity, but typically contain two components – a note and a derivative (which may be an option). Structured products are issued by financial institutions, such as investment banks, and are senior, unsecured debt of the issuing institution. As such, structured products are subject to the credit worthiness of the issuer even if they are structured to offer principal protection, and any payments due at maturity are dependent on the issuer's ability to make payment. In addition to this credit risk, other risks of investing in structured products include, but are not limited to, liquidity risk, limitations on upside participation, and the tax treatment may be different from other investments in the Contour Direct account.

### Financial Planning Services

SPF, through its IARs, provides financial plans and investment advice consistent with a client's financial status, investment objectives and tax status. IAR will obtain the necessary financial data from the client to prepare the financial plan or provide investment advice.

### Employer Sponsored Retirement Plans

SPF, through its IARs will provide investment advisory services to business owners, tax-exempt nonprofit organizations and their employees. Investment advice will be tailored to meet the objectives of the "plan" as dictated by the responsible plan fiduciary or tailored to meet the investment objectives and risk tolerance of the Plan participants.

The final decision as to which mutual funds to offer in the Plan to participants is the responsibility of the Employer Plan Sponsor. Neither SPF nor the IAR have any discretionary trading authority.

### SEI

SEI provides asset allocation advice to Clients based on the financial objectives, investment objectives, risk tolerance and investment restrictions of the Client. SEI uses a proprietary asset allocation model to make its recommendation. The model uses estimates developed by SEI of the long-term rates of return, volatility and correlations of various asset classes. SEI also provides comparisons of performance to

relevant benchmarks. Client's assets are invested in pooled investment vehicles, including the SEI Funds, and collective funds and partnerships to which affiliates of SEI Investment Management Corporation provide services or are separately managed by other registered investment advisers who have contracted with SEI. SEI performs quarterly rebalancing based on standard variances.

#### SPF Asset Management Account

The SPF IAR completes a client investment suitability review and creates an asset allocation plan with the client. Once the proper allocation is determined, IARs can present the client with a wide range of investment vehicles designed to achieve their risk and allocation parameters. All trades entered per the plan are non-discretionary only. IAR will provide at a minimum annual account reviews and make recommendations to client regarding ongoing allocation and rebalancing.

#### **Investment Characteristics**

Clients need to be aware that investing in securities involves risk of loss that the client needs to be prepared to bear. Risks related to investing include, but are not limited to, the possible loss of principal. The risk of specific investments and strategies are described below.

##### *Margin Accounts*

If an account is approved for trading on margin and the client enters into a margin agreement with the account custodian, the client will be charged margin interest on any credit extended to or maintained by the client. SPF will retain a portion of any margin interest charged for accounts custodied at Pershing on behalf of SPF. This interest charge is in addition to the annual investment advisory fee charged. Moreover, the total account value including the margined securities is used to determine the annual advisory fee.

Clients should be aware that borrowing on margin involves additional risks. Margin borrowing will result in increased gain if the value of the securities increase but will result in increased losses if the value of the securities in the account goes down. The custodian, acting as the client's creditor, will have the authority to liquidate all or part of the account to repay any portion of the margin loan, even if timing would be disadvantage to the client.

##### *Option Trading*

Option trading may be highly speculative in nature. On certain days, option trading may cease which could result in financial loss. The risks of covered call writing include the potential for the market to rise sharply. Writing or selling an option contract (such as call, put, or straddle) without depositing the underlying security, the risk of loss is potentially unlimited. The risks of cash-secured put writing include when the underlying security declines significantly and the put writer is assigned, the purchase price for the shares can



be above current market price. The client must be willing and able to assume the financial risks and hazards of option trading. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put. Option Transactions are subject to the rules, regulations, customs, and usages of The Options Clearing Corporation and of the registered national securities exchange, national securities association, clearing organization, or market where such transaction was executed.

#### *Structured Products*

The risks associated with many structured products, especially those products that present risks of loss of principal due to market movements, are similar to those risks involved with options. In the case of a "principal protected" product, these products may only be insured by the issuer, and thus have the potential for loss of principal in the case of solvency problems with the issuing company. Additionally, there may be a relative lack of liquidity due to the highly customized nature of the investment.

#### *Exchange Traded Funds*

ETFs are typically registered investment companies whose shares represent an interest in a portfolio of securities that track an underlying benchmark or index. Unlike traditional mutual funds, shares of ETFs typically trade throughout the day on a securities exchange at prices established by the market. An ETF is only as good as the index it tracks. Equity-based exchange traded funds are subject to risks similar to those of stocks; fixed income-based ETFs are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Foreign investments have unique and greater risks than domestic investments.

#### *Performance*

There is no assurance that any advisory program strategy will be successful or result in a profit for the client.

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

SPF is required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SPF or the integrity of SPF's management. Over the past several years, the SEC filed actions related to the failure of registered investment advisers to make required disclosures regarding the sale of mutual fund share classes that paid a 12b-1 fee when a lower-cost share class for the same fund was available to clients. In June 2018, SPF self-reported the relevant payments to the SEC and entered into settlement terms to refund clients. Pursuant to the SEC Share Class Selection Disclosure Initiative, in March 2019 the SEC accepted SPF's settlement offer. Of note is that no IAR received any

portion of the 12b-1 fees to be disgorged to clients. SPF corrected all share class selection deficiencies as of March 2018.

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

SPF is a registered broker-dealer and a member of FINRA (CRD 127787). This is the primary business of SPF. In addition, a SPF is qualified to sell insurance products in California and various states. SPF has financial services agreements ("FSA") with other institutions that include banks whereby SPF provides advisory services to bank clients through Investment Advisory Representatives. Pursuant to the FSA, SPF shares a portion of advisory fees with the bank.

SPF entered into a services agreement for back-office support with an affiliated entity, CUSO Financial Services, LP ("CFS") which is a FINRA broker/dealer and a SEC Registered Investment Advisor. SPF and CFS share some common owners and officers.

SPF's new sole Manager is AWS 3, Inc. ("Atria"). Atria also owns Cadaret, Grant & Co. a broker/dealer, Cadaret, Grant Agency, an insurance agency, Next Financial Group, Inc. a broker/dealer and Registered Investment Advisor and Western International Securities, a broker/dealer and Registered Investment Advisor.

SPF recommends the service of a third-party manager who has agreed to share a portion of its management fee with and/or provide additional advisory services and discounts ("benefits") to SPF as opposed to other managers who have not agreed to the same. IARs do not receive any of these fees. Compensation and benefits provided to SPF from third party managers may vary. The fees for such third-party managed programs may be higher or lower than if clients directly obtained the services of the third-party manager if available, or if clients obtained the advisory services separately. Additionally, SPF currently offers IAR's enhanced benefits on advisory fees earned whereby IAR's may obtain non-cash benefits such as reimbursement of expenses to attend educational and sales conferences.

IARs may also be registered representatives with SPF. SPF conducts ongoing review of IAR commission and advisory fees to ensure suitability for source of funds for new advisory deposits. The focus of the review includes the IAR's past compensation on the advisory assets.

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

SPF places significant value on ethical conduct for all advisory business. In addition to SPF's obligation to comply with the federal securities laws, SPF has also established a standard of business conduct required of all our Supervised Personnel in the SPF Code of Ethics. The SPF Code of Ethics is designed to protect

clients by deterring misconduct and preventing fraud by reinforcing fiduciary principles that must govern the conduct of SPF and our personnel. An Adviser, as a fiduciary to its clients, is responsible for providing professional, continuous, and unbiased investment advice. Fiduciaries owe their clients a duty of honesty, good faith, and fair dealing. In order to ensure that our IARs and employees strictly adhere to the highest of conduct and integrity in conducting business on behalf of our clients, we require that each sign our Code of Ethics.

In addition, the Code of Ethics governs personal trading by each employee of SPF deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of SPF are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates. SPF collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve potential conflicts of interest.

SPF will furnish a copy of its Code of Ethics to clients upon request. Clients can contact their IAR or the SPF home office at 858-805-7900.

On occasion, IARs may recommend a security in which they or SPF own shares or have some other financial interest. When the IAR recommends a security, SPF's procedures require the IAR to determine that the investment is suitable to the client's needs and risk profile. In the event that a IAR wishes to buy or sell for himself/herself a security that has also been recommended to a client; the client's order(s) are given priority.

No agency cross transactions or principal trades will be affected in an advisory account.

## **Item 12 – Brokerage Practices**

Depending on the advisory program selected by the client, the broker/dealer responsible for execution of trades varies. There are four possible scenarios. First, SPF may require the use of a specific broker/dealer as with Contour and SPF Asset Management Account programs. Second, third-party managers may select the broker/dealer. Third, clients may have the option to elect a broker/dealer as with AssetMark. Fourth, the product sponsor will determine the custodian as with variable annuity contracts.

SPF is also a broker-dealer. Clients direct that all transactions in Contour and SPF Asset Management accounts be effected by SPF as introducing broker, using the clearing and execution facilities of Pershing. By directing brokerage to SPF, SPF may not be able to achieve most favorable execution of client transactions, and this practice may cost the client more money. The client should understand that not all advisors require their client to direct brokerage to a particular broker-dealer. This presents a conflict of interest for SPF because of the clearing relationship between SPF and Pershing and the economic benefits SPF receives from Pershing.

SPF effects all execution services in connection with the purchase and sale of securities and other investment through Pershing. SPF seeks to obtain best execution, but generally trades through Pershing in view of Pershing's execution capabilities. The concept of best execution encompasses the full range and quality of a broker's services in effecting transactions, including not only the overall cost of a client's trade, but also qualitative factors such as the broker's areas of expertise, the price at which the trade was executed relative to other trades in the security, and the broker's integrity and responsiveness. To evaluate best execution practices, the SPF Pricing and Best Execution Committee ("Committee") investigates and evaluates the costs and services available from other clearing or execution firms in an effort to secure lower trading costs and more efficient and accurate clearing services. As part of our obligation to providing our clients with exemplary service, our Committee regularly reviews SPF reports, and produces periodic best execution reports that evaluate execution quality and execution speed of SPF and its clearing firm.

In Contour and SPF Asset Management Account programs, SPF is appointed as broker-dealer with respect to handling of securities transactions for client accounts.

SPF may combine or aggregate purchase or sell orders for the same security for multiple clients when it is consistent with the duty to seek best execution and client investment advisory agreements. Managed accounts participating in a block execution receive the same execution price (average share price) for the purchase or sale in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, positions purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement unless another allocation is deemed fair and equitable. If an order is partially filled, the position will be allocated pro rata based on the allocation statement unless another allocation is deemed fair and equitable. Third party money managers with discretionary authority may aggregate purchase or sell orders for the same security for multiple clients. In such cases, the third-party money manager will provide SPF with allocation instructions. Additionally, for SPF Contour Direct and Asset Management Accounts, IARs may combine orders for mutual funds and ETFs into block trades when more than one account is participating in the trade. The third-party manager or IAR may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) if all managed accounts receive fair and equitable treatment.

Within the SPF Advisor Directed Non-Discretionary Advisory Accounts, the IAR may recommend and transact purchases and sales within the variable annuity subaccount if elected by the client. All such subaccount transactions are placed through the variable annuity sponsor or insurance company issuing the variable annuity contract.

## Digital Investment Program

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. We do not open the account for the client. If the client does not wish to place his or her assets with CS&Co., then we cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for Funds across accounts enrolled in the Program, including both accounts for our clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. Through Schwab Advisor Services, CS&Co. provides us and our clients, both those enrolled in the Program and our clients not enrolled in the Program, with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to CS&Co. retail customers. However, certain retail customers may be able to get institutional brokerage services from Schwab without going through us. CS&Co. also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. CS&Co.'s support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. The availability to us of CS&Co.'s products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. Here is a more detailed description of CS&Co.'s support services:

CS&Co.'s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. CS&Co.'s services described in this paragraph generally benefit the client and the client's account.

CS&Co. also makes available to us other products and services that benefit us but do not directly benefit the client or its account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co. also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and

- assist with back-office functions, recordkeeping, and client reporting.

CS&Co. also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events;
- technology and business consulting;
- Consulting on legal and related compliance needs;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

CS&Co. provides some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. CS&Co. also discounts or waives its fees for some of these services or pays all or a part of a third party's fees. If you did not maintain your account with Schwab, we would be required to pay for these services from our own resources. The availability of services from CS&Co. benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business to CS&Co. in trading commissions or assets in custody. With respect to the Program, as described above under Item 4 Advisory Business, we do not pay SPT fees for the Platform so long as we maintain \$100 Million in client assets in accounts at CS&Co. that are not enrolled in the Program. The fact that we receive these benefits from Schwab is an incentive for us to recommend the use of Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our recommendation of CS&Co. as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of CS&Co.'s services and not Schwab's services that benefit only us.

### **Item 13 – Review of Accounts**

For asset management accounts, each IAR is responsible for reviewing copies of periodic account statements and quarterly performance reports for his/her clients. The accounts are reviewed to ensure that the allocations and selected investments continue to fit the risk profile and investment objective of each client. Changes to asset allocations or investments are made when deemed appropriate by the IAR or the third-party investment advisor responsible for managing the account as described in the relevant program description in Items 4 and 8 above.

SPF also reviews Contour Direct Program accounts using exception reports triggered by various criteria such as number of trades, percent stock allocation, percent cash allocation, position concentration, and account performance. The reviews are conducted on a quarterly basis by Compliance Department Analysts. Analysts are not assigned a specific number of exceptions or accounts to review.

Financial planning services terminate upon delivery of the financial plan. Thus, there are no ongoing reviews conducted by SPF. However, Advisor offers clients the opportunity for reviews as desired. The client may also choose to engage SPF for subsequent services to review and update the written plan at any time due to major life events or changes in the economic environment. Upon re-engaging SPF for an updated plan, the client would enter into a new investment advisory agreement for services. All financial planning updates or reviews are conducted by an IAR.

Clients will receive, at a minimum, quarterly account statements describing positions and activity. SPF does not provide the statements. All statements are provided by the custodian of the account. SPF urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Performance reports are provided by the third-party manager. For any month there is additional activity in the account, the client will receive monthly statements detailing that month's activity. Moreover, clients will receive quarterly performance reports detailing asset allocation and returns.

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

### Solicitation Activities and Receipt of Referral Fee

SPF also acts as a solicitor for various third-party investment advisors pursuant to solicitation agreements. In connection with these arrangements, SPF and IAR will receive solicitation compensation for referring clients to the third-party investment advisors for investment advisory services. The amount of compensation is disclosed to the client in writing at the time of the referral.

### Financial Services Agreements

SPF has entered into financial services agreements (“FSA”) with certain unaffiliated financial institutions (e.g., banks) that permit SPF and its IARs to provide investment advisory services to the financial institution’s customers/members. Pursuant to the FSA, SPF shares up to 100% of advisory fees with the financial institutions for use of the financial institution’s facilities and for referrals and access to financial institution customers/members.

### Transition Assistance

For financial institution investment programs (“investment program”) and independent IARs (those not associated with a financial institution), SPF may provide financial assistance for transitioning from another firm to SPF. The types of financial assistance that your investment program or independent IAR may receive from SPF include, but may not be limited to, forgivable or unforgivable loans, enhanced payouts, and discounts or waivers on transaction, platform and account fees; technology fees; account transfer fees; licensing and insurance costs; and the cost of attending conferences and events. The enhanced payouts, discounts, and other forms of financial benefits that your investment program or independent

IAR may have the opportunity to receive from SPF provide a financial incentive for them to select SPF as broker/dealer for your accounts over other broker/dealers from which they may not receive similar financial benefits or to use certain SPF advisory programs over other programs and investment options available through SPF. Clients are urged to read and consider the contents of this Brochure carefully and to inquire about SPF' or their IAR's various sources of compensation and conflicts of interest in making a fair and reasonable assessment of the fees and charges clients will pay for the services rendered by SPF and their IAR. Further information about SPF and your IAR's source of compensation and conflicts of interest is described in this Brochure.

#### Other Compensation

As discussed below and elsewhere in this Brochure, SPF receives compensation, which can be substantial, from various parties in connection with providing services to clients. This compensation is in addition to any fees clients pay, is not passed on or credited to clients unless otherwise noted, and offsets the cost to SPF of providing services to clients. If SPF did not receive this compensation, SPF would likely need to impose higher fees or other charges to clients for services provided by SPF. When evaluating the reasonability of SPF's fees, a client should consider not just the account fees SPF charges, but also the other compensation SPF receives. Further details are available on request.

#### Revenue Sharing

SPF receives fees when we invest your account assets or recommend that you invest in certain mutual funds (including money market funds), annuities, ETFs, and structured products. These fees are called "revenue sharing." Product sponsors and third-party money managers ("Partners") pay these fees to SPF in what we call the Partners Program. Partners pay different amounts of revenue sharing fees and receive different levels of benefits for their payments. These revenue sharing fees can be substantial and, as such, creates a conflict of interest for SPF because the revenue sharing fees constitute additional revenue to SPF. SPF seeks to mitigate this conflict of interest by not sharing revenue sharing fees with our IARs. An IAR's compensation is the same regardless of whether a sale involves a Partner's product or service.

The payments made under our Partners Program are calculated based either on gross sales or assets under management, or on a flat fee arrangement, and vary by Partner. The benefits Partners receive include our IAR contact lists and business metrics, preferred placement on our website, participation in product training initiatives and marketing and sales campaigns, and the ability to participate in our conferences.

We use the revenue from our Partners to support certain marketing, training, and educational initiatives including our annual National Educational Conference. The conference provides a venue to communicate new products and services to our registered representatives and IARs, to offer training to them and their support staff, and to keep them abreast of regulatory requirements. Revenue from Partners helps to pay for top producer conference costs. Top producing SPF registered representatives and IARs receive conference benefits based on total sales, including but not limited to, sales of Partners' mutual funds, annuities, ETFs, and structured products.



We prepare and make available to our IARs a quarterly list of Partners' mutual funds and ETFs that have been screened for investment performance against other Partners' funds with similar objectives and asset classes (the "Select Fund List" or "List"). SPF and our IARs have a conflict of interest when an IAR chooses or recommends an investment from the Select Fund List for your portfolio because SPF receives revenue sharing fees from the mutual fund or ETF sponsor. Our receipt of revenue sharing fees influences our selection of mutual funds and ETFs, as our IARs are likely to recommend a fund or ETF whose sponsor pays us revenue sharing fees over a fund or ETF whose sponsor does not pay us.

SPF also receives compensation from certain Third-Party Advisors to assist in paying for ongoing marketing and sales support activities including, but not limited to, training, educational meetings, due diligence reviews, and day-to-day marketing and/or promotional activities. The compensation arrangements vary and are generally structured as a fixed dollar amount or as a stated percentage not exceeding 0.05% of sales and 0.03% on assets with the adviser. Not all Third-Party Advisors pay such compensation and participating Third-Party Advisors may change over time.

A conflict of interest exists where SPF receives such compensation because there is an incentive to recommend these Third-Party Advisors over other investment advisors in order to generate additional revenue for the firm. However, our IARs are not required to recommend any Third-Party Advisor providing additional compensation, nor do they directly share in any of this compensation.

To see SPF's Third-Party Fee Disclosure, which identifies the participants in the Partners Program, along with revenue sharing arrangements by product type, please visit [www.cusonet.com/disclosures](http://www.cusonet.com/disclosures).

#### Pershing Clearing Relationship

Pershing is the primary clearing firm for SPF's brokerage business and is also the custodian for Contour and SPF Asset Management Accounts. When Pershing is the custodian of your account, Pershing automatically moves (sweeps) any uninvested cash in your account into an interest-bearing bank deposit account that is generally insured by the Federal Deposit Insurance Corporation ("FDIC"). At account opening, clients may opt out of the sweep. After account opening, clients may change their default cash sweep option to various money market fund options that SPF makes available. Pershing retains some of the interest paid on the bank deposit account, or shareholder servicing fees paid on the money market fund and pays a portion of that to SPF. These payments to SPF are called "distribution assistance", can be substantial (up to 0.60% of the value of cash balances on money market funds), and they vary based on the bank deposit account or money market fund for which your account assets are placed or invested. SPF determines the interest rates paid to clients on most bank deposit accounts and selects, from several Pershing provided share class options, the amount or percentage of distribution payments that it will receive from Pershing on money market funds. Pershing reserves the right to reduce or discontinue its distribution assistance payments to SPF.

SPF's receipt of distribution assistance payments, and ability to determine the interest rates paid on bank deposits and shareholder servicing fees paid on money market funds, creates a conflict of interest because SPF has an incentive to use as default sweep vehicles, or only make available, money market funds and

FDIC insured bank deposit accounts that pay higher distribution assistance payments to SPF over those making lower payments and to allocate or recommend an allocation of client assets to cash for investment in the sweep vehicles. SPF mitigates this conflict through disclosure in this Brochure and by not requiring or incenting IARs to recommend accounts custodied at Pershing and by not sharing distribution assistance payments with our IARs. Further, SPF monitors client advisory accounts to ensure they are not over allocated, or concentrated, in sweep vehicles.

Pershing also pays fees to SPF, or shares fees it earns with SPF, for the following items:

- Transition assistance in the form of (a) reimbursement of IRA termination fees of up to \$165 per account for a retirement account transferred to Pershing and up to \$125 per retail account for retail accounts transferred to Pershing, (b) a payment based on the value of the assets transitioned, or (c) some combination of fee reimbursements and a payment on the value of assets transitioned.
- A growth assistance credit for seven years to support, service, and grow brokerage assets on the Pershing platform.
- A portion of certain brokerage account services and custodial fees charged to customer accounts that exceeds the amount that we are required to pay Pershing for such services, including account transfer fees, IRA custodial and termination fees, paper confirm and statement fees, inactive (custodial) account fees, retirement account maintenance fees, and margin interest; and
- A portion of shareholder servicing fees from certain mutual fund sponsors as part of their FundVest® No Transaction Fee program (FundVest) as described below.

In the FundVest program, Pershing receives asset-based shareholder servicing fees from participating fund. The asset-based revenue is based upon the total FundVest program assets held in SPF's account. Pershing shares 40% of these revenues with SPF. Our receipt of a portion of the FundVest funds' service fees creates a conflict of interest because we have an incentive to invest your assets or to recommend that you purchase or hold these mutual funds that pay fees to SPF over other funds that do not pay these fees. To mitigate this conflict, we do not share these fees with our IARs, and we do not require or incentivize our IARs to recommend FundVest funds.

Most FundVest funds have higher internal expenses than funds that are not in the FundVest program, and the share classes of funds in the program have higher internal expenses than share classes not in the program. The higher internal expenses will reduce the long-term performance of an account when compared to an account that holds lower-cost share classes of the same fund. Clients should ask whether lower-cost share classes are available and/or appropriate for their account considering their expected investment holding periods, amounts invested, and anticipated trading frequency. FundVest funds held less than six months are also subject to a short-term redemption fee of \$51.50. Further information

regarding mutual fund fees and charges is available in the applicable mutual fund prospectus. For a list of funds participating in the FundVest program, please contact us or your IAR.

#### Digital Investment Program

SPF receives an economic benefit from Schwab in the form of the support products and services it makes available to us. You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the arrangements because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### Item 15 – Custody

Pershing, LLC serves as a qualified custodian of assets for all Contour, and SPF Asset Management Account advisory accounts. While SPF does not hold client funds or securities, SPF assists in effecting client requests on behalf of Pershing, which deems SPF to have custody per the definitions of securities regulations. Such activity includes the withdrawal of advisory fees, withdrawal or transfer of funds and securities from the account and transfers of funds and securities between SPF accounts requested by clients. Requests for withdrawals and account asset transfers to third parties must be made in writing by the client. Additionally, clients are reminded to make all checks and securities payable/endorsed to Pershing, the qualified custodian of the advisory program, and not to SPF.

Clients will receive at least quarterly statements from the broker-dealer, third party advisor or other qualified custodian that holds and maintains client's investment assets. See below for specific programs. SPF urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please keep in mind that these reports do not take replace the official statements received from the custodian of your Program account assets.

#### Contour

Clients will receive statements Pershing monthly and quarterly performance reports from Envestnet. For accounts opened after January 1, 2013 clients will receive a monthly statement from Pershing and access to an online quarterly performance report produced by Envestnet.

### Employer-Sponsored Retirement Plans

The custodians vary depending on the program selected. Plan Sponsor and Plan participants can generally view account information (i.e., account balances, transactions, and performance) via the online third-party record-keeping systems made available by selected retirement services vendor(s)/provider(s).

### AssetMark

For the AssetMark program, clients may elect one the following custodians: Pershing, Asset Mark Trust and TD Ameritrade. Statements may be monthly or quarterly depending on the selected custodian. AssetMark provides a quarterly performance report.

### SEI

SEI will act as the custodian of assets. Clients will receive monthly account statements and quarterly performance reports.

### SPF Advisor Directed Non-Discretionary Advisory Accounts

Pershing will act as the custodian of all assets except variable annuity contracts. The insurance company will serve as the custodian for the variable annuity contract. Clients will receive monthly account statements from Pershing that will reflect all assets within the account and will also reflect the variable annuity contract value. However, the insurance company will provide the official statement for the variable annuity to the client. The client will also receive quarterly performance reports.

### Digital Investment Program

Under government regulations, we are deemed to have custody of a client's assets if the client authorizes us to instruct CS&Co. to deduct our advisory fees directly from the client's account. This is the case for accounts in the Program. CS&Co. maintains actual custody of clients' assets. Clients receive account statements directly from CS&Co. at least quarterly. They will be sent to the email or postal mailing address the client provides to CS&Co. Clients should carefully review those statements promptly when received. We also urge clients to compare CS&Co.'s account statements to the periodic portfolio reports clients receive from us.

## **Item 16 – Investment Discretion**

With the exception of within the SPF Asset Management Account and certain Contour Direct program accounts, SPF IARs generally do not exercise investment discretion over client assets.

Upon written authorization from the client within the investment advisory agreement for the SPF Asset Management Account, the IAR will provide discretionary management services with respect to mutual fund and ETF holdings. The discretionary authority is limited only to affecting trades within the account;

the IAR will determine the security and the amount to be bought or sold without obtaining the prior consent of the client. The IAR will not have discretionary authority with respect to other investment vehicles within the SPF Asset Management Account.

In Contour Direct accounts, which are generally non-discretionary accounts, upon written authorization from the client within an amendment to the Contour account agreement, the IAR provides advisory services on a discretionary basis for the purchase and sale of mutual funds, ETFs, closed-end funds and UITs. For other types of securities approved by SPF for investment in the account, advisory services are provided on a non-discretionary basis, however the IAR is granted limited discretionary authority to reallocate subaccounts within fee-based annuities held by the client in the Program. In some cases, the client may provide full discretionary authorization to the IAR for equities, fixed income securities and options. The client authorizes the IAR to have discretion by executing an amendment to the Contour account agreement.

In addition, third party advisors will be granted the authority to select investments for customers on a discretionary basis within certain advisory accounts described in this brochure. Discretionary authority includes the authority to determine the security and the amount to be bought or sold without obtaining the prior consent of the client. This discretionary authority is obtained by the third party as part of a written client agreement and is signed by the client.

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

Neither SPF nor the IAR will vote proxies for any advisory program. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. For Contour UMA and Contour SMA, if the Client has not notified the IAR or SPF of their desire to exercise the right to vote proxies then Envestnet will be responsible for either voting or delegating the proxy voting to a Sub-Manager.

Clients will receive proxy solicitations from their custodian and/or transfer agent. Clients should contact the person identified by the issuer in the proxy materials with any questions about a particular solicitation.

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

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about SPF's financial condition. SPF has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.