



# Contour

## Wrap Fee Program Brochure

March 31, 2023

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This Wrap Fee Program 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 us at 858-805-7900. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. SPF is a registered investment adviser. Registration as an investment adviser does not imply a certain level of skill or training.

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

## **Item 2 – Material Changes**

None. SPF created this Contour Wrap Fee Program Brochure on March 31, 2023.

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## Item 4 – Services, Fees and Compensation

### Introductory Information

Sorrento Pacific Financial, LLC ("SPF", "we", or "us") was formed in 2003 and is a California limited liability company. SPF is wholly owned by AWS 3, Inc., a Delaware corporation, which is wholly owned by Atria Wealth Solutions, Inc., a Delaware corporation, which is in turn wholly owned by Atria Wealth Solutions Holdings LLC, a Delaware limited liability company, which is privately owned.

SPF is registered as a broker-dealer and investment adviser with the Securities and Exchange Commission ("SEC") and a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and Securities Investor Protection Corporation ("SIPC"). SPF is also licensed as an insurance agency in 50 states.

Our principal business is providing a full line of services as a registered securities broker-dealer and investment adviser. In our capacity as a broker-dealer, we are involved in the sale of securities of various types including stocks, bonds, mutual funds, alternative investments, unit investment trusts ("UITs"), and variable annuities. We do not sell proprietary products.

As of December 31, 2022, SPF had regulatory assets under management of \$172,937,760. Of that amount, \$60,714,445 was managed on a non-discretionary basis and \$112,223,315 was managed on a discretionary basis.

Our investment advisory services ("Advisory Services") are made available to clients through individuals associated with SPF as investment adviser representatives ("IARs"). Many IARs are dually licensed (i.e., they are licensed both as IARs and as registered representatives and offer both investment advisory and brokerage services), which, in addition to Advisory Services, allows them to offer commission-based products. Your IAR will disclose to you whether he or she is dually registered and if there are any limitations on services offered due to registrations and qualifications.

SPF offers clients a variety of advisory programs, including the Contour wrap fee advisory platform ("Contour"). This Wrap Fee Brochure describes the Contour platform. For more information about SPF's advisory services and programs other than Contour, please contact your IAR for a copy of our Form ADV Part 2A brochure that describes our other services and programs or go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

SPF is not a custodian of any accounts. Contour accounts are custodied with an unaffiliated custodian designated by a client after consultation with an IAR. Custodial options include Pershing LLC ("Pershing") and any other custodian SPF chooses to make available (hereinafter referred to as "Custodian").

### Services

Contour is a discretionary wrap fee platform ("Platform") sponsored by SPF. SPF has entered into an agreement with Envestnet Asset Management, Inc. ("Envestnet"), a registered investment adviser, to provide administrative services for the Platform and Contour accounts. SPF has designated Custodians to execute and clear transactions, custody assets, and deliver statements and confirmations to you, as applicable. Neither Envestnet nor Custodian is affiliated with SPF.

Additionally, Envestnet provides an electronic performance reporting system which permits an IAR to create performance reports on demand in addition to preparing quarterly performance reports that will be provided to you.

Contour is comprised of four wrap fee program options:

<b>Wrap Fee Program Options</b>	<b>Program Description</b>	<b>Discretionary Authority</b>	<b>Minimum Account Size</b>	<b>Allowable Assets</b>
<b>Advisor as Portfolio Manager (“APM”)</b>	Traditional IAR directed program (generally non-discretionary unless authorization is given via separate agreement)	IAR	\$25,000	Mutual funds, ETFs, options (limited to covered calls and purchases), fee based UITs, equities, bonds, structured notes, and fee-based annuities
<b>Fund Strategist Portfolios (“FSP”)</b>	Discretionary advisory program comprised of ETF and/or Mutual Fund Models	Envestnet	As low as \$2,000 (manager dependent)	ETFs, mutual funds, and money market funds
<b>Separately Managed Accounts (“SMA”)</b>	Separately managed account program using third-party investment advisers	SMA Manager or Envestnet	\$100,000	ETFs, exchange traded notes and exchange traded vehicles, mutual funds, equities, and bonds
<b>Unified Managed Accounts (“UMA”)</b>	Unified managed account program with Model Providers, Sub-Managers and Other Investments	Envestnet as Overlay Manager and IAR for Other Investments and allocation to model providers and Sub-Managers, if applicable	\$100,000	ETFs, exchange traded notes and exchange traded vehicles, mutual funds, fee-based UITs, annuities, equities, and bonds

Your IAR will confer with you to determine your financial needs and objectives and gather your client profile and risk tolerance information to complete a Statement of Investment Selection (“SIS”). The information gathered from the risk tolerance questionnaire (“RTQ”), or an approved financial planning tool, assists in determining a recommended allocation of your assets into an asset allocation model fitting one of seven investment profiles: Capital Preservation, Conservative, Conservative Growth, Moderate, Moderate Growth, Growth, or Aggressive. Your IAR will obtain your written consent to change your investment profile risk tolerance. Your IAR will assist you in selecting one of the four program options to implement the portfolio. Your IAR will create a proposal (“Proposal”) including your investment profile questionnaire responses, selected program option(s) and applicable fees. You, your IAR, and SPF will enter into a Contour Platform Account Agreement (“Contour Agreement”) outlining your participation in the Platform.

### **Advisor as Portfolio Manager (“APM”)**

APM is a program within the Platform designed to provide investment advice through an IAR for a fee based on the value of your Platform assets. Acting under the Contour Agreement, your IAR establishes an account at a Custodian for the purpose of creating a portfolio to be managed by your IAR on either a non-discretionary or discretionary basis. Envestnet has no discretion over assets managed in the APM and is not providing investment

advice to you.

At the inception of the relationship, your IAR uses the investment profile based on your RTQ or a firm approved financial planning tool to select portfolio securities based on an asset allocation model. Your IAR will enter transaction orders consistent with your investment profile, risk tolerance and objectives. Currently, the list of approved investments for the APM includes mutual funds, exchange traded funds (“ETFs”), options (limited to covered calls and purchases), fee-based unit investment trusts (“UITs”), equities, bonds, structured products, and other securities.

If your IAR is dually licensed with SPF, your IAR’s selection of investments in APM will be limited by the FINRA registrations held by your IAR. If your IAR only holds the Series 6, Investment Company and Variable Contracts Products registration, your IAR will implement the IAR-directed model portfolio strategy using only mutual funds and/or fee-based annuities.

Your IAR generally has non-discretionary trading authority to invest, reinvest, and otherwise deal with platform assets for you in the APM Program unless you grant SPF and your IAR with full discretionary trading authorization by completing and signing a discretionary trading authorization addendum to your advisory agreement. If you elect non-discretionary trading authority, you specifically grant limited discretionary trading authority to SPF, solely with respect to any and all transactions executed in order to convert certain mutual fund holdings in Client’s Account to a lower-cost share class, whenever such share class is available.

When your account is discretionary in nature, your IAR has full judgment over the selection and amount of investments to be purchased or sold in the account, without obtaining your prior consent or approval. Once a portfolio is constructed, your IAR monitors the account and rebalances the portfolio as changes in market conditions and client circumstances warrant.

## **Fund Strategist Portfolios (“FSP”)**

FSP is designed to provide discretionary investment advice through a roster of third-party strategists, managed ETF and/or mutual fund models. The model portfolios are managed for a fee based on the value of your Platform assets. Acting under the Contour Agreement, your IAR establishes an account at a Custodian to be invested in one of the ETF or mutual fund models available in the program. Your responses to the RTQ or financial plan will assist in determining which of the models is appropriate based on your investment objectives, time horizon and risk tolerance.

Once an asset allocation model has been selected, you will grant Envestnet discretionary authority to:

- Invest the assets in the Program account in accordance with the selected ETF or mutual fund model strategies;
- Make changes to the asset allocations, as deemed appropriate; and
- Rebalance the assets when needed.

Changes in the asset allocation model, which include adding, removing, or replacing securities, are made based on a variety of factors as dictated by the strategist, including but not limited to, changes in economic, financial, market and/or political conditions.

At the inception of an account, FSP assets are invested in ETF and/or mutual fund models determined in

accordance with set target percentages of the total assets in the account. Thereafter, as markets fluctuate and values change, amounts originally allocated to an ETF and/or mutual fund model will either exceed or fall below the original target allocations. Envestnet will periodically adjust model allocations back to the original asset targets, or “rebalance” the account. However, models are not rebalanced constantly, and asset allocations will drift away from their original target percentages before Envestnet, within its authority and judgment, brings those allocations back in line with the original percentages.

The selected strategist is responsible for monitoring the models and rebalancing each model as changes in market conditions warrant. Envestnet trades and rebalances FSP accounts based solely on strategist models and directives.

The tax consequences of ETF ownership differ from those of mutual funds. Held in taxable accounts, ETFs can be more tax efficient compared to traditional mutual funds. Generally, holding an ETF in a taxable account will generate less tax liabilities than if you held a similarly structured mutual fund in the same account. If you are concerned with tax efficiency, you should discuss this with your IAR or with your tax advisor.

## **Separately Managed Accounts (“SMA”)**

SMA is a program designed to provide investment advice through other investment advisers (“SMA Managers”) for a fee based on the value of your Platform assets. SMA Managers have been selected by SPF to provide portfolio investment management services and have entered into a participation agreement with Envestnet. The selected SMA Manager has discretion to invest the assets in exchange traded products such as ETFs, exchange traded notes and exchange traded vehicles, mutual funds, equities, bonds, and other securities.

At the inception of the relationship, the IAR uses the information from your RTQ or financial plan to recommend an SMA Manager whose strategies are appropriate for you based on your objectives and profile. Acting under the Contour Agreement, the IAR establishes an account at a Custodian for the purpose of creating a portfolio to be managed by an SMA Manager on a discretionary basis. The SMA Manager manages the account according to the SMA Manager’s strategies and your reasonable restrictions, if any. The SMA Manager can, in its sole discretion, decline to accept a client for any reason.

Because of the account’s discretionary nature, the SMA Manager has full authority over the selection and amount of investments to be purchased or sold in the account, without obtaining your prior consent or approval. Once a model portfolio is constructed, the SMA Manager monitors the account and rebalances the portfolio as changes in market conditions and client circumstances warrant.

For additional information about an SMA Manager please see their Form ADV Part 2A Brochure.

## **Unified Managed Accounts (“UMA”)**

UMA is designed to provide you with access to various investment strategies, including model strategies provided by one or more model providers (“Model Providers”) and other available investments, such as ETFs, stocks, and mutual funds (“Other Investments”) via a single Unified Managed Account (“UMA”). Individual Sub-Managers who manage and place trades for the sleeves (portion of an account) allocated to the Sub- Manager are an available option for certain strategies if selected and designated in the SIS. Model Providers and Sub-Managers are selected for UMA participation in Contour by SPF and enter into a contractual relationship with Envestnet. Your IAR is granted authority to select and allocate assets among the Model Providers and Sub-Managers according to your risk tolerance. Your IAR is also granted limited discretionary authority to invest, reinvest and



otherwise deal with assets allocated to Other Investments in your UMA according to your investment objectives, risk tolerance, and time horizon determined by the RTQ or financial plan.

SPF has entered into an agreement with Envestnet to act as the overlay manager for UMA by implementing trade orders and periodically updating and rebalancing each Model Portfolio pursuant to the direction of the Model Provider and IAR. Envestnet is granted limited discretionary trading authority with respect to assets in your UMA based on the selected models; to implement model changes; and to rebalance accounts pursuant to target allocations and program trading parameters established by SPF. Envestnet will allocate assets across the investment choices available in UMA, in a manner consistent with your instructions, or in the case of Other Investments, your IAR's instructions, without regard to Envestnet's own assessment of such investment choices in circumstances where Envestnet has the authority to recommend or select them. No allocation of your assets to a particular model strategy or Other Investment should be considered an approval or endorsement by Envestnet of such model strategy or Other Investment.

When a Model Provider makes a change to a model strategy, Envestnet will implement changes to the UMA accounts at its sole discretion. Except as described below, with respect to such changes, Envestnet's sole authority with respect to individual security selection is to carry out the client's or IAR's directions through implementation of the model portfolios provided by the model providers ("Model Portfolios"). Envestnet does not make any individual security decision on a client's behalf other than such decisions necessary to implement changes to the Model Portfolios, or if applicable to reject any or all changes to a model strategy. Envestnet and SPF retain the authority to terminate or change Model Providers and to remove or replace Other Investments from the UMA. Assets from a removed or modified model strategy can be automatically reallocated for investment among the other models currently held within a UMA. Envestnet is authorized to allocate assets from an unavailable Other Investment to cash except as otherwise directed by your IAR. This replacement process will be subject to the usual and customary settlement procedures and can have tax consequences.

For additional information about an SMA Manager, Model Provider, or Sub-Manager, please refer to their Form ADV Part 2A Brochure.

Envestnet also provides optional overlay services for an additional fee related to specific client objectives that could include tax management, ESG or socially responsible screening, or other portfolio customization to be outlined on the SIS.

Envestnet's Portfolio Consulting Group, Envestnet PMCTM, is a Model Provider for the UMA. Envestnet PMC acts in the same capacity as other Model Providers and creates Model Portfolios based on its proprietary research.

SPF and your IAR are responsible for gathering client information; selecting Model Providers and Sub-Managers, Model Portfolios, and Other Investments; and determining if one or more Model Portfolio(s) or Other Investments selected are suitable for the client. Envestnet can choose not to accept a UMA client in its sole discretion.

## **IRA Rollover Considerations**

If you decide to roll assets out of a retirement plan into a Contour individual retirement account ("IRA"), SPF and your IAR have a financial incentive to recommend that you invest those assets in one of our programs, because SPF and your IAR will be paid on those assets, for example, through advisory fees. You should be aware that such fees likely will be higher than those you pay through your plan, and there can be custodial and other maintenance fees.

The following fiduciary acknowledgement applies only when our IAR (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, SPF, or your IAR.

## Fees

Contour is a wrap fee program where no transaction charges apply, and a single fee is paid for all advisory services and transactions. The fees for participation in Contour are based on an annual percentage of your Platform assets. The Total Fee is comprised of three components: (a) the Program Fee, (b) the Advisory Fee, and (c) if applicable, the Manager(s) Fee. The Manager Fee applies in the FSP, SMA and UMA programs, but no Manager Fee is included in the APM program.

The Total Fee is billed and collected monthly in arrears based on the average daily balance of the aggregate client accounts during the preceding calendar month. For purposes of calculating the Total Fee the account month begins on the day on which the account is funded. The initial Total Fee is due at the end of the calendar month following execution of the SIS and may include a prorated fee for the initial quarter. Subsequent Total 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.

### APM Fee Schedule Total Fee = Advisory Fee + Program Fee

Platform Assets	Maximum Allowable Advisory Fee*	APM Program Fee
First \$250,000	2.25%	0.20%
Next \$250,000	2.25%	0.17%
Next \$250,000	2.25%	0.15%
Next \$250,000	2.25%	0.13%
Next \$1,000,000	2.00%	0.10%
Next \$3,000,000	1.75%	0.090%
Assets above \$5,000,000	1.50%	0.070%

\*The maximum allowable advisory fee for annuity subaccount management in APM is 1%.

### FSP, SMA, UMA Fee Schedule

**Total Fee = Advisory Fee + Program Fee + Manager Fee (if applicable)**

Platform Assets	Maximum Allowable Advisory Fee	Program Fee		
		FSP	SMA	UMA
First \$250,000	2.00%	0.24%	0.26% - 0.28%	0.30%
Next \$250,000	2.00%	0.22%	0.24% - 0.26%	0.28%
Next \$250,000	2.00%	0.19%	0.19% - 0.23%	0.25%
Next \$250,000	2.00%	0.17%	0.17% - 0.21%	0.23%
Next \$1,000,000	1.75%	0.13%	0.13% - 0.16%	0.19%
Next \$3,000,000	1.50%	0.10%	0.10%	0.14%
Assets above \$5,000,000	1.25%	0.08%	0.08%	0.10%
<b>Manager Fee</b>		0.00% - 0.50%	0.00% - 0.75%	0.00% - 0.75%

Fees are automatically deducted from your account, or from another billable account as directed by you. The fees deducted, including the dates and amounts, are reflected on the statements sent by Custodian. You should review those statements and the fees deducted. Any questions on the fees deducted from your account should be directed to your IAR, or you may contact us at the number on the cover page of this Brochure.

If you have more than one Platform account, your accounts can be “householded”, aggregating your accounts for fee calculation purposes, which can help you qualify for a lower fee. A “household” is generally a group of accounts having the same address of record or same Social Security number. Individual Retirement Accounts (“IRAs”), SIMPLE IRAs and other personal retirement accounts generally can be combined for householding purposes; however, other retirement plan accounts subject to ERISA and charitable remainder trusts cannot be aggregated. Households are established through the IAR and must be requested by the client. Neither SPF nor our IARs are responsible for identifying eligible accounts. A client is responsible for determining if they have eligible accounts and ensuring those accounts remain eligible. SPF and our IARs earn higher fees if clients elect not to household eligible accounts where available. Clients should discuss the program fee and any potential fee reduction available through householding with their IAR.

The Advisory Fee compensates your IAR for assisting in the design, implementation, and ongoing monitoring of your investment plan. The Advisory Fee is negotiated between you and your IAR but will not exceed 2.25% in APM and 2.00% in FSP, SMA and UMA, except that in connection with annuity subaccount management in APM, the Advisory Fee will not exceed 1%. The Advisory Fee charged depends upon a number of factors including the amount of the assets under management, the nature and extent of other account relationships between you and your IAR, the nature and complexity of the model portfolios, and other factors that the IAR deems relevant. The Advisory Fee you negotiate will be different than the fees your IAR negotiates with other clients or the fees other IARs negotiate with other clients for similar services.

The Program Fee includes execution, clearing, custody, and SPF, Envestnet and Custodian fees. The Program Fee is assessed in each of the program options and is non-negotiable.

Manager Fees apply in the FSP, SMA and UMA. The Manager Fee in the SMA and UMA varies by the selected SMA Manager, Sub-Manager or Model Provider and ranges between 0.00% and 0.75% of your Platform Assets. In the UMA, if your account has more than one Model Provider or Sub-Manager, the effective Manager Fee will be a blend of all Model Providers' and/or Sub-Managers' fees weighted by the dollar amount invested in each Model Portfolio. SMA Managers or Model Providers who charge no, or a nominal fee are typically compensated by advisory fees from the propriety funds the SMA Managers or Model Providers include in their models. In the FSP, the Manager Fee ranges from 0% to 0.50% depending on the portfolio selected. Manager Fees are non-negotiable.

An additional charge of up to 10 basis points (0.10%) is added to your Program Fee if you elect certain tax management services, ESG or socially responsible screening, or other portfolio customization described in the SIS. This charge is paid to the investment manager or the "overlay manager" that applies the tax screening to your investments.

The above Fee Schedules are based on the amount of assets you invest in the Platform and is not dependent on the amount of trading in the account or the advice given in any particular time period. Transactions in accounts are executed for a single wrap fee, which reduces the conflict of interest associated with executing orders for accounts and earning transaction-based compensation in connection with each order. You should be aware that lower fees for comparable services could be available from other sources.

If Pershing is the selected Custodian, a \$10 mutual fund surcharge applies to purchases and redemptions of certain mutual funds that do not otherwise compensate Pershing for administration and operational accounting related to fund ownership. Neither SPF nor your IAR retain any portion of the mutual fund surcharge. A list of applicable funds is available upon request.

### **Changes to Fees**

The Advisory Fee component of the Total Fee can only be increased with your written consent. Advisory Fee changes after the first day of the billing period will be effective on the SPF billing cycle and will not be prorated. Your IAR cannot negotiate or change the Program Fee or the Manager Fee. SPF can change the Program Fee schedule at any time by giving prior written notice to you. Following the 30-day notice period, the new fee schedule will become effective unless you terminate the Contour Agreement. Your continued acceptance of services will constitute consent to changes in the Total Fee, including an increase in the amount charged, if any.

### **Other Fees and Expenses**

In addition to the wrap fee, you will pay individual retirement account ("IRA") annual maintenance fees and tax-qualified retirement plan trustee fees, certain custodial fees, and other ancillary charges within a Contour account, as applicable. You are charged for specific account services, such as account transfer fees, electronic fund and wire transfer charges, checking fees, paper statements and confirmations, and for other optional services elected by you on a per event basis. These fees are subject to the pricing schedule set by a Custodian and SPF. SPF receives a portion of certain of these fees for accounts in custody with Pershing, including where SPF marks up the fee charged by Pershing, which can be substantial. Please review Brokerage Practices of this Brochure for additional information.

Our receipt of custodial fees, including where we markup a fee, creates a conflict of interest for SPF because the fees constitute additional revenue to us, and the amount can be substantial. To mitigate this conflict, we do not share custodial fee revenues with your IAR, and we do not require or incentivize IARs to recommend advisory programs be custodied with any custodian. Brokerage and other transaction costs and certain administrative fees incurred in Contour accounts are included in the wrap fee.

Please refer to the Fee Schedule published in the disclosure section of our website for a detailed schedule of transaction fees and other brokerage costs ([cusonet.com/disclosures](http://cusonet.com/disclosures)) for a better understanding of where we receive additional compensation.

You can elect to receive communications and documents from a Custodian, including confirmations and statements, electronically by enrolling, or registering online, pursuant to Custodian's instructions for electronic delivery. Unless you authorize electronic delivery, the Custodian will deliver communications and documents to you via U.S. mail. If your account is in custody with Pershing, Pershing assesses a paper surcharge.

Interest on all cash account delinquencies (Cash Due Interest) in your account is charged directly to your account at the then current rate. Transfer agent servicing fees, if any, are passed through to you and can vary based upon the transfer agent and position.

Brokerage and other transaction costs incurred in Contour accounts are included in the wrap fee except as described below under "Additional Fees for Trades Executed at Other Broker-Dealers", and where Pershing is Custodian, mutual fund surcharges apply to certain funds designated by Pershing.

### **Additional Fees for Collective Investment Vehicles**

For accounts that contain collective investment vehicles ("Collective Investment Vehicles"), such as mutual funds, closed-end funds, UITs, ETFs, annuities, structured products, or publicly traded real estate investment trusts, each Collective Investment Vehicle bears its own internal fees and expenses, such as fund operating expenses, management fees, deferred sales charges, redemption fees, other fees and expenses or other regulatory fees, charges assessed by annuity issuers such as contract charges, contract maintenance charges, transfer charges, optional rider fees, subaccount management fees and administrative expenses, short-term trading redemption fees, and other fees imposed by law. Collective Investment Vehicle fees and expenses are disclosed in the applicable prospectus, statement of additional information, or product description. None of these fees are shared with SPF or your IAR. This compensation is in addition to the Total Fee resulting in increased costs to you.

Some mutual funds assess redemption fees to investors upon the short-term sale of its funds. Depending on the mutual fund, this can include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees. In addition, you can incur redemption fees, when a portfolio manager to an investment strategy determines that it is in your overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Collective Investment Vehicles prior to the expiration of the collective investment vehicle's minimum holding period. Depending on the length of the redemption period, the particular investment strategy and/or market conditions, a portfolio manager may be able to minimize any redemption fees when, in the portfolio manager's discretion, it is reasonable to allow you to remain invested in a Collective Investment Vehicle until expiration of the minimum holding period.

### **Compensation Related to Mutual Funds and Other Investments**

Your IAR, in his/her separate capacity as a SPF registered representative (i.e., as a broker), earns commissions from the sale of mutual funds, variable annuities, ETFs, and other securities. This results in a conflict of interest

because SPF and our IARs have an incentive to recommend investment products based on the compensation received rather than on a client's needs. You are under no obligation to purchase investment products through SPF or your IAR and you have the option to purchase the products we recommend through other financial services firms that are not affiliated with us.

After considering your overall needs and objectives along with your preferences, your IAR can recommend that you convert from a commission-based account to a fee-based advisory account. We maintain policies and procedures to ensure a conversion from a commission-based account to fee-based advisory account is in your best interest. Among other things, we employ the following policies:

- When Class A, B, or C shares of mutual funds are transferred into your Contour account, additional mutual fund purchases within the advisory account will be made at net asset value (NAV) or in adviser or institutional share classes, which do not include 12b-1 fees. Such purchases will not result in your payment of a commission in addition to the annual advisory fee.
- SPF will attempt to convert Class A, B, and C share mutual fund holdings in an advisory account to adviser or institutional class shares where available. In the event a tax-free conversion is not available or does not occur, 12b-1 fees received in fee-based accounts will be credited to your account.
- Your IAR can agree, upon your written request and for your convenience, to hold certain assets in your Contour account such as previously acquired concentrated positions in a stock or bond that you wish to hold for an unspecified period of time. Such assets are unmanaged, unmonitored, and are excluded from billing.
- Your IAR can agree, at your request, to hold certain assets in the Contour account such as previously acquired concentrated positions in a stock or bond, that you wish to liquidate over a period of time or hold to maturity. Such assets are being monitored but are excluded from billing.

Mutual funds generally offer multiple share classes available for investment based upon certain eligibility and/or purchase requirements. For instance, in addition to retail share classes (typically referred to as class A, B, and C shares), mutual funds can also offer institutional share classes or other share classes that are specifically designed for purchase by investors who meet certain specified eligibility criteria, including, for example, whether an account meets certain minimum dollar amount thresholds or is enrolled in an eligible fee-based investment advisory program. Institutional share classes usually have a lower expense ratio than other share classes. SPF and our IARs have a financial incentive to recommend or select share classes that have higher expense ratios because such share classes generally result in higher compensation. SPF seeks to minimize this conflict of interest, by providing our IARs with training and guidance on this issue, as well as by conducting periodic reviews of client holdings in mutual fund investments to ensure the appropriateness of mutual fund share class selections and whether alternative mutual fund share class selections are available that might be more appropriate given a client's particular investment objectives and any other appropriate considerations relevant to mutual fund share class selection. Regardless of such considerations, clients should not assume that they will be invested in the share class with the lowest possible expense ratio.

The appropriateness of a particular mutual fund share class selection is dependent upon a number of considerations, including: the asset-based advisory fee that is charged, whether transaction charges are applied to the purchase or sale of mutual funds, the overall cost structure of the advisory program, operational considerations associated with accessing or offering particular share classes (including the presence of selling agreements with the mutual fund sponsors and SPF's ability to access particular share classes through the

custodian), share class eligibility requirements, and the revenue sharing, distribution fees, shareholder servicing fees, or other compensation associated with offering a particular class of shares.

Further information regarding fees and charges assessed by a mutual fund is available in the mutual fund prospectus.

### **Additional Fees for Trades Executed at Other Broker-Dealers**

SMA Managers, Sub-Managers, or Envestnet can elect to execute trades at broker-dealers other than the 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 in addition to the Program Fee and the other fees described herein.

### **Fee Information Applicable to Wrap Fee Accounts**

A wrap fee program is defined as an advisory program in which a client pays a single, specified fee for portfolio management services and trade execution. We receive a portion of the investment advisory fee you pay when you participate in any of the wrap fee programs we offer. Wrap fee programs are not suitable for all investments needs and any decision to participate in a wrap fee program should be based on your financial situation, investment objectives, tolerance for risk, and investment time horizon. The benefit of a wrap fee program depends, in part, upon the size of an account, the types of securities in the account, and the expected size and number of transactions likely to be generated. Generally, wrap fee accounts are less expensive for actively traded accounts. For accounts with little or no trading activity, a wrap fee program may not be suitable because the wrap fee could be higher than fees in a traditional brokerage or non-wrap fee advisory account where you pay a fee for advisory services plus a commission or transaction charges for each transaction in the account. You should evaluate the total cost for a wrap fee account against the cost of participating in another program or account.

### **General Information Concerning Fees**

Fees vary between IARs, and clients can pay more or less than the fees charged by another IAR for similar services. The advisory fee charged can be more or less than what SPF and your IAR might earn from other programs available in the financial services industry or if the services were purchased separately or on a commission basis. To this end, clients have the option to purchase investment products that an IAR recommends through other financial services firms that are not affiliated with SPF.

## **Item 5 – Account Requirements and Types of Clients**

### **Account Requirements**

The initial minimum account size for Contour program options is listed below.

<b>Program</b>	<b>Minimum</b>
Advisor as Portfolio Manager Program	\$25,000
Fund Strategist Portfolios	As low as \$2,000

Separately Managed Accounts	\$100,000
Unified Managed Accounts	\$100,000

The initial account minimum can, however, be waived at SPF’s discretion, considering various factors. Such factors include, but are not limited to, length of client relationship or combined values of other household/family member accounts.

In the SMA, should the SMA Manager require a higher minimum, the higher minimum will apply. In the UMA, the minimum account size for each model style is determined by the Model Provider or Sub-Manager. For additional information regarding any restrictions imposed by a SMA Manager, Model Provider, or Sub-Manager, please ask your IAR for their Form ADV Part 2A Brochure.

## **Types of Clients**

SPF, through its IARs, offers investment advisory services to individuals, high net worth individuals, pension and profit-sharing plans, charitable organizations and corporations or other businesses. Our clients can have both fee-based advisory accounts and commission-based brokerage accounts. Our IARs can offer clients advisory services, brokerage services, or both, depending on an IAR’s registrations and qualifications, and on a client’s preferences and needs.

## **Item 6 – Portfolio Manager Selection and Evaluation**

SPF does not utilize the services of any third-party money manager in the APM. In the APM, your IAR acts as portfolio manager and selects specific investments to implement an asset allocation model consistent with your investor profile, risk tolerance and investment objectives. IARs acting as portfolio managers generally do not have documented performance histories against which to measure. Therefore, IARs of SPF are not subject to the same selection and review process that we use for SMA Managers, Sub-Managers, Strategists or Model Providers.

## **SMA Managers, Sub-Managers, Strategists and Model Providers**

In the SMA and UMA, Envestnet makes available to SPF investment managers with whom Envestnet has entered into agreements to act as SMA Managers or Sub-Managers with respect to the investment of clients’ Platform Assets in managed securities portfolios, mutual fund portfolios, and exchange-traded fund portfolios. For certain investment advisors, including Strategists in FSP, Envestnet has entered into a licensing agreement with the investment adviser whereby Envestnet performs administrative and/or trading duties pursuant to the direction of the investment adviser. In this scenario, the investment adviser is acting in the role of a “Model Provider.”

Envestnet has developed a program to collect and report data on investment style and philosophy, past performance, and personnel of SMA Managers, Sub-Managers, and Model Providers that are designated as “approved.” Envestnet’s process for selecting, evaluating, and monitoring approved SMA Managers, Sub-Managers and Model Providers is more fully described in Envestnet’s Form ADV Brochure. SPF leverages this process in selecting SMA Managers, Sub-Managers, and Model Providers it makes available in Contour accounts. Envestnet also makes available other managers for which Envestnet has not performed due diligence; SPF makes those managers available based on due diligence conducted by the Managed Account Product Review Committee, a sub-committee of the Atria New Product Committee. This includes review of investment style and philosophy, past performance, and personnel.



The Managed Account Product Review Committee is responsible for reviewing, selecting, and monitoring SMA Managers, Sub-Managers and Model Providers. SMA Managers, Sub-Managers and Model Providers selected for participation are also subject to an annual review to determine if there are any material changes or disclosure events that will impact the quality of the SMA Manager's, Sub-Manager's, or Model Provider's performance of the services contemplated in the Program. In addition, the Managed Account Product Review Committee conducts periodic reviews of Envestnet.

Your IAR is responsible for initial SMA Manager and/or Model Provider selection based on the information you provide at the inception of your account along with your investor profile and results of your RTQ or risk assessment from an approved financial planning tool. Your IAR is also responsible for monitoring the appropriateness of the selected SMA Manager(s), Sub-Manager(s), and/or Model Provider(s) in light of any changes in your financial condition, risk tolerance, and investment objectives reported by you from time to time.

## **Performance Calculation**

SPF has engaged Envestnet to calculate investment performance and to provide reports to clients, subject to a minimum account value. Neither SPF, nor any third party, reviews or verifies the accuracy of performance or its compliance with any presentation standards.

A custodial statement containing a description of all account activity is provided to you not less than quarterly. Your IAR reviews overall performance of each account on a periodic basis in order to ensure that transactions are suitable based on your investment objectives, meet your quality expectations and comply with any investment restrictions requested by you.

## **Performance-Based Fees and Side-by-Side Management**

Fees based on a share of capital gains or capital appreciation of assets of an advisory client are commonly referred to as "performance-based fees." SPF does not charge performance-based fees. We also do not engage in side-by-side management.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

Your IAR will incorporate your needs and investment objectives as well as time horizon and risk tolerance when developing and selecting investment strategies. Your IAR is not bound by any specific methods of analysis or investment strategies for the management of model portfolios in the APM, but rather as previously stated, your IAR will consider your unique situation and all information gathered at the account inception, your RTQ or financial plan, as well as changes to your financial picture over time.

The primary sources of information used to conduct these types of analysis are reputable financial publications, research prepared by others, ratings services, press releases, annual reports, prospectuses, and other filings with the SEC. The implementation of your IAR's strategies varies based upon the individual client. Prior to investing, you should ensure that you understand and agree with the investment strategy used by your IAR.

Each client's account is managed based on the client's financial situation, investment objectives and instructions. An IAR works with a client to obtain sufficient information to provide individualized investment advice and is reasonably available to consult with the client on an ongoing basis.

Clients are permitted to impose reasonable restrictions on the management of an account. However, there is a possibility that by imposing restrictions, you may receive an asset allocation proposal that differs from the allocation your IAR would otherwise consider appropriate. Clients who do not impose any restrictions are likely to receive asset allocation proposals that are similar to proposals presented to other clients with similar investment profiles.

### **Tax Consequences**

Tax consequences are a critical component of any investment strategy. Therefore, depending on the strategy you choose to implement, it is possible that any trading activity could result in a taxable event and lower investment returns. Certain SMA Managers in SMA and Model Providers in UMA and FSP employ tactical strategies that do not consider taxes, including the avoidance of wash sales, in the management of portfolios. Since investments could have tax or legal consequences, you should contact your tax professionals and attorneys to help answer questions about specific situations or needs.

### **Risk of Loss**

Investing in any type of security involves risk of loss that you should be prepared to bear. SPF does not guarantee the performance of an account or any specific level of performance. Market values of the securities in the account will fluctuate with market conditions. When an account is liquidated, it could be worth more or less than the amount invested.

There is no guarantee that a client's investment goals or objectives will be achieved. All securities are subject to some level of risk which could cause the value of your securities to decrease in value, and in some cases, could result in a loss of your entire investment. The following are some types of risk that could affect the value of your portfolio:

- **Market risk:** The risk that changes in the overall market will have an adverse effect on individual securities, regardless of the issuer's circumstances.
- **Business risk:** Whether because of management or adverse circumstances, some businesses will inevitably fail. This is especially true during economic recessions. For example, a company stock can become worthless in the event of a bankruptcy, which would result in a loss of principal to shareholders.
- **Interest rate risk:** If the Federal Reserve raises interest rates, the market prices of bonds can be affected. When interest rates rise, the market prices of bonds typically fall.
- **Regulatory risk:** Legislative, regulatory and/or judicial changes that impact businesses can drastically change entire industries.
- **Industry/company risk:** These risks are associated with a particular industry or a specific company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, which is a lengthy process before they can generate a profit. They carry a higher risk of fluctuations in profitability than an electric company, which generates its income from a steady stream of clients who buy electricity no matter what the economic environment is like.
- **Liquidity risk:** Certain investments lack liquidity or the ability to access their principal quickly, without incurring substantial penalties, or the inability to sell the investment until sometime in the future.

- Inflation risk: When any type of inflation is present, a dollar today will not buy as much as a dollar SPF year, because purchasing power is eroding at the rate of inflation.
- Opportunity risk: A client or an IAR can choose a conservative product to invest in, which could cause the client to miss out on market upswings which potentially could have increased the value of securities with higher risk. The opposite is also true; market downturns could cause a client to lose a significant amount of principal invested in higher risk securities, when his or her funds could have been invested in lower risk options.
- Reinvestment risk: There is a possibility you will be unable to make additional purchases of a security already in your portfolio at the same rate at which the original purchase was made.
- Currency or exchange rate risk: Foreign securities face the uncertainty that the value of either the foreign currency or the domestic currency will increase or decrease; either of which will cause the value of the client's portfolio to fluctuate.
- Exchange-Traded Funds: ETFs face market trading risks, including the potential lack of an active market for fund shares, losses from trading in the secondary markets, and disruption in the creation and redemption process of the ETF. Any of these factors can lead to liquidity risk and/or the fund's shares trading at a premium or discount to its "net asset value."
- Leveraged and inverse ETFs: ETFs that offer leverage or that are designed to perform inversely to the index or benchmark they track—or both—are growing in number and popularity. While such products may be useful in some sophisticated trading strategies, they are highly complex financial instruments that are typically designed to achieve their stated objectives on a daily basis. Due to the effects of compounding, their performance over longer periods of time can differ significantly from their stated daily objective. Therefore, inverse and leveraged ETFs that are reset daily typically are unsuitable for clients who plan to hold them for longer than one trading session, particularly in volatile markets.
- Interval Funds: Interval funds provide limited liquidity to shareholders by offering to repurchase a limited number of shares on a periodic basis, but there is no guarantee that a client will be able to sell all of their shares in any particular repurchase offer. The repurchase offer program may be suspended under certain circumstances.
- Environmental, Social, and Governance ("ESG") strategies: The implementation of ESG strategies could cause an account to perform differently compared to accounts that do not use such strategies. The criteria related to certain ESG strategies can result in an account foregoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities to comply with ESG guidelines when it might be otherwise disadvantageous to do so. In addition, an increased focus on ESG or sustainability investing in recent years may have led to increased valuations of certain issuers with higher ESG profiles. A reversal of that trend could result in losses with respect to investments in such issuers. There can be no assurance that an ESG strategy directly correlates with a client's ESG goals, and ESG data is not available with respect to all issuers, sectors or industries and is often based upon estimates, comparisons or projections that may prove to be incorrect. As a result, a client account with ESG guidelines could nonetheless be invested in issuers that are inconsistent with the client's ESG goals.
- Structured Products: A structured product is an unsecured obligation of an issuer with a return, generally

paid at maturity, that is linked to the performance of an underlying asset, such as a security, basket of securities, an index, a commodity, a debt issuance or a foreign currency. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. A structured product may contain a call feature that can result in the investment being redeemed earlier than the stated maturity date. If a structured product is called prior to maturity, the payment you receive will depend upon the stated terms of the investment. If a structured product is called, you may not be able to reinvest the proceeds in a similar investment with similar risk and return characteristics.

- Money Market Mutual Funds: While money market mutual funds seek to preserve a net asset value of \$1.00, during periods of severe market stress, a money market mutual fund could fail to preserve a net asset value of \$1.00 and/or could no longer be a viable business for the fund sponsor, which would force the sponsor to liquidate. It is possible to lose money by investing in a money market mutual fund.
- Credit risk: The risk that an issuer of a fixed income security may fail to pay interest and/or principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of the security to decline. These risks are greater for securities that are rated below investment grade (junk bonds), which may be considered speculative and are more volatile than investment grade securities.
- Options: Holding options for long-term periods could weaken and/or reduce the value of the underlying stock or create the possibility of a worthless position.
- Global risk: International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Also, some overseas markets are not as politically and economically stable as the United States and other nations.
- Cybersecurity risk: SPF relies on the use and operation of different computer hardware, software, and online systems. The following risks are inherent in such programs and are enhanced for online systems: unauthorized access to or corruption, deletion, theft, or misuse of confidential data relating to SPF and its clients; and compromises or failures of systems, networks, devices, or applications used by SPF or its vendors to support its operations.

You should understand and be willing to accept these and other types of risks before choosing to invest in securities or receive investment advisory services.

## **Voting Client Securities**

You authorize SMA Managers, Sub-Managers, or Envestnet in writing to exercise discretion in voting or otherwise acting on all matters for which a security holder vote, consent, election, or similar action is solicited by, or with respect to, issuers of securities beneficially held as part of the Platform Assets in SMA or UMA accounts. For assets held in APM or FSP accounts, neither SPF nor your IAR will exercise such authority and you expressly

retain the authority. You reserve the right to revoke proxy voting authority at any time by providing written instruction.

## **Item 7 – Client Information Provided to Portfolio Managers**

Information regarding your financial situation, investment objectives, risk tolerance, time horizon and other relevant factors as described by you, is gathered prior to opening an account and assists your IAR when recommending the most appropriate asset allocation model(s) and strategies for you. You should notify your IAR promptly when changes to your financial situation, objectives, or other personal information occur, so that your IAR can adjust his or her management of your portfolio, if necessary. You can impose any reasonable restrictions on the management of the account. Each client is contacted at least annually to determine if any changes have occurred that will affect the ongoing suitability of the portfolio selected and to determine if any new restrictions should be imposed on the account.

## **Item 8 – Client Contact with Portfolio Managers**

You are generally free to contact SPF and your IAR at any time during normal business hours via telephone, facsimile, video conference, mail, or email. In-person meetings should be scheduled in advance to ensure that your IAR is available. Contour SMA Managers, Sub-Managers, Model Providers, and third- party strategists are not generally available to discuss specific investment issues.

## **Item 9 – Additional Information**

### **Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the client's evaluation of SPF or the integrity of SPF's management.

SPF is a broker-dealer in addition to its activities as a registered investment adviser. In connection with its broker-dealer business, SPF has been the subject of certain regulatory actions, some of which SPF has determined to be immaterial. Others are summarized below:

- 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 FS' settlement offer. Note that IAR's did not receive a portion of the 12b-1 fees to be disgorged to clients. SPF corrected all share class selection deficiencies as of March 2018.

SPF, as a broker-dealer, is regulated by each of the 50 states and has been subject to orders related to the violation of certain state laws and regulations in connection with its brokerage activities. For more information about these state events and other disciplinary and legal events involving SPF and its IARs, clients should refer to Investment Adviser Public Disclosure at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or FINRA BrokerCheck® at <https://brokercheck.finra.org>.

## Other Financial Industry Activities and Affiliations

SPF is registered as a broker-dealer and as an investment adviser with the SEC. SPF is a member of FINRA and SIPC. SPF is affiliated with NFISCO, an insurance agency. SPF has financial services agreements ("FSA") with other financial institutions that include credit unions whereby SPF provides advisory services to credit union members through our IARs. Pursuant to the FSA, SPF shares a portion of advisory fees with the credit union.

SPF is an indirect wholly owned subsidiary of Atria Wealth Solutions, Inc. (Atria), a privately-owned company. SPF has the following affiliates.

Cadaret Grant & Co., Inc.	Broker Dealer, Registered Investment Adviser, and Insurance Agency
Cadaret, Grant Agency	Insurance Agency
CFS Insurance and Technology Services, LLC	Insurance Agency
CUSO Financial Services, LP	Broker Dealer & Registered Investment Adviser
NEXT Financial Group, Inc.	Broker Dealer, Registered Investment Adviser, and Insurance Agency
NEXT Financial Insurance Services Company (NFISCO)	Insurance Agency
Ovest Insurance Services LLC	Insurance Agency
SCF Investment Advisors, Inc.	Registered Investment Adviser
SCF Marketing, Inc.	Insurance Agency
SCF Securities, Inc.	Broker Dealer
Western International Securities, Inc.	Broker Dealer, Registered Investment Adviser, and Insurance Agency

## Conflicts of Interest as a Broker-Dealer and Insurance Agency

SPF is dually registered as both a broker-dealer and as a registered investment adviser and is also a licensed insurance agency. Most of our IARs are registered with us as a registered representative, which allows them to perform brokerage services for you by executing securities transactions. In their capacity as registered representatives, IARs offer securities and receive commissions as a result of such transactions. There is a conflict of interest when an IAR is able to choose between offering a client fee-based programs and services (as is typical of an advisory relationship) and/or commission-based products and services (as is typical of a brokerage relationship). There is a difference in how SPF and your IAR are compensated for advisory accounts and brokerage accounts or insurance products. While a client pays a fee to their IAR on an advisory account based on the value of account assets and not the number of transactions, in their capacities as registered representatives, an IAR can offer securities and receive a commission, markup, or markdown on each transaction. To mitigate this conflict, we review our client accounts and transactions to ensure that we have a reasonable basis to believe the recommended services and transactions are consistent with a client's stated goals, objectives, preferences, and needs.

SPF's registration as a broker-dealer is material to our advisory business because advisory accounts are custodied with Pershing, a third-party custodian, where we act in our capacity as an introducing broker-dealer. This results in additional forms of compensation to SPF which are discussed in this brochure. See Brokerage Practices – Pershing Clearing Relationship, Indirect Compensation and Revenue Sharing.

Many of our IARs are also licensed insurance agents appointed with various insurance companies. An IAR can be contracted and appointed as an independent insurance agent or as an insurance agent with SPF. Acting in the capacity of an insurance agent, IARs can sell annuities and insurance products to advisory clients and earn commissions for these transactions.

Clients are under no obligation to purchase products or services recommended by an IAR or through an IAR or

otherwise through SPF or its affiliates. Clients are free to implement recommendations through any broker-dealer or advisory firm. If you request that an IAR recommend a broker-dealer, the IAR will recommend SPF; however, you are under no obligation to effect transactions through us.

## **An IAR's Outside Business Activities**

Our IARs can engage in certain approved outside business activities other than providing brokerage and advisory services through SPF, and in certain cases, an IAR receives more compensation, benefits, and non-cash compensation through an outside business activity than through SPF. Some of our IARs are accountants, real estate agents, insurance agents, tax preparers, or lawyers, and some refer clients to other service providers and receive referral fees. As an example, an IAR could provide advisory or financial planning services through an unaffiliated investment advisory firm, sell insurance through a separate business, or provide third-party administration to retirement plans through a separate firm. If an IAR provides investment services to a retirement plan as our representative and also provides administration services to the plan through a separate firm, this typically means the IAR is compensated from the plan for the two services. In addition, an IAR can sell insurance through an insurance agency not affiliated with SPF. In those circumstances, the IAR is subject to the policies and procedures of the third-party insurance agency related to the sale of insurance products and would have different conflicts of interest than when acting on behalf of SPF. When an IAR receives compensation, benefits, and non-cash compensation through the third-party insurance agency, the IAR has an incentive to recommend you purchase insurance products away from SPF. If you contract with an IAR for services separate or away from SPF, you should discuss with them any questions you have about the compensation they receive from the engagement. Additional information about a IAR's outside business activities is available on FINRA's website at [brokercheck.finra.org](http://brokercheck.finra.org).

## **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 858-530-4400.

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 an 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.

## **Brokerage Practices**

SPF is registered as a broker-dealer with the SEC and provides various services as an introducing broker-dealer for which it is compensated by a commission or ticket charge. SPF has no brokerage soft dollar arrangements and receives no benefits or research in exchange for executions.

Contour accounts are custodied with an unaffiliated custodian designated by a client. Custodial options in Contour include, but are not limited to, Pershing. When Pershing is selected to execute transactions and custody account assets in connection with Contour, SPF acts as an introducing broker.

In the AMP and FSP, you authorize us to direct all transactions through a designated broker-dealer. You cannot request that your orders be executed through another broker-dealer. When directing execution of all transactions through a particular broker-dealer, there is no assurance that most favorable execution will be obtained, which could cost you more money. Not all advisers require clients to direct transaction executions to specified broker-dealers, as we do. This creates a conflict of interest for accounts custodied at Pershing because of the economic benefits SPF receives. We periodically review the execution quality of available broker-dealers to confirm that the quality we receive is comparable to what could be obtained through other qualified broker-dealers.

For accounts custodied at Pershing, SPF relies in part on Pershing's review of execution quality, the details of which are made available to us for our review. In addition, to assist in evaluating the quality of equity executions, we engage the services of a third-party consultant who monitors equity executions for quality and helps us identify transactions that are eligible for price improvement.

In SMA and UMA, SMA Managers, Sub-Managers, or Envestnet, as Overlay Manager, 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 in the SMA or UMA will be subject to 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. You should refer to the applicable SMA Manager's, Sub-Manager's or Envestnet's Form ADV Part 2A for additional information.

Certain Contour accounts are managed based on model portfolio strategies. One or more clients can have the same model portfolio, based on their investment objective and risk profile. We typically aggregate orders into block trades when models are rebalanced or if one or more securities are added or removed from a model. Transactions can, however, be executed independent of transactions for other clients. An IAR must reasonably believe that a block order is consistent with SPF's duty to seek best execution and will benefit each client participating in the aggregated order.

When we aggregate orders, we do so in a manner reasonably designed to ensure that no participating client obtains a more favorable execution price than another. Transactions are typically aggregated pro rata to the participating client accounts in proportion to the size of the order placed for each account. If we are unable to fully execute an aggregated order and we determine that it would be impractical to allocate a smaller number of securities among the participating accounts on a pro rata basis, we will seek to allocate the securities in a manner that does not disadvantage particular client accounts.



## Pershing Clearing Relationship

Pershing is the clearing firm for SPF's brokerage business and is also a custodial option for Contour accounts.

Pershing charges SPF for certain account services for accounts custodied with Pershing (including advisory accounts), including clearing and executing transactions, outgoing transfers, wired funds, direct registration of securities, paper statements and confirms, margin extensions, ticket charges, and IRA custodial maintenance and termination. SPF sets its own price for certain services. SPF charges clients more for certain services than it pays Pershing, which is sometimes called a "markup," and the markups vary by product and the type of service and can be substantial. SPF keeps the difference between the fees and charges our clients pay and the amount paid to Pershing to cover the costs associated with processing transactions and providing other services.

The economic arrangements between SPF and Pershing (including the fees charged by Pershing) can be renegotiated and change from time to time, including in circumstances where SPF realizes net savings or increased profits from the changed arrangements and SPF does pass on any net savings or increased profits in the form of reduced fees and charges to clients. This practice creates a conflict of interest for us since we have a financial incentive to recommend Pershing since we earn substantial compensation for the services we provide. IARs do not receive any part of these fees.

Our clearing relationship with Pershing provides us with certain economic benefits and compensation by using ourselves as the broker-dealer for our advisory programs that would not be received if we used an unaffiliated, third-party broker-dealer for our advisory programs. For example, we add a markup certain brokerage-related account charges and fees that are assessed to all client accounts at Pershing. The charges and fees that are marked up are set forth in our Account Fee Schedule on our website under Disclosures ([cusonet.com/disclosures](http://cusonet.com/disclosures)). The additional compensation we receive creates a significant conflict of interest with our clients because we have a substantial economic incentive to use Pershing as the clearing firm for trade execution and custody over other firms that do not share compensation with us. The revenue and compensation we receive from Pershing is related to both advisory and brokerage accounts custodied on the Pershing platform. Our IARs do not receive any portion of this compensation.

For assets in the Contour program, SPF pays a recurring fee to Pershing based on a percentage of the aggregate assets invested by advisory clients, excluding certain investments, such as alternative investments. When the assets in the Contour program custodied at Pershing increase, the fee we pay decreases. This creates a conflict of interest for SPF as we have an incentive to recommend advisory clients use Pershing as a custodian over other custodians and to recommend that you increase the amount you have invested in your Contour account.

Pershing pays shares with SPF the following items:

- For accounts in custody with Pershing with cash balances automatically transferred (swept) into the Dreyfus Insured Deposits P – Tiered Rate Product (DIDP) program, a portion of the fees paid by each participating bank receiving swept funds (each a "Program Bank") equal to a percentage of the average daily deposits at the Program Banks. The combined fee paid to SPF, Pershing, and a third-party administrator will not exceed 4% per year on the average daily balances held in all deposit accounts taken in the aggregate. SPF sets the amount of the fee it charges and retains, which may exceed the amount of interest paid to clients;
- For IRA accounts in custody with Pershing with cash balances automatically transferred (swept) into the Dreyfus Insured Deposits LF – Level Fee Product (DILF), a level monthly fee for each IRA that

participates in the DILF program. The amount of this fee is determined based on a fee schedule indexed to the Federal Fund Target Rate published by the Federal Reserve System as detailed in the DILF Disclosure Statement and Terms and Conditions for the Level Fee Product located at [cusonet.com/disclosures](http://cusonet.com/disclosures). The per account monthly fee will be no less than \$0.75 and no more than \$43.93. It is generally anticipated that the fee SPF charges will be offset by the total amounts paid to SPF by Program Banks. If SPF does not receive sufficient payments each month from Program Banks, SPF reserves the right to debit each IRA account for the amount of any shortfall;

- For brokerage accounts in custody with Pershing that have not been converted to either the Dreyfus Insured Deposits P - Tiered Rate Product (DIDP) or Dreyfus Insured Deposits LF – Level Fee Product (DILF) programs, a portion of the revenue Pershing receives from uninvested client cash balances in such accounts automatically swept into money market funds and FDIC insured bank deposit products of up to 0.60% of the value of cash balances. These payments vary based on the bank deposit account or money market fund a client has selected;
- 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, or (b) a payment based on the value of assets transitioned, or (c) some combination of fee reimbursements and a payment based on the value of assets transitioned;
- A growth assistance credit to support, service, and grow brokerage assets on the Pershing platform;
- A portion of certain brokerage account services and custodial fees charged to client 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/or fees;
- A portion of shareholder servicing fees from certain mutual fund sponsors as part of their FundVest Focus® no transaction fee mutual fund program (FundVest) as described below; and
- A rebate of a portion of clearing charges paid for equity and ETF transactions if the volume of transactions exceeds a certain number each month.

In the FundVest program. SPF is eligible to receive through a contractual agreement with Pershing, 100% of 12b-1 fees paid by participating mutual funds, and for participating mutual funds that do not pay 12b-1 fees, up to 40% of FundVest services fees paid by participating mutual funds to Pershing for FundVest assets over a threshold amount that are held in the aggregate in clients' brokerage and advisory accounts. Our receipt of a portion of the FundVest 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 Pershing that is shared with SPF over other mutual 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. We credit all 12b-1 fees we receive to clients' advisory accounts.

Most FundVest mutual funds have higher internal expenses than mutual 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 which will be charged to your account. 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 using the contact information provided on the cover of this Brochure. Pershing, in its sole discretion, may add or remove mutual funds from the FundVest program or may terminate the FundVest program without prior notice.

## **Margin Accounts**

Pershing offers margin accounts for our clients where you may borrow funds for the purpose of purchasing additional securities. You may also use a margin account to borrow money to pay for fees associated with your account or to withdraw funds. If you decide to open a margin account, please carefully consider that: (i) if you do not have available cash in your account and use margin, you are borrowing money to purchase securities, pay for fees associated with your account, or withdraw funds; and (ii) you are using the investments that you own in the account as collateral. Please carefully review the margin disclosure document for additional risks involved in opening a margin account.

Money borrowed in a margin account is charged an interest rate that is subject to change over time. This interest payment is in addition to other fees associated with your account.

Pershing and SPF charge interest on margin loans to clients. Under its agreement with Pershing, SPF sets the interest rate for margin loans in a range from 0.25% to 2.75% above the Pershing base lending rate depending on the amount of the margin advance. SPF receives compensation in an amount by which the interest rate exceeds the Pershing base lending rate less 1%. SPF has a conflict of interest in recommending to you a margin loan because SPF (in its capacity as a broker-dealer) receives a markup on the interest charged on the loan. Your IAR is not compensated on margin loan balances and therefore does not have a conflict of interest in recommending the use of margin. Consequently, SPF maintains policies and procedures to ensure recommendations made to you are in your best interest and in conjunction with the lack of compensation to your IAR, believe this mitigates the conflict of interest that SPF has in recommending margin loans.

## **LoanAdvance Program**

If your account is custodied with Pershing, you can participate in Pershing's LoanAdvance™ program which enables clients to collateralize certain investment accounts to obtain secured loans. In LoanAdvance, clients are charged a rate of interest that is a floating rate not more than 3 percentage points above the Fed Funds Target Rate as published in the Wall Street Journal, plus 200 basis points. We receive compensation in an amount by which the interest rate is marked up over this rate and share it with your IAR. SPF and our IARs have an incentive to recommend that Clients borrow money rather than liquidating some of their account assets so that SPF and our IARs can continue to receive advisory fees on those assets. This results in additional compensation in connection with your advisory account. Trading is permissible in the advisory account that is pledged for the loan; however, the collateral must meet Pershing's LoanAdvance maintenance requirement to support the loan.

## **Securities Lending**

You are able to enroll in Pershing's Fully Paid Securities Lending program, which enables qualified clients to lend fully paid-for securities to Pershing. Pershing earns revenue from lending these securities and a portion of that revenue is shared with you, SPF, and your IAR. SPF and your IAR share in 5% of the revenue received. The receipt of this extra compensation creates a conflict in certain advisory programs in which your IAR acts as the

portfolio manager. The conflict surrounds whether this extra compensation would cause your IAR to hold a security in your account that would have otherwise been liquidated but not for receipt of additional compensation. This conflict is mitigated by our requirement that investment decisions made by your IAR must be in your best interest, as well as the fact that if an account holds these positions, your IAR's compensation will increase nominally, but the security will also generate income for your account. Not all accounts or clients qualify for this program.

IARs who are registered representatives of SPF also receive commissions from SPF in their separate capacity as registered representatives of SPF in connection with the sale of financial products they recommend. Receiving such commissions creates a conflict of interest for the IAR and our firm. Accordingly, we monitor and supervise these activities to ensure recommendations of financial products are suitable based upon your financial needs, investment objectives, and risk tolerance.

### **Cash Sweep Options**

SPF, through our clearing firm, Pershing, offers a cash sweep program to automatically move (sweep) uninvested cash balances held in brokerage accounts into either an interest-bearing Federal Deposit Insurance Corporation ("FDIC") insured deposit account through a Dreyfus Insured Deposits Program or a money market mutual fund, depending on the account type. Generally, each account is eligible for a single sweep product chosen specifically for that account type. Retail individual brokerage accounts (including investment advisory accounts), and business advisory or brokerage accounts are swept to the Dreyfus Insured Deposits P – Tiered Rate Product ("DIDP"), individual retirement accounts (IRAs) other than SIMPLE IRAs (SEPs) are swept to the Dreyfus Insured Deposits LF – Level Fee Product ("DILF"), and all ERISA Title I accounts are swept to the Dreyfus Government Cash Management – Investor Shares ("DGVXX") money market mutual fund.

For deposit accounts in the DIDP program, Pershing receives a fee from each participating bank receiving swept funds (each a "Program Bank") equal to a percentage of the average daily deposits at the Program Banks. Pershing shares the fee with SPF and a third-party administrator. The combined fee paid to SPF, Pershing, and the administrator will not exceed 4% per year on the average daily balances held in all deposit accounts taken in the aggregate. SPF receives a substantial portion of this fee but not more than 3.30% per year.

For IRAs, SPF receives a level monthly fee for each IRA that participates in the DILF program. The amount of this fee is determined based on a fee schedule indexed to the Federal Fund Target Rate published by the Federal Reserve System. The per account monthly fee will be no less than \$0.75 and no more than \$43.93. It is generally anticipated that the fee SPF charges will be offset by the total amounts paid to us by the Program Banks. If SPF does not receive sufficient payments each month from the Program Banks, SPF reserves the right to debit your IRA account for the amount of any shortfall.

Your deposits at each Program Bank are limited to \$246,500, or \$493,000 for a joint account (98.5% of the deposit insurance limit). Once this amount is reached at a Program Bank, additional amounts are deposited in subsequent Program Banks in amounts not to exceed \$246,500 at each Program Bank. Any amounts deposited above the \$2.490 million program maximum (\$4.980 million for joint accounts) will be placed in shares of the DGVXX money market mutual fund and will not be covered by FDIC insurance.

For additional information on the DIDP and DILF program, please see the disclosure statement and terms and conditions booklets available on [cusonet.com/disclosures](http://cusonet.com/disclosures).

The DGVXX money market mutual fund is eligible for protection by the Securities Investor Protection

Corporation (“SIPC”). SIPC does not protect against the rise and fall in the value of investments.

You may elect to turn off (i.e., opt out of) the automatic sweep feature by contacting your IAR. If you opt out, any cash balances in your account will remain as free credit balances and will not earn interest or be eligible for FDIC insurance but will remain eligible for SIPC coverage if maintained for the purpose of purchasing securities.

Depending on interest rates and other market factors, the yields on the DIDP and DILF will be higher or lower than the aggregate fees received by SPF for your participation in the sweep programs. When yields are lower, this results in a negative overall return with respect to cash balances in a sweep program. Interest rates applicable to DIDP or DILF are often lower than the interest rates available if you make deposits directly with a bank or other depository institution outside of SPF’s brokerage platform or invest in a money market mutual fund or other cash equivalent.

SPF receives more revenue when cash is swept into DIDP or DILF than if your cash was invested in other products, including money market mutual funds. Therefore, SPF has an incentive to place and maintain your assets in the DIDP and DILF programs to earn more income, which creates a conflict of interest. A further conflict of interest arises as a result of the financial incentive for SPF to recommend and offer the DIDP due to SPF’s control of certain functions. SPF sets the interest rate tiers and the amount of the fee it receives for the DIDP, which generates additional compensation for SPF. The compensation SPF receives for DIDP and DILF is in addition to any remuneration SPF and your IAR receive in connection with other transactions executed within your account for which advisory fees or other charges apply. We mitigate these types of conflicts by ensuring that your IAR does not receive any compensation from these sweep payments, and by maintaining policies and procedures to ensure that any recommendations made to you are in your best interest. You should compare the terms, interest rates, required minimum amounts, and other features of the sweep program with other types of accounts and investments for cash. The sweep products have limited purpose and are not meant as a long-term investment or a cash alternative.

The DIDP and DILF programs are available only to clients of broker-dealers such as SPF that clear through Pershing. Pershing is a wholly owned indirect subsidiary of The Bank of New York Mellon Corporation and is affiliated with (a) The Bank of New York Mellon, a NY state-chartered bank, and BNY Mellon, National Association, a national banking association, both of which participate as Program Banks in DIDP and DILF, (b) Dreyfus Cash Solutions, a division of BNY Mellon Securities Corporation, which is a service provider for DIDP and DILF, and (c) Dreyfus, a division of BNY Mellon Investment Adviser, Inc. and the investment manager of the Dreyfus money market mutual fund made available to accounts not eligible for DIDP or DILF.

## **Review of Accounts**

Each IAR monitors his or her client accounts and conducts a review of accounts periodically. Factors that could result in additional reviews include, but are not limited to, significant market corrections, large deposits or withdrawals from an account, substantial changes in the value of a client’s portfolio, or a change in the client’s investment objectives or life circumstances.

In addition to the account reviews conducted by IARs, SPF’s supervisors are charged with reviewing new advisory account documents to confirm the client’s Risk Tolerance Questionnaire or other risk assessment is complete and that the type of account, investment strategy, and fee structure is suitable for you. IARs are also subject to SPF’s branch office examination program where a sampling of accounts and/or transactions are reviewed by the examiner.

On a periodic basis, clients participating in SPF's wrap fee programs are sent a performance report. The Custodian also sends account statements on a monthly or quarterly basis. Although the information we provide in the performance reports is obtained from sources believed to be reliable, we urge you to compare the holdings listed on the custodian's statement to those listed on reports SPF or your IAR provide. You should carefully review all statements and performance reports. If any discrepancies are noted, you should contact us at the number on the cover page of this Brochure.

## **Client Referrals and Other Compensation**

### **IAR Compensation**

The financial institution and/or the IAR receives compensation from SPF. This compensation includes a portion of the advisory fee, which may be more or less than what the financial institution and/or IAR would receive at another advisory firm. An IAR who earns over a threshold amount is eligible for a percentage payout increase, which is not retroactive. In addition, we offer financial incentives, in the form of cash bonuses or compensatory loans, to reward IARs for increasing their assets under management or annual revenue. Certain IARs are employed by another financial professional who pays them a salary or bonus for their services. When compensation is based on the level of production or assets, an IAR has a financial incentive to meet those production or asset levels.

SPF, and the financial institution, have an obligation to supervise IARs and may decide to terminate an IAR's association with SPF and/or the financial institution based on performance, a disciplinary event, or other factors. The amount of revenue generated by an IAR creates a conflict of interest when considering whether to terminate an IAR.

### **Other Benefits**

Financial institutions and IARs that meet internal criteria (which includes, but is not limited to, revenue generated from sales of products and services) are eligible to receive other benefits pursuant to special incentive programs. These benefits present a conflict of interest because a financial institution and the IAR have an incentive to recommend investment products and services in general and to remain with SPF to maintain these benefits. These benefits include eligibility for practice management support and enhanced service support levels that confer a variety of benefits, conferences (e.g., for education, networking, training, and personal and professional development), and other non-cash compensation. These benefits also include free or reduced cost marketing materials, reimbursement or credits of fees that financial institutions and/or IARs pay to SPF for items such as administrative services or technology, and payments that can be in the form of repayable or compensatory loans (e.g., for retention purposes or to assist an IAR grow his or her advisory practice). If we make a loan to a new or current IAR, there is also a conflict of interest because SPF's interest in collecting on the loan affects our ability to objectively supervise the IAR.

### **Recruitment Compensation and Operational Assistance**

When a financial institution or an IAR associates with SPF after working with another financial services firm, the financial institution or IAR can receive recruitment or transition compensation from SPF in connection with the transition. This transition assistance includes payments that are intended to assist a financial institution and/or an IAR with costs associated with the transition; however, we do not verify that any payments made are used for transition costs. In certain situations, involving the transfer of client accounts from a third-party platform to SPF's platform, existing financial institution is eligible to receive a flat-dollar amount of to assist with offsetting

the estimated time and expense he/she incurs to complete the account transfer process, as well as, replacing marketing and sales material with the new disclosure information. These payments can be in the form of repayable or compensatory loans, and are subject to favorable interest rate terms, as compared to other lenders. In the case of compensatory loans, the loans are generally subject to repayment if a financial institution or IAR leaves SPF before a certain period of time or if other conditions are not met and can include a requirement to maintain a certain level of revenue or assets serviced. Funds advanced by SPF to a financial institution or IAR under a compensatory loan are not taxable to the financial institution and IAR when received but represent taxable income as the principal and interest is forgiven by SPF or the financial institution IAR is paid additional compensation to cover the principal and interest on the note.

Transition assistance payments can be used for a variety of purposes such as providing working capital to assist in funding the IAR's business, offsetting account transfer fees payable to the custodian as a result of the clients transitioning to SPF's platforms, technology set-up fees, marketing, mailing and stationery costs, registration and licensing fees, moving and office space expenses, staffing support and termination fees associated with moving accounts.

The amount of recruitment compensation is often significant in relation to the overall revenue earned or compensation received by the financial institution or the IAR at his or her prior firm. Such recruitment compensation is typically based on the size of the financial institution or IAR's business established at the prior firm, for example, a percentage of the revenue earned, or assets serviced at the prior firm, or on the size of the assets that transition to SPF.

### **Pacesetters Conference**

Each year, SPF holds a conference that recognizes and offers additional training to IAR's based on the prior year's production or commissions within a specified range that places the IAR among the leaders of each firm. Depending on the level of production, top producers receive complimentary attendance (waiver of registration fees), a subsidy to cover all or a portion of their airfare plus one guest, complimentary lodging, meals and some IARs also receive a gift card for services provided by the resort. The Pacesetters Conference may provide an incentive for IARs to recommend investment products based on the compensation received, rather than on a client's needs. These financial incentives create a conflict of interest. To mitigate this conflict of interest, we routinely monitor our advisory programs and in particular we monitor activity more closely as IAR production nears Pacesetter levels. Additionally, we monitor client accounts to ensure that the recommended services and products are consistent with your stated goals and objectives and maintain policies, such as minimum account openings, to ensure the account is appropriate for the applicable advisory program or service. For more specifics on the amount of compensation that your IAR received, if any, related to the Pacesetters Conference, please contact the SPF Compliance Department at 800-686-4724 or via email at [complianceadmin@cusonet.com](mailto:complianceadmin@cusonet.com).

### **Growth Incentives**

SPF provides financial incentives to reward financial institutions and/or IARs for increasing their assets serviced or annual production by specific amounts in the form of cash bonuses or compensatory loans that are subject to repayment if a financial institution or an IAR leaves SPF before a certain period of time or if other conditions are not met and can include a requirement to maintain a certain level or production or assets serviced.

### **Conflicts of Interest**

Providing compensation to financial institutions and/or IARs for moving assets to SPF or increasing their assets

serviced or revenue creates a conflict of interest in that an IAR has a financial incentive to recommend that a client open and maintain an account with SPF for advisory or brokerage services, and to recommend switching investment products or services where a client's current investment options are not available through SPF, in order to receive the benefit or payment. SPF and our IARs attempt to mitigate these conflicts of interest by assessing and recommending that clients use SPF's services based on the benefits that such services provide to clients, rather than the compensation earned by an IAR. However, you should be aware of this conflict and take it into consideration in deciding whether to establish or maintain a relationship with SPF and your IAR.

### **Continuing Compensation**

SPF makes available a program to provide continuing compensation to an IAR's estate/heirs upon the IAR's death or retirement ("inactive IAR"). Continuing compensation includes recurring advisory fees and brokerage commissions received by SPF attributable to accounts established by the inactive IAR during his or her association with the firm. To ensure continuity, an IAR names a qualified successor IAR to provide ongoing services to his or her clients. The successor IAR shares an agreed percentage of the ongoing compensation with the inactive IAR's estate/heirs for up to five years. Program eligibility is based on minimum tenure and other qualification standards established by SPF.

### **Other Firm 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. In many cases, this compensation is in addition to any advisory fees that clients pay and is not passed on or credited to clients unless otherwise noted. When evaluating the reasonability of SPF's fees, a client should not consider just the advisory fees SPF charges, but also the other compensation SPF receives.

### **Indirect Compensation and Revenue Sharing**

SPF receives compensation and/or fees (also referred to as revenue sharing or marketing support) from certain mutual fund sponsors (including money market funds), insurance (fixed and variable product) issuers, UIT, ETF, alternative investment (e.g., real estate investment trust (REITs), business development company (BDCs), etc.), and structured product sponsors, and unaffiliated investment advisers that sponsor, manage, and/or promote the sale of certain products that are available to our clients. Product sponsors and third-party investment advisers ("Partners") pay this compensation to SPF in what we call our Partners Program.

Partners pay different amounts of revenue sharing fees and receive different levels of benefits for their payments. These payments can be substantial and, as such, create a conflict of interest for SPF because the payments constitute additional revenue to SPF and can influence the selection of investments and services SPF and/or our IARs offer or recommend to clients. We seek to mitigate this conflict of interest by not sharing revenue sharing payments with our IARs. An IAR's compensation is the same regardless of whether a sale involves a Partner's product or service. In some cases, Partners pay additional marketing payments to SPF to cover fees to attend conferences or reimburse expenses for workshops or seminars. The payments made under the Partners Program are based either on gross sales or assets under management, or on a flat fee arrangement, and vary by Partner. When Partners pay a flat fee (or marketing allowance) it is negotiated annually. This payment assists with costs related to education, training, conference attendance, reimbursement for workshops or seminars and marketing materials for our IARs. We do not share any marketing allowance with our IARs.

The benefits Partners receive include our IAR contact lists, 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 conferences and events. The conferences and events provide a venue to communicate new products and services to our IARs, to offer training to them and their support staff, and to keep them abreast of regulatory requirements. The revenue is also used to pay for annual awards for our IARs who generate the most revenue overall and to pay for our general marketing expenses. An IAR who earns total compensation over a threshold amount receives an award, in the form of a trophy, medal, or plaque, and is invited to attend SPF's top producer conference. Revenue from Partners Program helps to pay for top producer conference costs. Top producing IARs receive an award based on total revenues, including but not limited to sales of Partners' mutual funds, annuities, structured products, and ETFs.

We prepare and make available to our IARs a quarterly list of Partners' Program 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 such revenue sharing fees influences our selection of mutual funds and ETFs, as we 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.

You do not pay more to purchase funds from the List through SPF than you would pay to purchase these funds through another broker-dealer, and your IAR does not receive additional compensation for selecting a fund from the List. IARs are not required to choose or recommend investments from the Select Fund List.

SPF also receives compensation from certain unaffiliated or third-party investment advisers (including certain SMA Managers, Sub-Managers, Strategists, and Model Providers) to assist in paying for ongoing marketing and sales support activities including training, educational meetings, due diligence reviews, and day-to-day marketing and/or promotional activities. Not all third-party investment advisers pay such compensation and participating third-party investment advisers change over time.

The compensation arrangements vary and are generally structured as a fixed dollar amount or as a percentage of sales and/or assets under management with the adviser.

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

Our IARs receive additional compensation from product sponsors. However, such compensation is not tied to the sales of any products. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospects. Product sponsors sometimes also pay for or reimburse us for the costs associated with education or training events that are attended by our IARs and for SPF-sponsored conferences and events. We also receive reimbursement from product sponsors for technology-related costs associated with investment proposal tools they make available to our IARs for use with clients.

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 the Disclosures section of our website at [cusonet.com/disclosures](http://cusonet.com/disclosures).

## **Solicitation Activities**

From time to time, SPF enters into solicitation agreements with individuals or entities whereby investment advisory accounts are solicited by SPF and referred to another state-registered or SEC-registered investment adviser. In these situations, we are compensated for the referral activity.

SPF also has solicitation arrangements with persons or entities who are not our IARs. If a solicitor will receive any portion of the advisory fee paid by a client, the client will receive a written disclosure statement describing the solicitation arrangement between SPF and the solicitor, including the compensation to be received by the solicitor from SPF.

## **Financial Services Agreements**

SPF has entered into financial services agreements ("FSA") with certain unaffiliated financial institutions (e.g., credit unions) that permit SPF and its IARs to provide investment advisory services to the financial institution's customers/members. When services are offered in a financial institution, the advisory services are offered by SPF and not the financial institution. Any securities recommended as part of the investment advice are not guaranteed by the financial institution or insured by the Federal Deposit Insurance Corporation or any other federal or state deposit guarantee fund relating to financial institutions. Pursuant to the arrangement, the financial institution acts as a solicitor for SPF and SPF shares compensation with the financial institutions. The compensation varies per financial institution and the maximum payment is 100% of advisory fees for use of the financial institution's facilities, for referrals and access to financial institution customers. For more specifics on the compensation paid by SPF to the financial institutions, clients may contact the SPF Compliance Department by phone at 858-530-4400 or via email at [complianceadmin@cusonet.com](mailto:complianceadmin@cusonet.com).

## **Custody**

SPF has limited custody of our clients' funds or/or securities when clients authorize us to deduct our management fees directly from their client's account. SPF is also deemed to have custody of a client's funds and/or securities when a client has on file a standing letter of authorization ("SLOA") with the account custodian to move money from the client's account to a third-party and the SLOA authorizes us to designate, based on your instructions from time to time, the amount or timing of the transfers. SPF complies with the SEC's Custody Rule including engaging an independent public accountant to verify funds and securities of which it is deemed to have custody at least once a year. SPF has an arrangement with Custodians to provide clearance and custody of Contour accounts. The Custodian: (a) maintains custody of all account assets, (b) executes and performs clearance of purchase and sale orders in accounts, and (c) performs all custodial functions customarily performed with respect to securities brokerage accounts, including but not limited to the crediting of interest and dividends on account assets. The Custodian delivers client account statements as well as confirmation of each purchase and sale to you. You can agree in writing to receive transaction information at least quarterly via a quarterly confirmation report in lieu of trade-by-trade confirmations. The Custodian acts as the general administrator of each account, which includes collecting account fees on SPF's behalf and processing, pursuant to SPF's instructions, deposits to and withdrawals from the account. The Custodians do not assist clients in selecting SPF or any investment objective or in determining suitability. You retain ownership of all cash, securities, and other instruments in the account.

You should receive at least quarterly statements from the Custodian. We urge you to compare the holdings listed on the custodian's statement to those listed on reports SPF or your IAR provide. If you have a question about a discrepancy, you should direct it to your IAR. If the IAR is unable to adequately address your concern, you should contact SPF at the phone number on the cover page of this Brochure.

## **Financial Information**

SPF is not required to include a balance sheet in this Brochure because we do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

There is no financial condition that is reasonably likely to impair SPF's ability to meet its contractual commitments to its clients. SPF has never been the subject of a bankruptcy proceeding.