

## Item 1: Cover Page

# Part 2A of Form ADV Firm Brochure

July 10, 2025

**Sherman Portfolios, LLC**

SEC No. 801-126397

2000 John Loop  
Coeur d'Alene, ID 83814

phone: 800-634-2008  
email: adam@shermanportfolios.com  
website: shermanportfolios.com

This brochure provides information about the qualifications and business practices of Sherman Portfolios, LLC. If you have any questions about the contents of this brochure, please contact us at 800-634-2008. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

## Item 2: Material Changes

This Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

There are no material changes to this Brochure from the last annual update issued on March 24, 2025.

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## Item 4: Advisory Business

### A. Ownership/Advisory History

Sherman Portfolios, LLC ("SPL" or the "firm") is an investment advisor registered with the United States Securities and Exchange Commission ("SEC"). SPL is a limited liability company formed in 2022 under the laws of the State of Idaho. SPL is owned and controlled by Pinkerton Investments, Inc., and Pinkerton Family Heritage LP.

### B. Advisory Services Offered

SPL provides services to its Sherman Advisor Group Experience (SAGE) members, a select group of independent investment advisors and firms who provide services to individual investors and institutions. SAGE members receive consulting guidance, research and analytical tools necessary to address their clients' strategic planning, portfolio structure, manager due diligence and performance measurement requirements, and access to educational forums as resources to support the SAGE member's continuing education.

SPL provides two primary lines of fee-generating services to SAGE members:

- *STARSHIP Turnkey Asset Management Program ("STARSHIP TAMP")* – Under the STARSHIP TAMP, SPL serves as sub-adviser to the client-facing investment advisor ("Investment Advisor"). Based upon the information and the models available in the STARSHIP TAMP, the Investment Advisor develops a basic plan to allocate client assets, and selects one or more of the Sherman model portfolios. The SPL STARSHIP TAMP is a collection of model portfolios made available to investment professionals through a single platform. The goal of the SPL STARSHIP TAMP is to make investing client assets more streamlined and efficient. For example, if a client wants to invest with five different model portfolios, instead of opening five separate accounts – one direct in each model portfolio – the client can open one unified account through the STARSHIP TAMP and hold all of five model portfolios within one account.
- *Sherman Launch System (SLS) Daily Signals* – SPL provides signals on a daily basis to its SAGE members, who then typically utilize these signals to manage their own Sherman model portfolios. SPL offers four options for SLS Daily Signals per the following table:

	<b>SLS 1.0</b>	<b>SLS Portfolio Manager</b>	<b>SLS Enterprise</b>	<b>Family Offices</b>
Daily updates & real-time signals	yes	yes	yes	yes
Exit strategies included	3	6	6	6
Model portfolios included	6	50+	50+	70
Calendar Effects notifications	yes	yes	yes	yes
Weekly Mission Newsletter	yes	yes	yes	yes
Delta-v indicator charts	yes	yes	yes	yes
Asset class ranking report	yes	yes	yes	yes

User seats included	up to 3	up to 3	more than 3	more than 3
Portfolio Toolkit access	limited	full	full	full
Monthly Breakaway Stock lists	no	yes	yes	yes
Constellation Builder	no	yes	yes	yes
Global ETF ranking	no	yes	yes	yes

*Trading Disclosure:* Pursuant to SP's contract with Orion, Orion requires reconciled trade files to be submitted by 11:00 AM CST. Any model or rebalancing trade orders submitted by that time will be executed prior to close of business that same day. Any trade orders received by Orion after 11:00 AM CST will be executed by the following day's close of business, except in periods of high-volume activity or when irregular trade requests are tendered for execution Orion may take an additional 24 hours to execute and process the trades.

### C. Client-Tailored Services and Client-Imposed Restrictions

Clients may impose reasonable restrictions on the management of their accounts—for example, restricting the type or amount of security to be purchased in the portfolio.

### D. Wrap Fee Programs

SPL does not participate in wrap fee programs, where brokerage commissions and transaction costs are included in the asset-based fee charged to the client.

### E. Client Assets Under Management

As of December 31, 2024, SPL had \$581,584,938 of discretionary assets under management, and \$900,431,327 of assets under advisement.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### Model Provider Signal Fees

For clients who retain the firm to provide model portfolio consulting services, SPL's fees are negotiated and charged pursuant to the terms of the model provider agreement.

#### STARSHIP TAMP Sub-Advisor Fees

For clients who retain the firm to provide portfolio management services, SPL's fees are negotiated and charged pursuant to the terms of the sub-adviser agreement according to the following fee schedules, which represent the maximum fees for such services:

Strategy Type	Annual Fee
Active & Passive Models	0.35%
Tactical Models	0.80%

For investment management services, SPL generally imposes a minimum account size of \$5,000 for all models portfolios. The account minimum may be waived by the firm in its sole discretion.

Investment management and or consulting fees are always subject to the contractual arrangement between the client and SPL. Fees may be charged quarterly in arrears or advance depending on the sub-adviser agreement. The third-party investment adviser will compute the fees due SPL on a quarterly basis and remit such fees to SPL. The initial quarterly fee is payable on the date the account is accepted and is computed on the market value of such portfolio assets on the date of such account acceptance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter.

Sub-advisory and consulting agreements have an initial one-year term; thereafter they may be canceled by either party upon 60 days' prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be immediately due and payable.

#### SLS Subscription Fees

Sherman Launch System (SLS) Daily Signals	Monthly	Annually*
SLS 1.0	\$495	\$4,950
SLS Portfolio Manager	\$695	\$6,950
SLS Enterprise	Pricing varies	Pricing varies
Family Offices	Pricing varies	Pricing varies
Each additional user seat**	\$49	\$490

\* Annual subscriptions receive a two-month discount.

\*\* Up to 3 users are included in the pricing structure. Users 4-6 are billed at \$49 per user per month, and no annual discounts are available. For users 7 and above, the company will need to engage with SPL to pay "negotiated enterprise fee."

Service is free to IARs for the first six months after the effective date with a commitment to onboard \$2M in billable AUM, and will remain free thereafter as long as \$2M in AUM is maintained on the platform. If the \$2M threshold is not met within the initial six-month period, the standard subscription fees for those six months will become immediately due.

Subscriptions are paid via SPL's website, monthly or annually in advance depending on the subscription term selected. Subscriptions automatically renew each month for monthly subscriptions, and each year for annual subscriptions. SPL sends the client an email notification a week before each auto renewal.

Subscriptions may be canceled at any time, with termination effective the day before the monthly or annual renewal. Cancellations can be submitted on the adviser's dashboard or via email or telephone call to SPL. There is no prorated refund. See "Client Payment of Fees" below for information on SPL's 30-day money back guarantee, which applies only to the monthly subscription.

## **B. Client Payment of Fees**

### **Sub-Advisory Fees**

SPL may be paid either directly by the third-party investment adviser pursuant to the terms of the written agreement between SPL and the third-party investment adviser, or by directly debiting the client's custodian account as described below.

Depending on the terms of the contractual arrangement, SPL may be paid in advance for its investment advisory services. Sub-advisory and consulting agreements have an initial one-year term; thereafter they may be canceled by either party upon 60 days' prior written notice. Upon termination of any account, any unearned, prepaid fees will be promptly refunded, and any earned, unpaid fees will be immediately due and payable.

To the extent that the third-party investment adviser directs SPL to directly debit fees from their client's custodian account, SPL will do so provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying SPL or their custodian in writing. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **SLS Subscription Fees**

Subscriptions are paid via SPL's website, monthly or annually in advance depending on the subscription term selected. Subscriptions automatically renew each month for monthly

subscriptions, and each year for annual subscriptions. SPL sends the client an email notification a week before each auto renewal.

SPL offers a 30-day money-back guarantee for Sherman Launch System (SLS) subscribers enrolled in the monthly payment plan. To qualify for a refund under the guarantee, the subscriber must have completed their implementation meeting with SPL's Vice President of Advisor Success within the first 30 days of their subscription. Cancellation requests must be submitted in writing, via email to the designated SPL support email address or through the official cancellation portal (if applicable), within the first 30 calendar days of the subscription start date. Refunds will be processed within 14 business days of approval, and funds will be returned to the original payment method. SPL reserves the right to amend or terminate the 30-day money-back guarantee at any time without prior notice, except for existing subscribers currently within their 30-day eligibility period. Please note, annual subscribers are not eligible for this guarantee.

### **C. Additional Client Fees Charged**

The fees charged by SPL do not include fees charged by the client's third-party investment adviser, exchange-traded funds, or any broker-dealer or custodian selected by the client. In the case of an exchange-traded fund, fees and charges are disclosed in the respective fund's prospectus. Clients are advised to read these materials carefully before investing.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

### **D. External Compensation for the Sale of Securities to Clients**

SPL's advisory professionals are compensated primarily through a salary and bonus structure. SPL's advisory professionals may receive commission-based compensation for the sale of insurance products. Please see Item 10.C. for conflicts of interest.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

SPL does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## Item 7: Types of Clients

SPL is an independent investment management firm providing consulting and asset management services as a sub-adviser to various third-party investment advisers, which then offer such model portfolios to their clients.

For investment management services, SPL generally imposes a minimum account size of \$5,000 for all model portfolios. The account minimum may be waived by the firm in its sole discretion.

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

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

SPL's methods of analysis generally relies on technical analysis but may include fundamental analysis, quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. In addition, SPL will screen potential investments for social impact and alignment with Christian values. In doing so, SPL Investments follows the principals of Kingdom Mindset Investing. SPL may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

For information on a specific fund's risks, strategies, fees, and other pertinent information, please obtain and review a copy of the applicable fund prospectus.

#### **Kingdom Mindset Investing**

Kingdom Mindset Investing ("KMI") is a screening process utilized by Kingdom Mindset Investing LLC ("KMI LLC") that applies Christian values regarding moral and social principles to assist investment advisers in identifying companies that do not align with Christian moral and social principals as applied by KMI LLC. Our firm applies the KMI LLC approved screening to its selection of and investment in public securities (stocks, ETFs, funds). For purposes of our private fund investments, the KMI screening method is not typically used, such as in the case of fixed income investments, real estate funds, etc.

Our screening process involves data we receive from the Biblically Responsible Investing Institute, which does the initial screening of ETFs and stocks and sends us a report every month of flagged tickers under their criteria.

We then review the documentation for each ETF or stock flagged (prospectus, 10-k, etc.) and examine recent news to see if the primary mission of the company involves any of the following criteria: gambling, abortion manufacturing, or pornography. For example, Draft Kings is absolutely screened out because the primary focus of that company is gambling. A drug/medical device company like Pfizer would not be screened out because even though it may provide medical supplies used in abortions, it is not the primary mission of Pfizer.

Stocks and ETFs that are flagged are added to a screening master list and will be removed from inclusion in models.

#### **Material Risks of Investment Instruments – Exchange-Traded Funds**

SPL utilizes exchange-traded funds in its model portfolios. A description of the criteria to be used in formulating an investment recommendation for exchange-traded funds is set forth below.

SPL has or may form relationships with third party vendors that

- provide a technological platform for separate account management
- prepare performance reports

- perform due diligence monitoring of mutual funds and exchange-traded funds
- perform billing and certain other administrative tasks

SPL may invest in ETFs (which may, in turn, invest in equities, bonds and other financial vehicles). ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, streetTRACKS®, DIAMONDS™, NASDAQ 100 Index Tracking Stock™ ("QQQs™"), iShares® and VIPERs®. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

## **B. Investment Strategy and Method of Analysis Material Risks**

### **SPL Model Portfolio Strategies**

SPL offers a variety of active and passive model strategies. The models are created by the application of algorithms that are back-tested. Such algorithms are applied with the benefit of hindsight and are not influenced by emotional or subjective reactions to extraneous market, economic, political, or related factors. The risk of back-tested hypothetical performance is that an algorithm can be revised or adjusted to obtain favorable performance results during the relevant historical time periods. There is no assurance that back-tested results could, or would, have simulated actual client performance during the relevant time periods. The strategy underlying the back-tested results may be changed at any time with the benefit of hindsight in order to obtain and show more favorable performance results.

Investment professionals should discuss with their client the model strategies that are available through SPL's platform in order to develop a customized and individualized investment program that is focused on the specific client's goals and objectives.

SPL will typically construct portfolio holdings using exchange traded funds and individual securities.

### **Leverage**

SPL does not utilize leverage in its managed portfolios.

### **Short-Term Trading**

Although SPL, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-velocity trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### **Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry and sector performance.

## **C. Concentration Risks**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither SPL nor its affiliates, employees, or independent contractors are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither SPL nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **Pinkerton Wealth, LLC**

Pinkerton Wealth, LLC ("PW") is an affiliate of SPL and a registered investment adviser. PW manages individual separate accounts for its advisory clients. Prospective clients are advised that SPL has an economic interest in recommending its affiliate for separate account management. Conversely, PW has an economic interest in recommending to its wealth management clients the sub-advised services of SPL. The receipt of compensation by SPL as a sub-adviser and PW's collection of asset-based fees from its wealth management clients whose portfolio assets may include the affiliate manager constitute a conflict of interest. SPL clients may utilize the provider of their choice and are not obligated to utilize the SPL affiliate manager.

#### **Insurance Sales**

Certain SPL personnel are licensed insurance agents and may recommend insurance products offered by such carriers for whom they function as an agent and receive a commission for doing so. Please be advised there is a conflict of interest in that there is an economic incentive to recommend insurance and other products of such carriers. Please also be advised that SPL strives to put its clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Other than as described in Item 10.C. above, SPL does not recommend separate account managers or other investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, SPL has adopted policies and procedures designed to detect and prevent insider trading. In addition, SPL has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of SPL's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of SPL. SPL will send clients a copy of its Code of Ethics upon written request.

SPL has policies and procedures in place to ensure that the interests of its clients are given preference over those of SPL, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

SPL does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, SPL does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase or Sale of Same Securities Recommended to Clients and Conflicts of Interest**

SPL, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase or sell the same securities as are purchased or sold for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which SPL specifically prohibits. SPL has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest
- prohibit fraudulent conduct in connection with the trading of securities in a client account
- prohibit employees from personally benefitting by causing a client to act, or fail to act in making investment decisions

- prohibit the firm or its employees from profiting or causing others to profit on knowledge of completed or contemplated client transactions
- allocate investment opportunities in a fair and equitable manner
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow SPL's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

SPL, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other SPL clients. SPL will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of SPL to place the clients' interests above those of SPL and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### Custodian Recommendations

SPL generally operates either as a sub-adviser or model provider to various third-party investment advisers. All custodian recommendations are provided by the investment adviser subscribing to the third-party investment adviser's investment platform. SPL uploads models to a third-party investment adviser platform, which effects the securities transactions through the platform sponsor's custodian.

For STARSHIP TAMP accounts, SPL may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc., or Fidelity Institutional division of Fidelity Investments (herein collectively referred to as "custodian"), FINRA-registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although SPL may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. SPL is independently owned and operated and not affiliated with custodian. For SPL client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

SPL considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by SPL, SPL will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by SPL will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### How We Select Brokers/Custodians to Recommend

SPL seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that provide the most value given a particular client's needs when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)

- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

### **Client's Custody and Brokerage Costs**

For client accounts that the firm maintains, the custodian generally does not charge clients separately for custody services but is compensated by charging either transaction fees or custodian asset-based fees on trades that it executes or that settle into the custodian's accounts. The custodian's commission rates applicable to the firm's client accounts were negotiated based on the firm's commitment to maintain a certain minimum amount of client assets at the custodian. This commitment benefits the client because the overall commission rates paid are lower than they would be if the firm had not made the commitment. In addition to commissions, the custodian charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that the firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into the client's custodian account. These fees are in addition to the commissions or other compensation the client pays the executing broker-dealer. Because of this, in order to minimize the client's trading costs, the firm has the custodian execute most trades for the account.

### **Soft Dollar Arrangements**

SPL does not utilize soft dollar arrangements. SPL does not direct brokerage transactions to executing brokers for research and brokerage services.

### **Institutional Trading and Custody Services**

The custodian provides SPL with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

### **Other Products and Services**

Custodian also makes available to SPL other products and services that benefit SPL but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of SPL's accounts, including accounts not maintained at custodian. The custodian may also make available to SPL software and other technology that

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of SPL's fees from its clients' accounts
- assist with back-office functions, recordkeeping and client reporting

The custodian may also offer other services intended to help SPL manage and further develop its business enterprise. These services may include

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of SPL personnel. In evaluating whether to recommend that clients custody their assets at the custodian, SPL may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers, and not solely the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

### **Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to SPL. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to SPL.

### **Additional Compensation Received from Custodians**

SPL may participate in institutional customer programs sponsored by broker-dealers or custodians. SPL may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between SPL's participation in such programs and the investment advice it gives to its clients, although SPL receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations

- Research-related products and tools
- Consulting services
- Access to a trading desk serving SPL participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to SPL by third-party vendors

The custodian may also pay for business consulting and professional services received by SPL's related persons, and may pay or reimburse expenses (including client transition expenses, travel, lodging, meals and entertainment expenses for SPL's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit SPL but may not benefit its client accounts. These products or services may assist SPL in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help SPL manage and further develop its business enterprise. The benefits received by SPL or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

SPL also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require SPL to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, SPL will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by SPL's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for SPL's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, SPL endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by SPL or its related persons in and of itself creates a potential conflict of interest and may indirectly influence SPL's recommendation of broker-dealers for custody and brokerage services.

#### **The Firm's Interest in Custodian's Services**

The availability of these services from the custodian benefits the firm because the firm does not have to produce or purchase them. The firm does not have to pay for the custodian's services so long as a certain minimum of client assets is kept in accounts at the custodian. Custodian's services may give the firm an incentive to recommend that clients maintain their accounts with the custodian based on the firm's interest in receiving the custodian's services that benefit the firm's business rather than based on the client's interest in receiving the best

value in custody services and the most favorable execution of client transactions. This is a potential conflict of interest. The firm believes, however, that the selection of the custodian as custodian and broker is in the best interest of clients. It is primarily supported by the scope, quality, and price of the custodian's services and not the custodian's services that benefit only the firm.

### **Brokerage for Client Referrals**

SPL does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **B. Aggregating Securities Transactions for Client Accounts**

### **Best Execution**

SPL has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. SPL recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. SPL will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, SPL seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of SPL's knowledge, these custodians provide high-quality execution, and SPL's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, SPL believes that such commission rates are competitive

within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **Security Allocation**

Since SPL may be managing accounts with similar investment objectives, SPL may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by SPL in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

SPL's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. SPL will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

SPL's advice to certain clients and entities and the action of SPL for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of SPL with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of SPL to or on behalf of other clients.

### **Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if SPL believes that a larger size block trade would lead to best overall price for the security being transacted.

### **Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

SPL acts in accordance with its duty to seek best price and execution and will not continue any arrangements if SPL determines that such arrangements are no longer in the best interest of its clients.

## Item 13: Review of Accounts

### A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

SPL's portfolio manager reviews the model portfolios on at least a monthly basis.

### B. Review of Client Accounts on Non-Periodic Basis

SPL may perform ad hoc reviews on an as-needed basis if there have been material changes in the model strategy; the end client's financial advisor requests SP to change, add, or remove a model strategy to a client portfolio; or there is a material change in how SPL formulates investment advice.

### C. Content of Client-Provided Reports and Frequency

The end client will receive no less frequently than quarterly a statement from the custodian indicating holdings, transactions, and cash balance. The custodian is the official record of the client's account.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

SPL receives an economic benefit from Schwab and Fidelity in the form of the support products and services it makes available to us. These products and services, how they benefit us, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to us of Schwab and Fidelity's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

### **B. Advisory Firm Payments for Client Referrals**

#### **Participant-Level Disclosure**

SPL's affiliate, Pinkerton Wealth, LLC ('PW'), is an investment adviser and ERISA §3(38) fiduciary to retirement plan clients' 401(k) ("Plan"). Please be advised that as part of the Plan's investment lineup, there are model portfolios made available to Plan participants that are developed and monitored by SPL. SPL and PW are under common ownership and control and have a revenue sharing arrangement in place to compensate PW for its ERISA 3(38) fiduciary, marketing, and education responsibilities. Plan participants are under no obligation to utilize the SPL model portfolios in their retirement Plan accounts.

#### **Plan-Level Disclosure**

SPL's affiliate, Pinkerton Wealth, LLC ('PW'), is an investment adviser and ERISA §3(38) fiduciary to retirement plan clients' 401(k) ("Plan"). Please be advised that as part of the Plan's investment lineup, there are model portfolios made available to Plan participants that are developed and monitored by SPL. SPL and PW are under common ownership and control. PW and SPL have a revenue sharing arrangement in place where a percentage of the fees charged by SPL to the Plan inure to the benefit of PW for its ERISA §3(38) fiduciary, marketing, and education responsibilities. This serves to increase PW's revenue from the Plan. This arrangement presents a conflict of interest in that PW is financially incentivized to recommend SPL portfolios to the Plan, and PW's recommendation of SPL models may be viewed as being in the best interests of PW versus the Plan or its participants. However, that revenue sharing arrangement does not increase the fees SPL charges to the Plan. Plan participants are under no obligation to utilize the SPL model portfolios in their retirement Plan accounts.

#### **Solicitor Arrangements**

The firm may enter into agreements with Solicitors (RIA Firms) who will refer prospective RIA firm subscribers to our subscription service in return for a portion of the ongoing subscription fee our firm collects. The receipt of such fees creates a conflict of interest in that the Solicitor is economically incented to recommend our services to its end clients because of the existence of

a fee sharing arrangement with our firm. Please be advised that the firm's payment of a referral fee to the Solicitor does not increase the client's subscription fee paid to the firm.

SPL compensates its employees who attract additional managed assets to the firm. While this may create a conflict of interest, the firm has a fiduciary duty to act in the best interest of clients as defined in the Code of Ethics, which is further discussed in Item 11.

## Item 15: Custody

SPL does not take custody of client assets. Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in their accounts.

## **Item 16: Investment Discretion**

Under a sub-advised relationship, SPL will exercise discretion only with respect to the composition of its model portfolios, which generally means discretion with respect to the nature and type of securities to be purchased and sold, and the amount of securities for such transactions.

## Item 17: Voting Client Securities

SPL does not take discretion with respect to voting proxies on behalf of its clients. All proxy material will be forwarded to the client by the client's custodian for the client's review and action.

Except as required by applicable law, SPL will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. SPL has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. SPL also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, SPL has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where SPL receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

SPL does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

SPL does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There are no bankruptcy petitions to report.