

## Item 1 – Cover Page

### **Spectrum Financial Alliance, Ltd., L.L.C.**

105 Wind Haven Drive  
Nicholasville, Kentucky 40356  
(859) 223-6333

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

Date of Brochure: 30 March 2023

Amended: 8 September 2023

---

This brochure provides information about the qualifications and business practices of Spectrum Financial Alliance, Ltd., L.L.C. If you have any questions about the contents of this brochure, please contact us at (859) 223-6333. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Spectrum Financial Alliance, Ltd., L.L.C. is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view information on this website by searching for Spectrum Financial Alliance, Ltd., L.L.C.'s or the firm's CRD number: 125147.

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

## **Item 2 – Material Changes**

Our new Director of Operations, Rick Boone, began managing SFA on December 1, 2022.

As of 1 October 2023, Spectrum Financial Alliance will no longer receive any commissions, or residual income, from the sale of insurance products. All insurance commissions and residuals have been irrevocably assigned to an outstanding military charity, USA Cares, Inc, to further their mission serving post 9-11 military members. This eliminates all potential commission conflicts in our practice and provides tremendous benefit to our servicemen and servicewomen.

### Item 3 – Table of Contents

Item 1 – Cover Page .....	1
Item 2 – Material Changes .....	2
Item 3 – Table of Contents .....	3
Item 4 – Advisory Business .....	4
Ownership .....	4
General Description of Primary Advisory Services .....	4
Charles Schwab & Co., Inc. ....	5
Limits Advice to Certain Types of Investments .....	6
Tailor Advisor Services to Individual Needs of Clients .....	6
Client Assets Managed by Advisor .....	6
Item 5 – Fees and Compensation .....	6
Asset Management Services .....	7
Annuity, Retirement Plan Management, and Outside 529 Account Management .....	8
Additional Compensation .....	9
Comparable Services .....	9
Item 6 – Performance-Based Fees and Side-By-Side Management .....	9
Item 7 – Types of Clients .....	9
Minimum Investment Amounts Required .....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Methods of Analysis .....	9
Technical .....	10
Charting .....	10
Cyclical .....	10
Analysis Risks .....	10
Investment Strategies .....	10
Risk of Loss .....	11
Recommendation of One Type of Investment .....	12
Item 9 – Disciplinary Information .....	12
Item 10 – Other Financial Industry Activities and Affiliations .....	12
Insurance Sales .....	<b>Error! Bookmark not defined.</b>
Legal Services .....	12
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading .....	13
Code of Ethics Summary .....	13
Affiliate and Employee Personal Securities Transactions Disclosure .....	13
Item 12 – Brokerage Practices .....	14
Soft Dollar .....	15
Block Trades .....	15
Item 13 – Review of Accounts .....	16
Account Reviews .....	16
Account Reports .....	16
Item 14 – Client Referrals and Other Compensation .....	16
Item 15 – Custody .....	17
Item 16 – Investment Discretion .....	17
Item 17 – Voting Client Securities .....	18
Item 18 – Financial Information .....	18
Item 19 – Requirements for State-Registered Advisors .....	18
Additional Information .....	18

## Item 4 – Advisory Business

### Ownership

Spectrum Financial Alliance, Ltd., L.L.C. (“Advisor”, “SFA”, “Spectrum” or “we”) is an investment advisor registered with the U.S. Securities and Exchange Commission (“SEC”) from January 2005 to June 2012, then with the State of Kentucky from June 2012 to March 2014, and reregistered with the SEC in March 2014. We are a Delaware limited liability company and our sole member (owner) is C. Kelly Buckley.

### General Description of Primary Advisory Services

We offer personalized advisory services including financial planning and asset management services. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

#### Financial Planning Services (Plans and Consultations)

We offer advisory services in the form of financial planning and consultations. Comprehensive planning services focus on your overall financial situation. Modular planning services and consultations (both one-time and on-going) focus on specific areas of concern to you. Our financial planning services can be in the form of written or verbal financial plans that can be comprehensive or segmented (modular) in format. Plans can include, but are not limited to, the topics of estate planning, investments, taxes, and insurance.

#### Asset Management Services

We offer asset management services to provide you with continuous and on-going supervision over your accounts. This means that we continuously monitor your account and make trades in that account when necessary.

Our clients engage us to provide fee-based asset management services where we make investment recommendations and make changes to the managed account. If you elect to engage us for this service, we develop an individualized investment program for your account(s). We provide various investment strategies through our management services; a specific investment strategy and investment policy is crafted for you and focuses on your specific goals and objectives. Asset management services are separate from and in addition to the financial planning services previously discussed.

To provide these services, we need to obtain certain information from you to determine your financial situation and investment objectives. At least quarterly, you are reminded to notify us whether your financial situation or investment objectives have changed or if you want to impose and/or modify any reasonable restrictions on management of your accounts. At least annually, we contact you to determine whether your financial situation or investment objectives have changed, or if you want to impose and/or modify any reasonable restrictions on your managed accounts. Our representative is always reasonably available to consult with you relative to the status of your accounts. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities. Your beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for you with the custodian, and you retain right of ownership of the account (e.g., the right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

It is important that you understand we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell, or recommend to you any security or other investment that we may buy, sell, or recommend for any other clients or for our own accounts.

Conflicts may arise in allocating investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by us equitably and consistent with the best interests of all accounts involved. However, there is no assurance that a particular investment opportunity that comes to our attention is allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to you or any other client or use it for any client's benefit

***Charles Schwab & Co., Inc.***

We recommend that your assets be maintained in a brokerage account with Charles Schwab Institutional, a division of Charles Schwab & Co., Inc. ("Schwab"), a registered broker/dealer and member SIPC. See **Item 12, Brokerage Practices**, for additional discussion on our recommendation and use of Schwab. However, you are free to select any account custodian you wish. Any direction to use a specific broker/dealer or account custodian must be in writing, and we reserve the right to decline the instructions if we believe it would result in operational difficulties. We assist you in establishing a managed account at Schwab or another qualified custodian that you select. The qualified account custodian maintains custody of your funds and securities. We do not act as custodian and do not have direct access to your funds and securities except to have advisory fees deducted from your account with your prior written authorization.

We require no minimum portfolio size. We also consider any pro bono activities that may be required or requested, such as a church donation liquidation or limited military spouse assistance. There is no charge for these types of pro bono activities.

You authorize us to have trading authorization on your accounts and we provide management services on a discretionary basis only. This means we make all decisions to buy, sell or hold securities, cash or other investments in your managed account in our sole discretion without consulting with you before making any transactions. You must provide us with written authorization to exercise this discretionary authority and you can place reasonable restrictions and limitations on the discretionary authority. See **Item 16, Investment Discretion**, for additional discussion on discretionary authority.

**Annuity, Retirement Plan Management, and Outside 529 Account Management**

We also offer management services relative to: (1) variable life/annuity products (2) individual employer-sponsored retirement plans (i.e., 401(k) plan, pension plan, profit sharing plan, etc.) and (3) College 529 account management through iShares 529. The managed assets are maintained at either the specific insurance company that issued your variable life/annuity product or at the custodian designated by the sponsor of your retirement plan. When managing these assets, we either recommend or implement the allocation of product or the retirement plan portfolio. If we implement transactions, you must provide us with trading authority, including any access to accounts using assigned identification numbers and/or passwords, and discretionary authority.

See Item 16, Investment Discretion, for additional discussion on discretionary authority. Any authorizations we have are strictly limited to avoid having custody of your accounts (as determined by applicable state and federal rules and regulations). Specifically, we do not have authority to open an account on your behalf, to designate or change your address of record with a qualified custodian, or to withdraw funds or securities or transfer them to an account not in your name at a qualified custodian.

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

We provide advice to the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Warrants
- Corporate debt securities (other than commercial debt)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- Exchange-traded funds (ETFs)
- United States government securities
- Option contracts on securities and commodities

While we generally limit our advice to the investment products previously listed, we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives. We also provide advice about any type of investment held in a client's portfolio at the beginning of the advisory relationship. Please refer to **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

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

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we reserve the right to not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

## **Client Assets Managed by Advisor**

The amount of assets managed by Advisor totaled approximately \$227,863,073 as of March 30, 2023. all on a discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provided in **Item 4 - Advisory Business**, this section provides details regarding our services along with descriptions of the fees and compensation arrangements.

If a client chooses to implement our services for an account not held at Schwab, they authorize SFA and Charles Schwab to deduct all applicable fees and charges from the Client's non-qualified account custodied at Charles Schwab. Those clients that do not have a non-qualified account custodied at Charles Schwab will be mailed a direct billing and requested to return payment via check. Fees and charges will be noted on the Client's statements. In the event the Account does not contain a sufficient cash (or money fund) balance to cover the fee, the Client may deposit additional funds (subject to certain restrictions) within seven days or SFA may, at its option, liquidate sufficient investments held in the Account to cover the fees. You can also have your fees direct billed to you or utilize Advice Pay and pay via credit card or bank account.

We request that you notify us if there is ever a change in your financial situation or investment objectives so that we can review, evaluate and/or revise any prior recommendations made or services provided. We contact you at least annually to determine whether your financial situation or investment objectives have changed, or if you want to impose and/or modify any reasonable restrictions on your accounts.

## Asset Management Services

We charge for asset management services based on a percentage of assets under management. For assets maintained at Schwab, fees are billed monthly in arrears and calculated based on the average daily balance of the account assets during the previous month when we can readily get daily downloads from the custodian. Fees are generally non-negotiable. Fees are charged according to the following schedule:

<u>Household Portfolio Value</u>	<u>Annual Fee</u>
Up to \$249,999	1.50%
\$250,000 to \$499,999	1.30%
\$500,000 to \$749,999	1.10%
\$750,000 to \$999,999	1.00%
\$1,000,000 to \$4,999,999	0.90%
\$5,000,000 to \$9,999,999	0.75%
\$10,000,000 and Over	Negotiable

The above fee schedule is negotiable based upon the complexity of your financial situation, composition of the account, previous history with us, and related accounts. SFA will credit a portion of its management fees to certain investors who incur charges to surrender annuities, CDs, load mutual funds, REITS, other securities, or instruments to have the proceeds managed by SFA. In addition, you can bundle accounts of household members in order to reach a higher total account value and therefore a lower fee level. Accounts opened mid-period are prorated based on the number of days that services are provided during the first billing period. At client request, due to market growth or the deposit of additional assets, Spectrum Financial Alliance may adjust the fee associated with the account.

For those accounts not maintained at Schwab and that do not have daily valuation data available, management fees are charged monthly or quarterly in arrears and based on the market value of the assets as of the last business day of the billing period. If assets calculated by market value are withdrawn mid-period, fees are prorated. The fees on accounts not maintained at Schwab will be negotiated at the time of the advisory agreement completion and may be higher or lower than the equivalent Schwab fees depending on the complexity of Spectrum's managing those assets. The fees can either be deducted from your account or billed directly to you. (See **Annuity and Retirement Plan Management**, below.)

Fees are generally automatically deducted from an account designated by you and paid directly to us by the account custodian. You must provide the custodian with written authorization to have the fees deducted from the account and paid directly to us. At least quarterly, you receive an account statement from your custodian detailing transactions in your account, including advisory fees charged. You should review the account statements received from the account custodian and verify that appropriate advisory fees are being deducted. The custodian will not verify the accuracy of the advisory fees deducted. If you request fees to be billed directly to you, we provide you with a detailed billing statement that is due upon receipt. You can also have your fees direct billed to you or utilize Advice Pay and pay via credit card or bank account.

Schwab does not currently charge a separate custodial fee although other qualified custodians may charge this separate fee. In addition, account custodians may charge brokerage commissions and/or transaction fees directly to you. We do not receive any portion of the commissions or fees from either the custodian or from you. You may also incur certain charges imposed by third parties other than us in connection with investments made through your account, including, but not limited to, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, investment advisory (IAR) fees and qualified retirement plan fees. Our management fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each security prospectus.

Asset management services are considered ongoing, although either party can terminate services at any time by providing written notice to the other. Termination is effective upon receipt of the notice or ten days from the date of termination notice, whichever occurs sooner, or at a later date specified in the notice. If

termination is at a later date, we continue working until effective on existing items but do not begin any new services without your specific instruction. If services are terminated, we charge a prorated fee based on the number of days that services were provided prior to the effective date of termination.

**Annuity, Retirement Plan Management, and Outside 529 Account Management**

We charge for management services relative to: (1) variable life/annuity products and (2) individual employer-sponsored retirement plans (i.e., 401(k) plan, pension plan, profit sharing plan, etc.) Fees are billed quarterly in arrears and calculated based on the ending balance of the account assets during the previous quarter. If assets calculated by market value are withdrawn mid-period, fees are prorated. Fees are charged according to the following schedule:

<b><u>Portfolio Value</u></b>	<b><u>Annual Fee</u></b>
Up to \$249,999	0.75%
\$250,000 to \$499,999	0.65%
\$500,000 to \$749,999	0.55%
\$750,000 to \$999,999	0.50%
\$1,000,000 to \$4,999,999	0.45%
\$5,000,000 to \$9,999,999	0.38%
\$10,000,000 and Over	Negotiable

The above fee schedule is negotiable based upon the complexity of your financial situation, composition of the account, previous history with us, and related accounts. In addition, you can bundle accounts of household members in order to reach a higher total account value and therefore a lower fee level. Accounts opened mid-quarter are prorated based on the number of days that services are provided during the first billing period. Any retirement plan that can invest in our models and is not restricted to a specific menu of investments, will be charged at the standard fee schedule. All other retirement plan accounts will be charged at half the normal fee schedule.

Fees are generally automatically deducted from an account designated by you and paid directly to us by the account custodian. Those accounts that do not have a non-qualified account custodied at Schwab will be mailed a direct billing and requested to return payment via check. You must provide the custodian with written authorization to have the fees deducted from the account and paid directly to us. At least quarterly, you receive an account statement from your custodian detailing transactions in your account, including advisory fees charged. You should review the account statements received from the account custodian and verify that appropriate advisory fees are being deducted. The custodian will not verify the accuracy of the advisory fees deducted. If you request fees to be billed directly to you, we provide you with a detailed billing statement that is due upon receipt. You can also utilize Advice Pay and pay via credit card or bank account.

The account custodians may charge a separate custodial fee and may also charge brokerage commissions and/or transaction fees directly to you. In addition, you may incur certain charges imposed by third parties other than us in connection with investments made through your account, including, but not limited to 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and investment advisory (IAR) and qualified retirement plan fees. Our management fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each security prospectus.

These services are considered ongoing although either party can terminate services at any time by providing written notice to the other. If termination is to be effective as of a later date, we continue working until effective on existing items but do not begin any new services without your specific instruction. If services are terminated, we charge a prorated fee based on the number of days that services were provided prior to the effective date of termination.



## **Additional Compensation**

Compensation for all Financial Planning, Asset Management and Estate Planning or any other Spectrum Financial Alliance's business activities are strictly "Fee Based Only." These fees are shown on Page 7 of this document.

## **Comparable Services**

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

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

Performance-based fees are defined as fees in addition to or in place of management fees (described in Item 5) and based on a share of capital gains on or capital appreciation of the assets held in a client's account. At present, we do not receive performance-based fees.

## **Item 7 – Types of Clients**

We generally provide investment advice to:

- Individuals (including high-net worth individuals);
- Pension and profit sharing plans;
- Trusts, estates, or charitable organizations; and
- Corporations or other business entities.

## **Minimum Investment Amounts Required**

We do not require a minimum portfolio size to establish an account managed at Schwab or another qualified custodian selected by you. We also consider any pro bono activities that may be required or requested, such as a church donation liquidation or limited military spouse assistance. There is no charge for these types of pro bono activities.

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

### **Methods of Analysis**

We use fundamental, technical, charting, and cyclical analysis when considering investment strategies and recommendations for clients.

#### ***Fundamental***

Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine true value by looking at all aspects of the company or security, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g.,

management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to estimate an appropriate value that an investor can compare with the security's current price as a way of determining what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for most types of securities.

### ***Technical***

This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

### ***Charting***

Charting is a style of technical analysis that charts the patterns of stocks, bonds, and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs in order to predict future price movements. A graphical historical record assists the analyst in spotting the effect of key events on a security's price, its performance over a period of time, and whether it is trading near its high, near its low, or in between. Chartists believe that recurring patterns of trading commonly referred to as indicators, can help them forecast future price movements.

### ***Cyclical***

Cyclical analysis looks at recurring periods of expansion and contraction that can impact a company's profitability and cash flow. Cyclical stocks tend to rise quickly when the economy turns up and fall quickly when the economy turns down (i.e., housing, automobiles, telecommunications, paper, etc.). Non-cyclical industries (i.e., food, insurance, drugs, health care, etc.) are not as directly impacted by economic changes.

### **Analysis Risks**

There are risks involved in all analysis methods. Fundamental analysis takes a long-term approach to analyzing markets, often looking at company and economic data over a number of years. Technical analysis usually uses a shorter time frame, such as weeks or days. The price and volume data reviewed is released on a regular and frequent basis. Therefore, fundamental analysis could result in a gain that is not realized until a security's market price rises to its "correct" value over the long run--perhaps several years.

As a general statement, technical analysis is used for a trade while fundamental analysis is used for an investment. It could also be said that traders buy assets they believe they can sell to someone else at a greater price while investors buy assets they believe will increase in value. The frequency of trading securities using technical analysis could have both a positive or negative impact and could also lead to increased brokerage and transaction costs, thus lowering performance. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

Charting and cyclical analysts look for patterns to help identify the direction the market is going at any given time. However, patterns and expected ranges or time frames may not occur as anticipated due to any number of factors (i.e., natural disasters, political upheaval, etc.).

### **Investment Strategies**

When implementing investment advice, our investment strategies may include:

- Long term purchases (securities held continuously for at least one year)
- Short term purchases (securities sold within a year)
- Short sales
- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Advisor.)
- Option writing (Including covered options, uncovered options, or spreading strategies.) (Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.)

We gather information from financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, and other filings with the Securities and Exchange Commission and company press releases.

### **Risk of Loss**

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. You should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

- Market Risk.** Either the market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- Company Risk.** There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention, etc.).
- Options Risk.** Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- Management Risk.** Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, then the value of your investments can decrease.

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price, then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

### **Recommendation of One Type of Investment**

We do not recommend any one specific type of investment to clients. Instead, we recommend any financial investment that may be suitable for each client relative to their specific circumstances and needs. However, if mutual funds are recommended they are always load-waived or no-load funds.

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

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management.

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

We are an independent registered investment advisor and only provide investment advisory services. We are not engaged in any other business activities except the advisory, estate planning, financial planning and insurance activities described in this Disclosure Brochure.

### **Legal Services**

Wade Lawson is a distinguished partner in a Lexington, Kentucky-based law firm and a licensed attorney and CPA providing estate planning services. He is not employed by, contracted, or retained by SFA. Mr. Lawson may be recommended to our clients and prospects who have estate planning needs. Mr. Lawson does not provide advisory services to our clients. However, if our advisory clients need assistance with estate planning matters (i.e., preparation of legal documents), we may refer clients to him. You are not obligated to use these legal services, but if you do, you are charged a fee for those legal services that is separate from the fee charged for our advisory services. We do not receive any portion of the legal fees Mr. Lawson charges.

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

### **Code of Ethics Summary**

According to state and federal regulations, an investment advisor is considered a fiduciary and has a fiduciary duty to clients. We have established a Code of Ethics that reflects our fiduciary obligations and those of our supervised persons and requires compliance with federal and state securities laws. Our Code of Ethics covers all individuals that are classified as “supervised persons.” All employees, officers, directors, and the investment advisor representative are classified as supervised persons. We require our supervised persons to consistently act in clients’ best interests in all advisory activities. We impose certain requirements on our affiliates and supervised persons to ensure that they meet our fiduciary responsibilities to clients.

This section is only intended to provide current and potential clients with a description of our Code of Ethics. If current or potential clients wish to review the Code of Ethics in its entirety, they are provided a copy promptly upon request.

Some of our investment advisor(s) are also Certified Financial Planners™ (CFP®) and abide by the Code of Ethics and Responsibility of the Certified Financial Planner™ Board of Standards, Inc. The Code of Ethics and Responsibility requires CFP® designees to not only comply with all applicable laws and regulations but to also act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP® designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners, and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

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

We and our representative may buy or sell securities for our own accounts that are recommended to clients. We may also recommend the purchase or sale of different securities for different clients at different times.

To prevent conflicts of interest that these circumstances might raise, we developed policies and procedures that include personal investment and trading policies for our representative, employees, and immediate family members (collectively, “associated persons”):

- Associated persons do not prefer their own interests to that of the client
- Associated persons do not purchase or sell any security for their personal accounts prior to implementing transactions for client accounts
- Associated persons do not buy or sell securities for their personal accounts when those decision are based on information obtained as a result of their employment, unless that information is also available to the investment public upon reasonable inquiry
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an “insider”
- Associated persons are discouraged from frequent personal trading
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by our Chief Compliance Officer

To the extent we or an associated person maintain an outside account, the associated person must make arrangements to send quarterly statements to us, complete an annual certification concerning their personal securities activities, and provide additional information about personal trading activities as may be required

under our insider trading policy and Code of Ethics. Any associated persons not observing our policies may be subject to sanctions up to and including termination.

### **Item 12 – Brokerage Practices**

If you wish to implement our advice, you are free to select any broker/dealer or investment advisor you wish. If we assist you in implementing any recommendations, we have a duty to ensure that you receive the best execution possible. We are also able to recommend a broker dealer on your behalf. Best execution does not necessarily mean the lowest price but includes the overall services received from a broker/dealer.

For annuity and benefit plan management services, the assets are maintained at either the specific insurance company that issued the variable life/annuity product or at the custodian designated by the sponsor of your retirement plan. There is no choice in these custodians or brokers.

For our other asset management services, we generally recommend that you establish a brokerage account at Schwab. Schwab provides us with access to their institutional trading and custody services which are typically not available to retail investors. The services from Schwab include brokerage, 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. Schwab also provides competitive execution costs, performs accurate executions and has a strong reputation in the industry.

Schwab also makes available to us other products and services that benefit us but may not benefit our clients' accounts. Some of these other products and services assist us in managing and administering client accounts. These include software and other technology that:

- Provide access to client account data (such as trade confirmation and account statements)
- Facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information, and other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, record keeping, and client reporting.

Many of these services generally may be used to service all, or a substantial number, of our accounts including accounts not maintained at Schwab. Schwab also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications, and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

In addition, Schwab may make available, arrange, and/or pay for these types of services rendered to us by independent third party providing these services to us. As a fiduciary, we endeavor to act in your best interest. Our recommendation that you maintain your assets in accounts at Schwab may be based in part on the benefit to us in the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab. This may create a potential conflict of interest.

You are under no obligation to act on our recommendations. You may select a broker/dealer or custodian other than Schwab. There may be other platforms that are less expensive and may provide faster execution capabilities. While we attempt to seek best execution for client accounts, we may be unable to achieve the most favorable execution of your transactions if you direct the use of a specific custodian. Further, we may place directed trades after effecting non-directed trades. We may also decline your request to direct the use of a specific broker/dealer or custodian if, in our sole discretion, that directed brokerage arrangement would result in additional operational difficulties.

## **Soft Dollar**

Investment advisors may direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research are known as “soft dollars.” Section 28(e) of the *Securities Exchange Act of 1934* provides a “safe harbor” that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

In addition to receiving trade execution from Schwab, Spectrum may receive research services in connection with client securities transactions. This creates a potential conflict of interest because it could incentivize Spectrum to execute client transactions with Schwab to generate additional soft dollars. The research is both proprietary research created by Schwab, and research developed and provided by third parties contracted by Schwab. Spectrum presently does not use this research and presently seeks no financial benefit from the research provided by Schwab. At present, the research provided by Schwab has no effect upon trade execution, investment decision-making, or fees charged by Spectrum.

## **Block Trades**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used when we believe such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable trade fees, or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions are generally averaged as to price and are allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If we determine that a prorated allocation is not appropriate under the particular circumstances, the allocation is made based on other relevant factors, including:

- If only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates
- Allocations may be given to one account when it has limitations in its investment guidelines which prohibit it from purchasing other securities that are expected to produce similar investment results and can be purchased by other accounts
- If an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed)
- With respect to sale allocations, allocations may be given to accounts low in cash
- In cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, we may exclude the account(s) from allocation; the transactions may be executed on a pro rata basis among the remaining accounts
- In cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation or remuneration as a result of blocking trades.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Financial planning and consultation services occur upon presentation of your investment/financial plan or whenever client needs arise. We recommend that you have your financial situation reviewed at least annually. At least annually, we contact you about completing a review and update either in person, over the telephone, or via U.S. mail. Managed accounts are reviewed at least quarterly.

While the calendar is the main triggering factor, reviews can also be conducted at your request, due to changes in your financial situation, or due to changes in market conditions.

All accounts are reviewed by C. Kelly Buckley, MBA, CFP®. Absent your specific instructions, we review accounts to: verify portfolio holdings, verify appropriate asset allocation, consider rebalancing needs, consider anti-money laundering concerns, check fee calculation accuracy, verify continued suitability, and check that your account performance continues to work toward your investment goals and objectives.

### **Account Reports**

Financial planning clients do not receive any reports other than the plan that was originally contracted. You receive a statement at least quarterly from the broker/dealer, investment advisor, or custodian where your managed account is maintained. At your request, we can provide a position and/or performance report at your request to you at no additional charge.

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

### **A. Client Referrals**

Spectrum Financial Alliance may enter into solicitation agreements pursuant to which it compensates third-party intermediaries for client referrals that result in the provision of investment advisory services by Spectrum Financial Alliance. Spectrum Financial Alliance will disclose these solicitation arrangements to affected investors, and any cash solicitation agreements will comply with Rule 206(4)-3 under the Advisers Act. Solicitors introducing clients to Spectrum Financial Alliance may receive compensation from Spectrum Financial Alliance, such as a retainer, a flat fee per referral and/or a percentage of introduced capital. Such compensation will be paid pursuant to a written agreement with the solicitor and generally may be terminated by either party from time to time. The cost of any such fees will be borne entirely by Spectrum Financial Alliance and not by any affected client.”

Spectrum Financial Alliance may enter into arrangements with unaffiliated individuals or entities (“Introducing Sources”) that will refer clients to Spectrum Financial Alliance for investment advisory services. In return, Spectrum Financial Alliance will agree to pay the Introducing Source a fee for the referral.

Introducing Source’s associates are not employees of Spectrum Financial Alliance. Introducing Sources and Spectrum Financial Alliance are independent entities under separate ownership and control.

The Introducing Source is not authorized to provide investment advice or manage investments on behalf of, or through, Spectrum Financial Alliance. The Introducing Source does not have authority to accept an investment advisory agreement on behalf of Spectrum Financial Alliance or to collect or receive payment in its own name for any investment advisory services of Spectrum Financial Alliance. The Introducing Source’s role on behalf of Spectrum Financial Alliance is limited strictly to introducing or referring prospective clients to Spectrum Financial Alliance.



Compensation paid by Spectrum Financial Alliance to the Introducing Source is dependent upon the client entering into an investment advisory agreement with Spectrum Financial Alliance. Compensation paid by Spectrum Financial Alliance to the Introducing Source will be an agreed upon percentage of the investment management fee of Spectrum Financial Alliance as specified in the Introducing Source's disclosure statement provided to the client.

**The investment advisory fee charged to a client will not increase as a result of compensation being shared by Spectrum Financial Alliance with Introducing Source.**

This referral program of Spectrum Financial Alliance will be in compliance with federal or state regulations (as applicable). The solicitation/referral fee is paid pursuant to a written agreement retained by both Spectrum Financial Alliance and Introducing Source. Introducing Source will be required to provide the client with a copy of disclosure documents, including Spectrum Financial Alliance's Form ADV Part 2A disclosure brochure, Part 2B brochure supplement(s), and Introducing Source's disclosure document at the time of the referral.

**B. Does our firm or a firm related to us through some form of ownership pay someone, directly or indirectly, for client referrals? Yes, we do.**

- Spectrum Financial Alliance is not affiliated through any ownership with Katherine M. Johnson, CPA, accounting firm that has its main office in Georgetown, KY.

The advisor does have an agreement with Katherine Johnson to refer clients. The solicitors must identify themselves as such to clients referred for advisory services and clients will be asked to sign an acknowledgement of receiving both the disclosure and a copy of this ADV Part II. Katherine Johnson receives 0.40% of investment advisory fees in perpetuity for clients that she refers to our firm.

Please see **Item 10-Other Financial Industry Activities and Affiliations**, and **Item 12-Brokerage Practices** for additional discussion about other compensation, and non-economic benefits.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. We are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Our procedures do **not** result in our maintaining custody of client funds and securities, except for deducting advisory fees. The SEC has granted an exception to an annual surprise audit if advisory fee deductions is the only form of custody a firm maintains.

We have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address, and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

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

In addition to having trading authority on your accounts, asset management services are provided on a discretionary basis. This means we make all decisions to buy, sell or hold securities, cash, or other

investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority.

When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian. You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

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

We do not vote proxies on your behalf. You are solely responsible for all proxy voting decisions. You should read through the information provided with the proxy voting document and make a determination based on the information provided.

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

We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

### **Item 19 – Requirements for State-Registered Advisors**

Spectrum Financial Alliance Ltd., L.L.C. is an SEC Registered Investment Advisor.

### **Additional Information**

We do not receive performance-based fees and neither we, nor our management personnel, have been involved in any:

- Arbitration claims alleging damages in excess of \$2,500 involving
  - o An investment or an investment-related business or activity
  - o Fraud, false statement(s) or omissions
  - o Theft, embezzlement or other wrongful taking of property
  - o Bribery, forgery, counterfeiting or extortion; or
  - o Dishonest, unfair or unethical practices
  
- Civil, self-regulatory organization or administrative proceeding involving
  - o An investment or an investment-related business or activity
  - o Fraud, false statement(s) or omissions
  - o Theft, embezzlement or other wrongful taking of property
  - o Bribery, forgery, counterfeiting or extortion; or
  - o Dishonest, unfair or unethical practices

Neither we nor our management personnel have a relationship or arrangement with any issuer of securities.