

# **SPRENG CAPITAL MANAGEMENT, INC.**

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**[www.sprengcapital.com](http://www.sprengcapital.com)**

**February 24, 2017**

**Firm Brochure  
(Part 2A of Form ADV)**

*This brochure provides information about the qualifications and the business practices of Spreng Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 419-563-0084 or at jspreng@sprengcapital.com. 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 Spreng Capital Management, Inc also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

## MATERIAL CHANGES

### Item 2.

The SEC adopted “Amendments to Form ADV” in July 2010. This Firm Brochure, dated February 24 2017, is our new disclosure document prepared according to the SEC’s new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

As of February 2017, Spreng Capital Management Inc. left the supervision of the State of Ohio and is now supervised by the SEC. The bill commonly referred to as Dodd Frank, mandated that all investment advisory firms over \$100,000,000 in assets now fall under the supervision of the SEC.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within the 120 days of the close of our business’ fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Since the filing of the updated Part 2A of Form ADV in May of 2013, Spreng Capital Management Inc. has not experienced any material changes to the Company’s advisory operations.

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#### Item 4.

Spreng Capital Management, Inc. (hereafter referred to in this form as (SCM) has been a Registered Investment Advisory Firm since September of 1999. Previously, the Firm was known as Spreng & Pigman Financial Advisory Group, Inc. but underwent an ownership and official name change in February of 2010. James A. Spreng is the principal owner and the primary investment advisor representative. Thomas R. Brown is also an owner and an investment advisor representative working with the firm. SCM offers Investment Supervisory Services to clients which are tailored to their individual circumstances. The firm reviews client's assets (sometimes in conjunction with other services offered by the firm) and makes recommendations based upon client's individual needs and objectives. Clients are not required to utilize any other services of the firm.

The Department of Labor, hereafter referred to as the DOL, issued new directives to be implemented in April of 2017. These directives, if enacted, will apply only to retirement accounts and any accounts that would fall under the Federal ERISA guidelines. Due to President Trump's efforts to reduce regulations, it is unclear at this time whether this directive will take effect. If it does, as a Financial Advisor we would be required to act in the "client's best interest" on all retirement accounts instead of recommending an investment that is simply "suitable" for the client in question. This would force all individuals or firms that render advice on retirement accounts to assume the role of a financial fiduciary. While these requirements currently only apply to retirement accounts, we would assume that the fiduciary role will eventually apply to all advice on any financial product or account type.

Although not required by law, we have ALWAYS acted in a fiduciary role for our clients since the inception of our firm in 1999. Therefore, absolutely nothing would change in our role as a financial advisor to you. We have always placed your financial well-being above our own individual concerns or the firm's. We are entitled to reasonable compensation for our efforts. We must not make any misleading statements nor encourage potential conflicts of interest. If conflicts of interest arise we must always disclose the conflict and act in the client's best interest.

If the DOL directive is enacted, advice in the best interest of the client must meet ERISA's prudence requirements which means the advisor must act with the same care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such issues would use in the conduct of an enterprise of a like character and with like aims; the investment advice is based on the investment objectives, risk tolerance, financial circumstances and needs of the investor; and the advice is without regard for the financial interests of the advisor, its affiliates, or any other party.

Once again, the change recommended by the DOL, if enacted, would not change our responsibility to you in any way. We have always considered ourselves to be a financial fiduciary. We are required to advise you of this change even though it will not affect our relationship with you in any way.

Client, in consultation with SCM, chooses the investment strategy (ies) the firm is to employ. Most strategies primarily invest in mutual funds. However, in some

circumstances, SCM employs strategies that invest primarily in individual equity and debt securities or Exchange Traded Funds.

Strategies that primarily invest in mutual funds seek either portfolio growth, portfolio income or a combination of portfolio growth and income. Within the context of these objectives (growth, income or a combination thereof), client may select an asset allocation strategy that focuses on the issue of market risk. It is expected that the great majority of the firm's clients will employ this strategy which will from time to time seek to reduce the market risk associated with equity and fixed income investments by reducing or eliminating certain investment positions in mutual funds or separate accounts that primarily invest in equity or debt securities. Alternatively, client may select a "buy and hold" strategy that does not seek to reallocate portfolio assets in response to market risk. In most circumstances, SCM has investment discretion over the accounts it supervises. Therefore the firm usually issues investment instructions to the custodian of its clients' accounts without prior consultation with client. Investment instructions given by SCM are consistent with the general goals and objectives of the investment strategy (ies) that is selected by client. However, SCM will try to accommodate a client's individual instructions with regard to the firm's supervision of client's account. SCM has discretion to select the amount and nature of securities which are purchased and sold in relation to those investment strategies selected by the client for SCM which provides a continuous and regular service. No options may be purchased nor may any securities be purchased on margin without first obtaining the consent of the client. In some instances, margin balances may be initiated by the client either through securities purchases or by writing a check for an amount which is greater than the cash available in the account.

SCM does not take custody of client funds or securities. Instead, client selects either a mutual fund group(s) or a custodian broker from those recommended by SCM as being compatible with the investment strategy(ies) selected by the client.

SCM assists or advises clients or individuals who request more detailed financial planning. We have found that most clients or individuals do not really need expensive, comprehensive financial planning. Their needs generally revolve around segments of their lives such as retirement planning, college funding, life insurance questions, debt restructuring or any combination of these issues. We work with these clients and individuals and are compensated on an hourly basis to derive the appropriate solutions for these issues.

Client must enter into a contract for this type of service which can be terminated by either party at any time by sending written notice to the other party indicating a desire to terminate the contract. No assignment of any agreement shall be made without the written consent of client.

As of December 31, 2016, SCM managed \$111,119,951.65 of discretionary assets.

**Item 5.**

Fees are negotiable and are most often based upon an annual percentage of the net asset value of client's portfolio. The fees are determined taking into account the time and costs associated with the supervision of the client's assets. Generally, annual fees do not exceed 1.00% and are not less than 0.25% of the net asset value of the client's portfolio. While fees are negotiable, SCM has adopted the following investment advisory fee guideline for new clients.

Clients with Investment Assets in Equity and Fixed Income

1.00% of the first \$2,000,000;  
0.55% of the next \$3,000,000; and  
0.25% on all amounts thereafter

In some instances, employees, close friends and relatives of the principals and employees of SCM may not be charged an investment advisory fee or may be charged an annual fee which is less than the suggested guidelines. Clients of SCM may have a fee schedule that is higher or lower than the suggested guidelines, but is in the general range of not more than 1.00% nor less than 0.25%.

Fees are generally billed quarterly in arrears. Quarterly fees are calculated by applying the annual fee schedule to the value of the assets that are supervised by SCM at the end of each calendar quarter. Initial fees for new client accounts may be pro-rated to the end of the initial quarter. Likewise, fees for contributions to existing client accounts may be pro-rated to the end of the current quarter at the discretion of SCM. Due to the associated administrative costs involved, SCM's investment advisory fee is not refundable in the event that a client withdraws only a portion of the funds in the client's account during a given quarter.

In addition to the foregoing fee arrangement, to the extent that client's assets are invested in a mutual fund, the fund's investment advisor will also receive an investment advisory fee. This fee will vary depending upon the mutual fund or separate account. Generally, it is no less than 0.15% and no greater than 1.00% annually, but may be greater or less. These amounts are deducted from the mutual funds or separate account's assets before determining the net asset value of each share of the fund or separate account. Also, the fund or separate account may incur certain other administrative expenses. These amounts will vary from fund to fund or separate account to separate account and are deducted from the mutual fund's or separate account's assets before determining the net asset value of each share of the fund or separate account. It should be understood that client would not pay SCM an annual advisory fee in the event client invested directly with each mutual fund.

SCM believes in the use of no-load Mutual Funds as the best way to deliver the lowest possible costs to the client. SCM will strive to use no-load Funds as much as possible in the formulation of portfolios.

In certain situations, clients transacting in over-the-counter securities will pay an agency commission in addition to a markup or a markdown on the security.

Fees are generally deducted directly from the clients' accounts at the end of the quarter. Some clients wish to pay SCM from funds outside of their accounts and this is acceptable. If a client wishes to use individual securities or debt instruments, there will be an additional transaction charge levied against the client for each transaction by the custodian. No one at SCM receives any compensation from any source other than the management fees collected from our clients. Clients may purchase recommended securities through a different source or custodian than the one that SCM might recommend. If SCM is retained by a client or individual to assist with financial planning our rate is \$250 an hour for these services.

**Item 6.**

SCM does not charge any performance based fees or side-by-side management. All fees are based upon assets under management.

**Item 7.**

SCM provides financial advisory services to individuals, business entities, trusts, foundations and endowments and qualified and non-qualified retirement plans.

**Item 8.**

SCM uses several methods to decide which, and in what concentration, investments are appropriate for our clients. Our primary focus is to attempt to identify which investments or economic sectors are in a position to benefit from long term economic trends that might not be readily apparent to the average investor. We then decide if these investments meet several criteria such as current attractiveness of price, size and liquidity of the stock or bond issuance in question and appropriateness for the individual client's risk tolerance.

In the case of Mutual Funds, we map the performance over as long a time period as possible trying to gauge how effective the manager has been in different economic cycles. We compare the internal fees of the Mutual Fund against similar types of Mutual Funds. Finally, we check the length of time that the current manager or group of managers has been managing the Fund.

We are not market timers or day traders. We are traditional buy and hold investors. We focus on trying to position our clients' holdings into a well diversified portfolio that will deliver the maximum performance with the least amount of risk and lowest possible fees. For individual securities, we try not to exceed 5% concentration in any one holding.

Obviously, there will be exceptions to this rule due to smaller accounts or inherited positions with considerable imbedded capital gains.

Since we do not attempt to time the market, there will be times when due to ordinary market corrections or external world events, there can be a loss of capital in the accounts. Clients need to be prepared for this eventuality and take precautions tailored to their own unique financial situation.

**Item 9.**

There are no current or past disciplinary or legal actions against the Firm or the principals or investment advisor representatives involved with the Firm.

**Item 10.**

SCM is affiliated with Thomas R. Brown, CPA, a certified public accounting firm by virtue of Mr. Brown's sole ownership of Thomas Brown, CPA. The two companies share the same office space and certain personnel. The two companies may refer business to each other, which may raise a potential conflict of interest because of their common interest.

**Item 11.**

SCM may recommend to current or prospective Investment Supervisory Services clients the purchase of securities or mutual funds in which the officers or representatives of the firm personally invest. Any such event will only be in a security that is widely held and normally immediately marketable or redeemable such as mutual funds, or individually listed equities on a national exchange or the over-the-counter market. Such activity by any party would have no material effect on the underlying market price.

To avoid any potential conflicts of interest involving personal trades, SCM has adopted a Code of Ethics ("COE") which includes policies and procedures for the personal trading as well as insider trading. SCM's COE requires, among other things, that employees:

\*Comply with the applicable provisions of the Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, employees, and colleagues in the investment profession.

\*Place the integrity of the investment profession, the interests of the clients, and the interests of SCM above one's own personal interests.



- \*Adhere to the fundamental standard that an employee should not take inappropriate advantage of his or her position.
- \*Avoid any actual or potential conflict of interest.
- \*Conduct all personal securities transactions in a manner consistent with this policy.
- \*Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- \*Practice and encourage others to practice in a professional and ethical manner that will reflect credit on oneself and the profession.
- \*Promote the integrity of, and uphold the rules governing, capital markets.
- \*Maintain and improve one's professional competence and strive to maintain and improve the competence of other investment professionals.
- \*Comply with applicable provisions of the federal and the state securities laws.

SCM's COE also requires employees to 1) pre-approve certain personal transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide SCM with a detailed summary of certain holdings and securities accounts over which the employee have a direct or an indirect beneficial interest. This Code of Ethics Policy is available to any client or prospective client upon request.

## **Item 12.**

SCM recommends to their clients that the client use Charles Schwab as their custodian. However, a client can choose to use any custodian that they prefer. Spreng Capital Management, Inc recommends Charles Schwab because we feel that we are able to provide the best possible execution, availability of services and securities and cost structure to our clients with the use of Schwab. In return, SCM does not receive any compensation from Schwab other than the convenience of handling all of our accounts through one custodian. We do not have the ability to negotiate fees for our clients with Schwab.

SCM will subscribe to certain electronic information services offered by Schwab. The primary services to which the firm subscribes are the capability to: (1) direct Schwab via electronic means to purchase and sell securities in client accounts; (2) electronically produce copies of Schwab forms and applications; receive copies of client trade confirmations via electronic means; (3) receive via electronic means certain account status reports; (4) download daily account transactions for all client accounts via electronic means that is acceptable to SCM's portfolio management computer software; (5) download the daily closing price of all security positions held in client accounts via electronic means in a format that is acceptable to SCM's portfolio management computer software; and (6) cross reference composite client investment information with individual account balances and positions. Schwab charges a quarterly fee for these services. However, to the extent that client accounts at Schwab for which SCM provides Investment Advisory Services have a minimum asset value and if the firm directs mutual fund trades via electronic means,

receives electronic trade confirmations, and generates Schwab forms and applications via electronic means, then these fees are waived by Schwab.

The waiver of fees for electronic information services is available to all investment advisors that meet the foregoing criteria. Neither the commission schedule negotiated between SCM and Schwab on behalf of clients of the firm, nor the level of commissions generated in client accounts at Schwab are a factor in Schwab's election to waive its fees. However, a conflict of interest may exist since a condition of the fee waiver is that aggregate accounts at Schwab for which SCM provides Investment Advisory services must have a combined minimum value. SCM acknowledges its duty of best execution for its clients and the client's right to select a broker-dealer other than Schwab. Clients who designate the use of a particular broker-dealer other than Schwab should understand that (a) SCM will generally not attempt to negotiate commissions with designated broker-dealers; (b) clients may pay higher commissions; and (c) clients may not enjoy the same selection of mutual funds or enjoy as efficient execution as they might have had they not made such designation.

Investment Advisory Services clients may establish an account with any investment company group whose services are compatible with the investment strategies used by SCM. However, in the event that client elects to establish an account with an investment company group, SCM recommends the establishment of such account with specific investment company group(s). SCM's objective in recommending an investment company group is to obtain an adequate selection of better performing investment companies within the investment company group or separate accounts and to obtain sameday execution of SCM's instructions. SCM shall not receive any compensation from the investment company groups it recommends. Clients who designate the use of a particular investment company group, other than those recommended by SCM should understand that (a) client may pay a commission to purchase investment Company shares which other clients of SCM may not pay; (b) the investment performance of client's account may be worse than other clients of SCM with similar risk tolerance; and (c) clients may not enjoy as efficient an execution as they might have had they not made such designation.

SCM does not aggregate trades. All of our trades for both buys and sells are entered under each client's account number for exactly the amount of the investment that we want to own or sell for the client. There is no aggregation of trades and therefore, no allocation of trades back to our clients' accounts.

### **Item 13.**

James Spreng and Thomas Brown are responsible for the financial and investment advisory services, the client relationships and the coordination of client services for fewer than 700 households. Each account involving investment supervisory services is reviewed as frequently as necessary. The review of a client's investment account, their investment objectives, the continued appropriateness of the investment strategy selected by the client and the client's tolerance for risk are reviewed with the client on a schedule which is jointly agreed upon between the client and the officer of SCM who is responsible for the relationship with the client.

Additionally, once per quarter, investment supervisory clients are provided with a statement outlining the value of their account. Accompanying this statement is an inquiry seeking to ascertain whether or not a client's investment objectives, financial circumstances or personal needs have changed. Clients are requested to contact the firm if there is a change in their investment circumstance. Generally, an officer of SCM is available during normal business hours to discuss these changes and to take any and all appropriate actions.

Reviews of the investment positions contained in a client's account are conducted as necessary. Most client accounts are invested in mutual funds. The performance of all mutual fund investments which are owned in a client's account in conjunction with a given investment strategy (ies) is reviewed as necessary. Other securities are reviewed as is necessary. If a change of investment position is dictated in a client's account and SCM has discretionary authority to direct trades in that account, then instructions are given by SCM to the custodian broker or investment company to execute the appropriate change of investment position. These instructions are given without prior consultation with the client.

If a change of investment position is dictated in a client's account and SCM does not have discretionary authority to direct trades in that account, then the client is notified and the client is responsible to provide investment instructions to their custodian broker or investment company.

**Item 14.**

SCM does not compensate any clients or other professionals for referral of clients to SCM.

**Line 15.**

SCM does not have custody of clients' assets. SCM's custody of client's funds is limited to its ability to automatically deduct fees from the client's accounts. We deduct our fees directly from clients' accounts on a quarterly basis only. Clients receive regular statements from their selected custodian as well as quarterly reports from SCM. We urge clients to reconcile their statements from their selected custodian with the statements that are sent to them by SCM and contact us with any discrepancies or questions

**Line 16.**

In most circumstances, SCM has investment discretion over the accounts it supervises. Therefore the firm usually issues investment instructions to the custodian of its clients' accounts without prior consultation with client. Investment instructions given by SCM are consistent with the general goals and objectives of the investment strategy

(ies) that is selected by client. However, SCM will try to accommodate a client's individual instructions with regard to the firm's supervision of client's account.

SCM has discretion to select the amount and nature of securities which are purchased and sold in relation to those investment strategies selected by the client for SCM which provides a continuous and regular service. No options may be purchased nor may any securities be purchased on margin without first obtaining the consent of the client. In some instances, margin balances may be initiated by the client either through securities purchases or by writing a check for an amount which is greater than the cash available in the account.

**Item 17.**

SCM will not exercise proxy or class action voting authority over client securities. The obligation to vote client proxies and class actions shall at all time rest with the client. Client shall in no way be precluded from contacting SCM for advice or information about a particular proxy or class action vote. However, SCM shall not be deemed to have voting authority solely as a result of providing such advice to client.

Should SCM inadvertently receive proxy or class action information for a security held in a client's account, then SCM will immediately forward such information on to the client, but will not take any further action with respect to the voting of such proxy or class action.

**Item 18.**

SCM does not have custody nor require prepayment of fees. Therefore, we are not required to submit any financial information for the Firm.

**Item 19.**

Mr. Spreng's and Mr. Brown's education levels and prior experience are detailed in Part 2B of Form ADV. Mr. Brown also owns and operates an ancillary business as a Certified Public Accountant. Currently, 50% of his time would be spent in his capacity as an accountant. There may be sharing of clients between the investment advisement side and the accountant side as well as common facilities and staff. Clients do not have to use the services of both entities. They may use one or the other, or both, but only if they so choose

**THOMAS R. BROWN**

**SPRENG CAPITAL MANAGEMENT, INC**

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**February 24, 2017**

*This brochure supplement provides information about Thomas R. Brown that supplements the Spreng Capital Management, Inc brochure. You should have received a copy of that brochure. Please contact James Spreng if you did not receive Spreng Capital Management Inc. brochure or if you have any questions about the contents of this supplement.*

## Item 2.

**Brown, Thomas Ryan**

Date of Birth: January 9, 1974

### Education

1988-1992	Colonel Crawford High School, North Robinson, Ohio (General High School Diploma)
1992-1997	The Ohio State University (Bachelor of Science in Business Administration)

### Business Background

2010-Present	Spreng Capital Management, Inc. Vice President
2010-Present	Thomas R. Brown, CPA
2007-2010	Pigman, Brown, McElligott Ltd. CPA Partner Bucyrus, Ohio
2006-2007	Pigman, Brown & Company Inc. CPA Partner Bucyrus, Ohio
2006-2010	Spreng & Pigman Financial Advisory Group, Inc. n/k/a Spreng Capital Management, Inc. Secretary-Treasurer Bucyrus, Ohio
2001-2006	Pigman, Walter & Associates, PLL. Bucyrus, Ohio
1998-2001	Meeder Financial Columbus, Ohio
1998-1998	Paine Webber Columbus, Ohio

### Professional Designations and Examinations

Series 6-1996 (Ohio) NASD  
Series 63-1996 (Ohio) NASD  
Series 65-1996 (Ohio) NASD

The Series 6, 63 and 65 tests are tests administered by the National Association of Securities Dealers that tests the participant's knowledge of basic and more complicated terms and situations for investing and ethics.

**Item 3.**

Thomas R. Brown has no pending or past legal or disciplinary actions against him.

**Item 4.**

SCM is affiliated with Thomas R. Brown, CPA, a certified public accounting firm by virtue of Mr. Brown's sole ownership of Thomas Brown, CPA. The two companies share the same office space and certain personnel. The two companies may refer business to each other, which may raise a potential conflict of interest because of their common interest.

**Item 5.**

Thomas Brown's only compensation for Advisory Services is from SCM.

**Item 6.**

The following individual is responsible for monitoring Thomas R, Brown's advice and service to the clients' of SCM:

James A. Spreng  
Chief Compliance Officer and Principal  
Spreng Capital Management Inc.  
419-563-0084  
[jspreng@sprengcapital.com](mailto:jspreng@sprengcapital.com)

Mr. Spreng regularly sits in with Mr. Brown for client meetings, listens to phone conversations and reviews portfolios and trades that have been constructed and managed by Mr. Brown.

**Item 7.**

SCM is not a sole proprietor and therefore not required to provide an individual brochure supplement to clients.

**James A. Spreng**

**SPRENG CAPITAL MANAGEMENT, INC**

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## Item 2.

**Spreng, James Allen**

Date of Birth: January 2, 1952

### Education

1966-1970 Colonel Crawford High School, North Robinson, Ohio  
(General High School Diploma)  
1970-1974 Cornell University, Ithaca, New York  
(Bachelor of Science in Economics, Minor in Finance)

### Business Background

1999 – Present Spreng Capital Management, Inc.  
f/k/a Spreng & Pigman Financial Advisory Group, Inc.  
President, CEO, CIO  
1997 – 1999 Merrill Lynch Pierce Fenner & Smith  
Mansfield, Ohio  
Investments  
1974-1997 Longacre Farms, Inc., Bucyrus, Ohio  
Owner/Officer, Secretary

### Professional Designations and Examinations

Series 7 – July 1997 (Ohio) NASD  
Series 65 – August 1997 (Ohio) NASD  
Series 63 – July 1997 (Ohio) NASD  
Life & Health Insurance – 1995-2015 (now inactive)

The Series 7, 63 and 65 tests are tests administered by the National Association of Securities Dealers that tests the participant's knowledge of basic and more complicated terms and situations for investing and ethics. The Life and Health Insurance licensing by the State of Ohio measures the participant's knowledge of insurance products and ethics.

## Item 3.

James A. Spreng has no pending or past legal or disciplinary actions against him.

## Item 4.

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**Item 5.**

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**Item 6.**

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James A. Spreng  
Chief Compliance Officer and Principal  
Spreng Capital Management Inc.  
419-563-0084  
[jspreng@sprengcapital.com](mailto:jspreng@sprengcapital.com)

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