

# ROWLAND CARMICHAEL

Family Wealth Management<sup>SM</sup>

SEC File Number: 801 – 31188

## Rowland Carmichael Advisors, Inc.

### Brochure Dated 03/20/2012

Contact: Janice Lee Orick, Chief Compliance Officer  
7272 East Indian School Road, Suite 212  
Scottsdale, Arizona 85251-3970  
[www.rowlandcarmichael.com](http://www.rowlandcarmichael.com)

This brochure provides information about the qualifications and business practices of Rowland Carmichael Advisors, Inc. ("RCA"). If you have any questions about the contents of this brochure, please contact us at (480) 421-2660 or ([janice.l.orick@rcla.com](mailto:janice.l.orick@rcla.com)). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

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

References herein to RCA as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2        Material Changes**

There have been no material changes made to RCA’s disclosure statement since last year’s Annual Amendment filing on March 29, 2011.

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## Item 4      Advisory Business

- A. Rowland Carmichael Advisors, Inc. ("RCA") is a corporation formed on July 11, 1986 in the State of Arizona. RCA became registered with the SEC as an Investment Adviser Firm on January 29, 1988. RCA's principal owners are Timothy L. Rowland and David L. Carmichael. Mr. Rowland and Mr. Carmichael are RCA's Principals.
- B. As discussed below, RCA offers to its clients investment advisory services and, to the extent specifically requested by a client, financial planning and related consulting services on a stand-alone basis.

### **INVESTMENT ADVISORY SERVICES**

RCA provides continuous asset management service to its clients. RCA may develop a written report detailing investment policies and objectives, including asset allocation, based on the client's individual needs. RCA manages a client's individual portfolios of investments. Acting with limited trading authorization, RCA effects transactions necessary to implement the client's investment objectives as developed by RCA's analysis.

The client may choose which bank, trust company, or broker/dealer will hold their account. Any custodial service fees will be in addition to the fees indicated below. If the client chooses the affiliated broker/dealer of RCA for brokerage services, it is done at the direction and consent of the client.

Before RCA will provide investment advisory services, the client is required to enter into a formal *Investment Management Agreement* with RCA and a separate custodial/clearing agreement with each designated broker-dealer/custodian. The *Investment Management Agreement* sets the terms and conditions under which RCA will manage the client's assets.

The client can engage RCA to provide discretionary investment advisory services on a *fee* basis. RCA's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under RCA's management (between 1.50% and 0.15 %) as follows:

<b>Account Assets under Management</b>	<b>Quarterly Fee (% of Assets)</b>
\$0 to \$250,000	.375% (1.50% per year)
Next \$250,000	.3125% (1.25% per year)
Next \$500,000	.25% (1.00% per year)
Next \$2,000,000	.1875% (0.75% per year)
Balance of Account	.15% (0.60% per year)

### **INVESTMENT CONSULTING SERVICES**

The client may engage RCA to provide investment consulting services which may include the development of a written report establishing investment policies and objectives for the client. If engaged by the client, RCA will analyze the historical performance of the client's investments relative to their investment objectives and identify and locate other investment advisors for the client's consideration. These Independent Investment Managers will have met or exceeded RCA's required performance and risk avoidance standards.

All advisory consulting services are inclusive and include performance monitoring, manager searches, asset allocation studies, and investment policy and objective development. RCA will monitor the client's account, providing comparisons of the client's actual results against targeted objectives. RCA will provide this comparison to the client at least quarterly.

Before RCA provides consulting services, the client is required to enter into a formal *Limited Consulting Agreement* with RCA setting forth the terms and conditions under which RCA shall provide services.

The fee includes all consulting services for performance monitoring, asset allocation and manager searches. A quarterly asset-based fee will be charged for the consulting services. The fee will be a percentage of the assets under RCA's management, payable quarterly in advance; RCA's consulting services will continue until either party gives written notice to the other party of its intention to terminate. Transactions in progress will be completed in the normal course of business. Upon termination, the client shall receive a pro-rated refund of that portion of any prepaid consulting fees that have yet to be earned by RCA. Such refund will be calculated from the date of termination.

Fees will be calculated as follows:

<b>Account Assets under Management</b>	<b>Quarterly Fee (% of Assets)</b>
\$0 to \$250,000	.375% (1.50% per year)
Next \$250,000	.3125% (1.25% per year)
Next \$500,000	.25% (1.00% per year)
Next \$2,000,000	.1875% (0.75% per year)
Next \$2,000,000	.15% (0.60% per year)
\$5,000,000 Plus	.125% (0.50% per year)

If a consulting client elects to hire an investment advisor, ("Independent Manager[s]"), the fee paid to the selected Independent Manager will be in addition to the consulting fee paid to RCA. The fee charged by the

Independent Manager, terms of payment, and termination of service, is determined by the Independent Manager and disclosed in the contract of the investment advisor. RCA does not receive payment from the Independent Manager nor does RCA pay any fees to the Independent Manager as a consequence of locating an Independent Manager for the client's consideration. There are no additional fees charged to the client by RCA as a consequence of locating an Independent Manager for the client's consideration.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, RCA *may* provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. RCA's planning and consulting fees are negotiable, but generally range from \$2,000 to \$5,000 on a fixed fee basis, and \$250 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging RCA to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with RCA setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to RCA commencing services. If requested by the client, RCA may recommend the services of other professionals, including RCA's representatives in their individual capacities as licensed insurance and real estate agents. (See disclosure at Items 10 C. 8 and 10 C. 9). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from RCA.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify RCA if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising RCA's previous recommendations and/or services.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent specifically requested by the client, RCA *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither RCA, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of RCA's services should be construed as the same. To the extent requested by a client, RCA may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of RCA in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from RCA.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify RCA if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising RCA's previous recommendations and/or services.

**Private Investment Funds.** RCA may provide investment advice regarding unaffiliated private investment funds. RCA's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of RCA calculating its investment advisory fee. RCA's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principle, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified to investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that RCA references private investment funds owned by the client on any supplemental account reports prepared by RCA, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Independent Manager[s].** RCA may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets. RCA shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation, and client investment objectives. Factors which RCA shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Client Obligations.** In performing its services, RCA is not required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify RCA if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising RCA's previous recommendations and/or services.

**Disclosure Statement.** A copy of RCA's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement, Limited Consulting Agreement, or Financial Planning and Consulting Agreement*. Any client who has not received a copy of RCA's written Brochure at least 48 hours prior to executing the *Investment Advisory Agreement, Limited Consulting Agreement, or Financial Planning and Consulting Agreement* shall have five business days subsequent to executing the agreement to terminate RCA's services without penalty.

- C. RCA shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, RCA shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on RCA's services.

- D. RCA does not participate in a wrap fee program.
- E. As of December 31, 2010, RCA had \$372,792,132 in assets under management on a discretionary basis.

## **Item 5        Fees and Compensation**

- A. The client can engage RCA to provide discretionary investment advisory services on a *fee* basis.

### **INVESTMENT ADVISORY SERVICES**

If a client engages RCA to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis, RCA's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under RCA's management (between 1.50% and 0.15 %) as follows:

<b>Account Assets under Management</b>	<b>Quarterly Fee (% of Assets)</b>
\$0 to \$250,000	.375% (1.50% per year)
Next \$250,000	.3125%(1.25% per year)
Next \$500,000	.25% (1.00% per year)
Next \$2,000,000	.1875%(0.75% per year)
Balance of Account	.15% (0.60% per year)

### **INVESTMENT CONSULTING SERVICES**

The client may engage RCA to provide investment consulting services which may include the development of a written report establishing investment policies and objectives for the client. If engaged by the client, RCA will analyze the historical performance of the client's investments relative to their investment objectives and identify and locate other investment advisors for the client's consideration. These investment advisors will have historically met or exceeded RCA's required performance and risk avoidance standards.

The fee includes all consulting services for performance monitoring, asset allocation and manager searches.



Fees will be calculated as follows:

Account Assets	Quarterly Fee (% of Assets)
\$0 to \$250,000	.375% (1.50% per year)
Next \$250,000	.3125% (1.25% per year)
Next \$500,000	.25% (1.00% per year)
Next \$2,000,000	.1875% (0.75% per year)
Next \$2,000,000	.15% (0.60% per year)
\$5,000,000 Plus	.125% (0.50% per year)

#### **FINANCIAL PLANNING AND CONSULTING SERVICES FEES**

To the extent requested by a client, RCA *may* provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. RCA's planning and consulting fees are negotiable, but generally range from \$2,000 to \$5,000 on a fixed fee basis, and \$250 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have RCA's advisory fees deducted from their custodial account. Both RCA's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of RCA's investment advisory fee and to directly remit that management fee to RCA in compliance with regulatory procedures. In the limited event that RCA bills the client directly, payment is due upon receipt of RCA's invoice. RCA shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, RCA generally recommends that Charles Schwab & Co., Inc. ("Schwab") and/or TD Ameritrade Inc., ("TD Ameritrade") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab and TD Ameritrade charge brokerage commissions and/or transaction fees for certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom RCA and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by Schwab and/or TD Ameritrade). Clients will incur, in addition to RCA's investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual

fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. RCA's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. RCA does not generally require an annual minimum fee or asset level for investment advisory services. RCA, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between RCA and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, RCA shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

RCA's investment consulting services will be in effect until either party gives written notice to the other party of its intention to terminate. Transactions in progress will be completed in the normal course of business. Upon termination, the client shall receive a pro-rated refund of that portion of any prepaid consulting fees that have yet to be earned by RCA.

- E. Neither RCA, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither RCA nor any supervised person of RCA accepts performance-based fees.

## **Item 7      Types of Clients**

RCA's clients generally include individuals, business entities, pension and profit sharing plans, trusts, estates and charitable organizations, etc. RCA does not generally require an annual minimum fee or asset level for investment advisory services. RCA, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. RCA may utilize the following methods of security analysis:
- Fundamental — (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical — (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

RCA may utilize the following investment strategies when implementing investment advice given to clients:

- Long-Term Purchases (securities held at least a year)
- Short-Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by RCA) will be profitable or equal any specific performance level(s).

- B. RCA's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis RCA must have access to current/new market information. RCA has no control over the dissemination rate of market information; therefore, unbeknownst to RCA, certain analyses may be compiled with outdated market information, severely limiting the value of RCA's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

RCA's primary investment strategies—Long-Term Purchases, Short-Term Purchases, and Trading—are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs

when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, RCA primarily allocates investment management assets among various mutual funds, individual fixed income and equity securities and alternative investments, on a discretionary basis, in accordance with the client's designated investment objective(s). RCA may also provide investment advisory services relative to client assets that are being actively managed by an unaffiliated investment manager (see disclosure below regarding Independent Manager[s]).

## Item 9      **Disciplinary Information**

RCA has not been the subject to any disciplinary actions.

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

- A. Neither RCA, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither RCA, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
8. **Licensed Insurance Agents.** David L. Carmichael or Corey M. Bird, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4 B above, clients can engage certain of RCA's representatives to effect insurance transactions on a commission basis.
- **Conflict of Interest:** The recommendation by either David L. Carmichael or Corey M. Bird that a client purchase an insurance commission product presents a *conflict of interest*, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from David L. Carmichael or Corey M. Bird. Clients are reminded that they may purchase insurance products recommended by RCA through other, non-affiliated insurance agents. **RCA's Chief Compliance Officer, Janice Lee Orick, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

9. **Real Estate Agent.** For the purpose of providing advice to RCA's clients with regard to real estate investments, specifically but not limited to 1031 Like-Kind Exchanges, RCA's President, David L. Carmichael, holds an Arizona Real Estate license. Mr. Carmichael is associated with A Better Realty.Net, a designated real estate agent in the state of Arizona, located at 8330 East Broadway Road, Mesa, Arizona. As consideration for Mr. Carmichael's association with A Better Realty.Net, A Better Realty.Net has agreed to pay David L. Carmichael a percentage of the commissions generated by the real estate activity of Mr. Carmichael. The commissions are paid by A Better Realty.Net and not by RCA's clients. **RCA's Chief Compliance Officer, Janice Lee Orick, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

- C. RCA does not receive, directly or indirectly, compensation from investment advisors or Independent Manager[s] that it recommends or selects for its clients.

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

- A. RCA maintains an investment policy relative to personal securities transactions. This investment policy is part of RCA's overall Code of Ethics, which serves to establish a standard of business conduct for all of RCA's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, RCA also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by RCA or any person associated with RCA.

- B. Neither RCA nor any related person of RCA recommends, buys, or sells for client accounts, securities in which RCA or any related person of RCA has a material financial interest.
- C. RCA and/or representatives of RCA *may* buy or sell securities that are also recommended to clients. This practice may create a situation where RCA and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a ***potential conflict of interest***. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if RCA did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of RCA's

clients) and other potentially abusive practices.

RCA has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of RCA's "Access Persons." RCA's securities truncation policy requires that Access Persons of RCA must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date RCA selects; provided, however that at any time that RCA has only one Access Person, he or she shall not be required to submit any securities report described above.

RCA and/or representatives of RCA are restricted in purchasing or selling a security for his/her own, or related family member's account within 24 hours prior to, or within 24 hours after, a similar recommendation or trade has been made to a client or executed in a client account.

- D. RCA and/or representatives of RCA *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where RCA and/or representatives of the firm are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, RCA has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of RCA's Access Persons.

## **Item 12      Brokerage Practices**

- A. If a client requests that RCA recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct RCA to use a specific broker-dealer/custodian), RCA generally recommends that investment management accounts be maintained at Schwab and/or TD Ameritrade. Prior to engaging RCA to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with RCA setting forth the terms and conditions under which RCA shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that RCA considers in recommending Schwab and/or TD Ameritrade (or any other broker-dealer/custodian) include historical relationship with RCA, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by RCA's clients comply with RCA's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same

transaction where RCA determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although RCA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, RCA's investment management fee. RCA's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. **TD Institutional Consumer Program**

RCA participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. RCA receives some benefits from TD Ameritrade through its participation in the program.

RCA may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between RCA's participation in the program and the investment advice it gives to its clients, but RCA does receive economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to RCA by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by RCA's related persons and may also pay or reimburse expenses (including travel, lodging, and meals expenses) for RCA's

personnel to attend conferences or meetings relating to the program or to TD Ameritrade's advisor custody and brokerage services generally. Some of the products and services made available by TD Ameritrade through the program may benefit RCA but may not benefit its client accounts. These products or services may assist RCA in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help RCA manage and further develop its business enterprise. The benefits received by RCA through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by RCA in and of itself creates a ***potential conflict of interest*** and may indirectly influence RCA's recommendation of TD Ameritrade for custody and brokerage services.

#### Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, RCA may receive from Schwab and/or TD Ameritrade, without cost (and/or at a discount) support services and/or products, certain of which assist RCA to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by RCA may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by RCA in furtherance of its investment advisory business operations.

#### TD Ameritrade Additional Services

RCA also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to other independent investment advisors participating in the program. Specifically, the Additional Services currently include and are subject to change:

- ByAllAccounts, account aggregation and data aggregation for portfolio management.
- fi360, fiduciary education, analytical and reporting technology.
- FBI's, Fiduciary Benchmarks, Inc., independent and comprehensive benchmark services for defined contribution plans.



- Litman Gregory Advisor Intelligence, independent industry research.
- MoneyGuidePro, financial planning software.
- Morningstar, comprehensive portfolio management tools, portfolio analysis and stock and mutual fund analyst reports software.
- Redtail, web-based client relationship management, (CRM).
- Retirement Plan Advisory Group, fiduciary compliance and benchmarking, investment due diligence, quarterly mutual fund comparison database with reports, 401(k) investment option searches and research, investment policy statements and legislative updates.
- Schwab Performance Technologies/PortfolioCenter, portfolio data management, performance and reporting software.
- Thomson Reuters Financial, investment research and analysis.
- Zephyr Associates, Inc., performance analysis software.
- Zywave, needs analysis and financial planning software.

TD Ameritrade provides the Additional Services to RCA in its sole discretion and at its own expense; RCA does not pay any fees to TD Ameritrade for the Additional Services. RCA and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

RCA's receipt of Additional Services raises ***potential conflicts of interest***. In providing Additional Services to RCA, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, RCA's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with RCA, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, RCA may have an incentive to recommend to its clients that the assets under management by RCA be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. RCA's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including seeking the best execution of trades for client accounts.

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

RCA currently does not maintain any formal soft dollar arrangements. Although not a material consideration when determining whether to recommend that a client utilize the services

of a particular broker-dealer/custodian, RCA may receive from Schwab (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist RCA to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by RCA may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted and/or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by RCA in furtherance of its investment advisory business operations. Specifically, Schwab has extended a "courtesy discount" to RCA that has been applied to the annual maintenance fee associated with RCA's use of PortfolioCenter portfolio management software.

As indicated above, certain of the support services and/or products that *may* be received may assist RCA in managing and administering client accounts. Others do not directly provide such assistance, but rather assist RCA to manage and further develop its business enterprise.

RCA's clients do not pay more for investment transactions effected and/or assets maintained at Schwab and/or TD Ameritrade as a result of these arrangements. There is no corresponding commitment made by RCA to Schwab, TD Ameritrade or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements.

**RCA's Chief Compliance Officer, Janice Lee Orick, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding or perceived *conflict of interest* any such arrangement may create.**

2. RCA does not receive referrals from broker-dealers.
3. RCA does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client-directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and RCA will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by RCA. As a

result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs RCA to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through RCA.

**RCA's Chief Compliance Officer, Janice Lee Orick, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that RCA provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless RCA decides to purchase or sell the same securities for several clients at approximately the same time. RCA may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among RCA's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. RCA shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. For those clients to whom RCA provides investment supervisory services, account reviews are conducted on an ongoing basis by RCA's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise RCA of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with RCA on an annual basis.
- B. RCA **may** conduct account reviews on any other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. RCA may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12 A. 1. above, RCA may receive an indirect economic benefit from Schwab and/or TD Ameritrade. RCA, without cost (and/or at a discount), may receive support services and/or products from Schwab and/or TD Ameritrade.

RCA's clients do not pay more for investment transactions effected and/or assets maintained at Schwab or TD Ameritrade as a result of this arrangement. There is no corresponding commitment made by RCA to Schwab, TD Ameritrade or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**RCA's Chief Compliance Officer, Janice Lee Orick, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding or perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to RCA by either an unaffiliated or an affiliated solicitor, RCA **may** pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from RCA's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to RCA by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of RCA's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between RCA and the solicitor, including the compensation to be received by the solicitor from RCA.

#### **Item 15      Custody**

RCA shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian

and/or program sponsor for the client accounts. RCA may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that RCA provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by RCA with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of RCA's advisory fee calculation.

## **Item 16 Investment Discretion**

The client can engage RCA to provide investment advisory services on a discretionary basis. Prior to RCA assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement* and/or *Limited Consulting Agreement*, naming RCA as client's attorney and agent in fact, granting RCA full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name or found in the discretionary account.

Clients who engage RCA on a discretionary basis may, at any time, impose restrictions, **in writing**, on RCA's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe RCA's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. Unless the client directs otherwise in writing, RCA (and/or the Independent Manager[s]) is responsible for voting client proxies. (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other events pertaining to the account assets, including, but not limited to, class action lawsuits). RCA shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. RCA shall monitor corporate actions of individual issuers and investment companies consistent with RCA's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which RCA will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include the following: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees, and executive and director compensation. With respect to individual issuers, RCA may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), RCA may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. RCA

shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how RCA voted on any specific proxy issue is also available upon written request. Requests should be made by contacting RCA's Chief Compliance Officer, Janice Lee Orick.

- B. As set forth in Item 17 A., RCA (and/or the Independent Manager[s]) votes client proxies.

## **Item 18      Financial Information**

- A. RCA does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. RCA is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. RCA has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: RCA's Chief Compliance Officer, Janice Lee Orick, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**