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This brochure provides information about the qualifications and business practices of Rench & Muir Financial Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 940-387-7526 and/or tmuir@ramfa.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 Rench & Muir Financial Advisors, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

The last annual update of this brochure was in March 2011. Material changes that have occurred since that update are as follows:

In August 2011, Rusty Falling left the Firm.

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ADVISORY BUSINESS

Advisory Firm Description

Rench & Muir Financial Advisors, Inc. ("RAMFA" or the "Firm") has been in business since December 1998. The principal owners are James Allen Rench and Thomas Earl Muir.

Types of Advisory Services

PORTFOLIO MANAGEMENT SERVICES

RAMFA provides investment supervisory services, including portfolio selection and portfolio management services. Investment advice is based on the individual needs and objectives of the client, and progress toward these goals is monitored periodically.

When opening an investment management account, the advisory representative obtains the necessary information to assist the client in determining the suitability of an investment program. This includes helping the client assess his or her risk tolerance and setting appropriate investment objectives (i.e., growth, income, growth and income, etc.). An advisory representative of RAMFA then suggests investment portfolio alternatives to meet the client's objectives factoring in the current investment and economic conditions. Clients are under no obligation to accept recommendations by the advisor or authorize transactions through the advisor or related persons of the advisor.

FINANCIAL PLANNING SERVICES

RAMFA prepares financial plans that may include an analysis of all or selected topics from the following areas as they apply to each client's situation:

- Retirement Planning
- Education Planning
- Investment Planning
- Portfolio Analysis
- Tax Planning
- Risk Management
- Estate Planning

RAMFA gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed and a written report is prepared. Should a client choose to implement the recommendations contained in the plan, RAMFA suggests a client work closely with his attorney, accountant, insurance agent and other professionals that he may wish to consult. Implementation of financial plan recommendations is entirely at the client's discretion.

Tailored Advisory Services

RAMFA will tailor a financial plan to each client, determining the client's financial goals, objective and requirements. Each portfolio is tailored similarly, by matching a client's investment objective and risk tolerance, goals and objectives to the appropriate asset allocation and mix of securities. Some clients restrict the Firm from buying or selling particular investments in their portfolios. Any client may change or add restrictions at any time by notifying RAMFA in writing or by phone.

Client Assets Under Management

At December 31, 2011, the Firm had \$217,734,332 of discretionary assets under management and \$8,440,131 of non-discretionary assets under management.

FEES AND COMPENSATION

ASSET MANAGEMENT FEES

The client's account will be billed automatically for asset management fees, in accordance with the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>	<u>Billed Quarterly</u>
First \$250,000*	1.00%	.2500%
\$250,001 – 500,000	.75%	.1875%
\$500,001 – 1,000,000	.50%	.1250%
Over 1,000,000	.25%	.0625%

*Subject to an annual minimum fee of \$2,500. At the advisor's discretion and upon agreement by the client, the minimum fee may be adjusted to an alternative annual asset management percentage for assets below the minimum account size.

RAMFA may negotiate its fee schedule. When determining a negotiated fee schedule, the Firm may consider, but is not limited to consideration of, the size of the prospective client, the prospective client's potential to refer future business, and the expected costs of maintaining the client relationship.

Fees for RAMFA's portfolio management services are billed quarterly in advance and are deducted from the client's account. Fees are calculated by multiplying one fourth of the indicated annual fee by the total dollar amount of assets under management at the market close on the first trading day of each calendar quarter. For accounts that are placed under management after the beginning of the quarter, the management fee will be prorated based on the number of days during the quarter the assets were held in the account. Upon termination, the client is entitled to a pro rata refund of any pre-paid quarterly fee based upon the number of days remaining in the quarter after termination. Either party, upon written notice, may terminate the investment advisory agreement.

Clients should be aware that, in addition to the investment advisory fees paid by the client in connection with the advisor's portfolio management services, each mutual fund

or exchange traded fund ("ETF") also charges its own separate investment advisory management fees and other expenses. The fees and expenses are generally described in each fund's prospectus. A client could invest in a fund directly, without the services of RAMFA. In that case, the client would not receive the service provided by RAMFA which are designed, among other things, to assist the client in determining which funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by RAMFA to understand fully the total amount of fees to be paid by the client and to evaluate the advisory services being provided. When RAMFA recommends investment in an open-ended mutual fund, it only recommends a no load fund.

TRANSACTION CHARGES

To the extent that security transactions are executed only through Schwab or Fidelity, they may be subject to commissions or transaction-related charges which are paid by the client according to the custodian's most current fee schedule. This schedule will be provided to the client upon request. Please see "Brokerage Practices" for more details on RAMFA's selection of brokers and its trading practices.

FINANCIAL PLANNING FLAT FEE

A flat fee will be calculated and agreed to with the client based on the nature and complexity of the client's situation. Any financial planning fee is agreed on between the client and RAMFA prior to RAMFA undertaking the work. Fees typically range from \$750 to \$5000, but are forecast on an individual basis and tailored to each person's situation. An installment of \$250 is payable upon the signing of the agreement with the balance due upon delivery of the written plan. The financial planning fee discussed above may be credited against client's initial asset management fee should the client decide to enter into an investment management agreement with RAMFA within 90 days of entering into the financial planning engagement.

RAMFA guarantees client's satisfaction with the final plan. RAMFA reserves the right to adjust the plan to tailor it to a client's requests. However, if RAMFA is not able to rewrite the plan to the client's satisfaction, then RAMFA will return the total of all fees paid. The clients agree to return the original plan to RAMFA upon receipt of the refund.

SPECIFICALLY REQUESTED FINANCIAL PLANNING SERVICES

RAMFA can also work with clients on specific issues, where the client chooses not to engage RAMFA for a complete financial plan. The fee for such services is generally a set flat fee agreed upon by the client and the advisor. The fee generally ranges from \$250 to \$1000, and varies with the complexity and estimated time needed to complete the requested analysis. RAMFA reserves the right not to set a flat fee and bill at \$125 per hour should a time estimate not be possible or should the client not wish to enter a flat-fee arrangement. The fee may be applied toward a comprehensive plan fee or an investment management fee, if the client notifies RAMFA within 90 days of entering into such engagement. These fees will be due upon completion of the project or receipt of an invoice.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

This section does not apply to RAMFA, as it does not charge performance-based fees.

TYPES OF CLIENTS

RAMFA provides portfolio management services to the following types of clients:

- Individuals
- High net worth individuals
- Pension and profit sharing plans
- Trusts, estates or charitable organizations
- Corporations or business entities other than those listed above

The minimum investment account size is \$250,000. However, a smaller account may be solicited or accepted at RAMFA's discretion. Factors considered in this decision can include the prospects that the account could eventually exceed \$250,000 because of projected cash flow or the possible reallocation of a client's assets. RAMFA and/or its representatives reserve the right to decline services.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

RAMFA focuses primarily on fundamental analysis. However, the Firm may give consideration to technical aspects of an investment based on the economic environment, the investment's cyclical position and its suitability to the particular client. RAMFA may also review charts and other technical indicators in making investment decisions.

RAMFA uses various sources for its research. In choosing mutual funds and ETFs, a primary source of information is the Morningstar research database. This research is often supplemented and enhanced by reviewing information directly from the fund family, including prospectuses and other research.

RAMFA generally uses a mixture of no-load mutual funds, ETFs and some individual stocks to implement a broadly diversified strategy. This provides risk control and historically raises the probability of long-term success. Diversification provides a strategy that can be maintained through the ups and downs of volatile markets, allowing a client to build time in the market, rather than timing the market.

When new clients come to RAMFA with securities already in place, RAMFA will provide advice on such securities, as needed, to assist clients.

ASSET ALLOCATION PROGRAM

Advisory clients' accounts are generally invested in, but not restricted to, registered open-end investment companies ("mutual funds"), ETFs and individual stocks. The advisory representative selects investments that meet the client's objective and risk temperament, given overall investment and economic conditions.

In designing an allocation of diverse investments, RAMFA uses a multi-step process. First, the investor's investment objectives, time horizons and risk tolerance are evaluated through fact gathering and discussion. Then, an allocation is designed consistent with the client's long-term goals. The asset allocation is disciplined and tailored to a long-term approach and will be maintained until economic circumstances, the client's risk tolerance, goals and/or objective changes. Multiple investments are utilized to diversify among asset classes, styles and strategies. RAMFA may select retail as well as institutional funds. The investments are monitored for performance, volatility and style consistency. Should the client's individual situation change, the client should notify RAMFA. An advisor representative can assist the client in revising the current portfolio or determining whether an adjustment in his allocation is needed based on the client's new situation.

RAMFA generally holds to a long-term asset allocation investment process. Due to unique client circumstances, there may be the need to supplement this core long-term strategy with short-term purchases, short sales, margin transactions or options strategies. These unique strategies are implemented to manage concentrated position risk, to control the timing of taxation associated with larger positions or to manage overall portfolio risk.

Although RAMFA generally invests client assets in a diversified portfolio of mutual funds, ETFs and individual stocks, diversification and asset allocation may be accomplished through other types of investments, including closed-end funds, stock options, fixed income securities, hybrid fixed income securities and separately managed accounts. The appropriateness of the investment mix is determined in consultation with the client and is dictated by the client's goals and objectives.

CONCENTRATED STOCK RISK MANGEMENT

Some clients come to RAMFA with large concentrated stock positions. RAMFA helps clients weigh the risk of maintaining the position by considering multiple factors. These factors may include the taxability of any gain realized, the prospects for the stock and the availability of other hedging strategies. RAMFA may recommend several risk control measures, including exchange funds, variable delivery forwards, negatively correlated investments and risk controlling options strategies. Clients in key positions with their company may be limited in their ability to trade their company stock. In such cases, trading may be accomplished during open windows or through the use of a section 10b5-1 plan.

RISK OF LOSS

RAMFA does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the Firm's overall management of the account. The client understands that investment decisions made for the client's account by the Firm are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. Some ETFs contain hedging strategies that may increase the potential for loss beyond the initial investment in quickly moving markets. The client understands that investing in any security entails risk of loss.

DISCIPLINARY INFORMATION

There have been no disciplinary actions against RAMFA.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

RAMFA is not affiliated with a broker-dealer and does not have any other financial industry activities or affiliations beyond its role as investment advisor.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics

RAMFA has adopted a Code of Ethics which describes the general standards of conduct that the Firm expects of all Firm personnel (collectively referred to as “employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect the client:

- Misuse of nonpublic information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including termination with the Firm. Any client or prospective client may request a copy of the Firm’s Code of Ethics which will be provided at no cost.

The following basic principles guide all aspects of the Firm’s business and represent the minimum requirements to which the Firm expects employees to adhere:

- Clients’ interests come before employees’ personal interests and before the Firm’s interests.
- The Firm must fully disclose all material facts about conflicts of interest of which it is aware between itself and clients as well as between Firm employees and clients.
- Employees must operate on the Firm’s behalf and on their own behalf consistently with the Firm’s disclosures and to manage the impacts of those conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with or responsibility to clients.
- The Firm and its employees must always comply with all applicable securities laws.

Misuse of Nonpublic Information

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm. Employees may not convey nonpublic information nor depend upon it in placing personal or clients' securities trades.

Personal Securities Trading

RAMFA, or individuals associated with RAMFA, may buy or sell securities identical to those recommended to customers for their personal accounts. Such trades may occur no sooner than one day after trades placed on behalf of clients. In addition, any related person(s) may have an interest or position in a certain security that may also be recommended to a client.

RAMFA often recommends mutual fund portfolios to its clients. Mutual funds are traded at the close of each trading day, thereby eliminating any price advantage that a person associated with RAMFA might reserve over RAMFA's clients. Therefore RAMFA's employees are allowed to trade in mutual funds at their discretion. RAMFA employees are also allowed to trade in equities and other securities after approval by the Chief Compliance Officer. Gifts received from vendors are to be valued at no more than \$200.00.

Employees are required to submit reports of personal securities trades on a quarterly basis, and securities holdings annually. These are reviewed by the Chief Compliance Officer to ensure compliance with the Firm's policies.

Outside Business Activities

Firm personnel may be directors of publicly traded entities only with prior approval of the Chief Compliance Officer. Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease this activity.

BROKERAGE PRACTICES

RAMFA participates in the Schwab Institutional (SI) services program offered to independent investment advisors by Charles Schwab & Company, Inc. ("Schwab"), a FINRA-registered broker-dealer. Clients in need of brokerage and custodial services will generally have Schwab recommended to them due to Schwab's:

- Discounted commission structure
- Arrangements with multiple mutual fund families to trade through Schwab
- Financial stability
- Provision of account information online to all clients
- Client service to RAMFA and its clients and
- Ease of reporting to RAMFA and its clients.

As part of the SI program, RAMFA receives benefits that it would not receive if it did not offer investment advice.

Additionally, some clients may be required to use Fidelity Investments as a custodian because of its availability on the employee investment platform at the University of North Texas.

Clients approve the use of Schwab, Fidelity, or other alternative broker-dealers prior to their use as custodian. In recommending the use of a particular broker-dealer, it should be understood that the client will be subject to that particular broker-dealer's transaction or commission schedule. RAMFA may not have the authority to negotiate commissions, transaction fees or obtain volume discounts beyond those disclosed in its advisory contract. This could affect the execution costs borne by the client, and may result in a disparity in commission or transaction charges among clients. RAMFA enacts all trades through the custodian to avoid incurring "trade away" fees. Not all transactions enacted at Schwab or Fidelity incur commissions or transaction charges.

Research and Other Soft-Dollar Benefits

Schwab provides RAMFA with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional. These services are not contingent upon RAMFA committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For RAMFA's client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to RAMFA other products and services that benefit RAMFA but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of RAMFA's accounts.

Schwab's products and services that assist RAMFA in managing and administering clients' accounts include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide research, pricing and other market data

- Facilitate payment of RAMFA's fees from its clients' accounts
- Assist with back-office functions, recordkeeping and client reporting

Schwab Institutional also offers other services intended to help RAMFA manage and further develop its business enterprise. These services may include:

- Compliance, legal and business consulting
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to RAMFA: Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to RAMFA. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of RAMFA personnel. In evaluating whether to require that clients custody their assets at Schwab, RAMFA may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

As an alternative to Schwab as a custodian, certain clients may be required to custody their assets at Fidelity Investments. This is generally done because Fidelity is available on the employee investment platform at the University of North Texas. As a result of maintaining custody for some accounts at Fidelity, RAMFA may have available to it research, technology, and/or trading tools to facilitate the management of client accounts.

Brokerage for Client Referrals

RAMFA does not direct trades to particular brokers in exchange for receiving client referrals.

Directed Brokerage

Clients are not allowed to request that trades be enacted through a specific broker. RAMFA requires clients to use one of the Firm's recommended broker-dealers as account custodian. Not all advisors require their clients to use a particular custodian or broker.

Order Aggregation

RMFA will generally not aggregate brokerage orders for clients. Accounts are managed on a rolling basis, so accounts are traded one at a time unless a firm or strategy-wide change from one fund or investment to another is underway. Since both Fidelity and Schwab charge transaction fees at the account level whether or not a trade is placed as

a block trade, RAMFA's practice of not aggregating trades does not affect client account balances. However, trades enacted for clients in securities traded during the day, such as ETFs, will receive different prices. This would not be the case if RAMFA were to aggregate trade orders in the same security on the same day across multiple client accounts.

REVIEW OF ACCOUNTS

Investment Supervisory Services: RAMFA conducts periodic reviews of client accounts, generally no less than annually. These reviews entail comparing the client's investment objective to the portfolio holdings, cash flows, changes in the client's financial position, and often discussion with the client.

An advisor will meet with each client on a periodic basis to review his account. Frequency of these reviews can be impacted by several factors including:

- The complexity of the client's financial situation
- Unexpected changes in the client's goals or objectives
- Changes in political and economic circumstances
- Other lifestyle changes warranting a review of the client's financial situation

Periodic written performance reports will be prepared for each review in addition to the monthly account statements and confirmations that are generated by the custodian of the assets.

Financial Planning: Reviews of financial planning client accounts are provided as contracted at the inception of the advisory relationship and as dictated by changes in a current client's financial situation. Reports are provided accordingly.

CLIENT REFERRALS AND OTHER COMPENSATION

RAMFA does not pay outside parties for referring clients. The Firm receives no cash benefit, including commissions, from any party in connection with clients' accounts.

CUSTODY

Generally, the client's investments are held at Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, Member SIPC. However, some clients maintain custody at Fidelity Investments ("Fidelity") because of its availability on the employee investment platform at the University of North Texas. Advisory representatives do not usually recommend investment of an advisory client's account in investments that are not sold by or through Schwab or Fidelity. However, the advisor may make a recommendation of an alternative custodian should a client's situation warrant such alternative recommendation.

Although RAMFA may recommend that clients establish accounts at Schwab or Fidelity, depending on their individual circumstances, it is ultimately the client's decision to custody assets with Schwab or Fidelity. RAMFA may choose not to serve the client

should the client desire to maintain custody elsewhere. While RAMFA may recommend these custodians, RAMFA is independently owned and operated and not affiliated with Schwab or Fidelity.

Clients should refer to the disclosure documents of each custodian for further information on brokerage arrangements.

Because RAMFA generally has the authority to instruct the account custodian to deduct the investment management fee directly from the client's account, RAMFA is considered to have "custody" of client assets. Custody is defined as having any access to client funds or securities. This limited access is monitored by the client through receipt of account statements directly from the custodian. These statements all show the deduction of the management fee from the account. Otherwise, RAMFA may only direct the movement of funds from one account in the client's name to another such titled account, but has no other access to funds.

When clients receive their statements from the account custodian, clients should carefully review those statements and take the time to compare them with any they receive from RAMFA. If the client finds significant discrepancies, the custodian and RAMFA should be notified.

INVESTMENT DISCRETION

RAMFA has the discretionary trading authority on a portion of its clients' accounts. This authority includes the timing and amount of securities bought or sold. Each client agrees to this authority upon entering into the discretionary investment management agreement with RAMFA, which includes a limited power of attorney assigned to the Firm.

Nondiscretionary accounts are managed for clients not willing or unable to provide limited power of attorney to RAMFA.

VOTING CLIENT SECURITIES

RAMFA does not vote client securities. Clients receive proxy material directly from their account custodian by either email or U.S. mail. Clients may address questions concerning a proxy matter to Firm personnel.

FINANCIAL INFORMATION

RAMFA is not required to provide financial information.