

Item 1 – Cover Page

Rice Investment Advisory Services, Inc.
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Date of Brochure: February 2012

This brochure provides information about the qualifications and investment advisory business practices of Rice Investment Advisory Services, Inc. If you have any questions about the contents of this brochure please contact us at (512) 258-4040. 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 Rice Investment Advisory Services, Inc.'s advisory business is also available on the Internet at www.adviserinfo.sec.gov. You can view information on this website by searching for Rice Investment Advisory Services, Inc.'s name or by using the firm's CRD number: 150096.

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

Item 2 – Material Changes

There have been no material changes to this disclosure brochure since filing our last annual update in March 2011. We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Ownership

Rice Investment Advisory Services, Inc. (“Advisor” or “we”) are an investment advisor registered with the Securities and Exchange Commission since June 200. We are a Texas corporation and our sole owner is Bruce A. Rice.

General Description of Primary Advisory Services

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

Asset Management Services

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

Referrals to Third Party Money Managers

We offer advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades client accounts when necessary.

Limits Advice to Certain Types of Investments

We generally offer investment advice to clients on the following types of investments:

- Exchange-listed securities
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities

We reserve the right to offer advice on any investment product that may be suitable for each client’s specific circumstances, needs, goals and objectives. Please also see **Item 5, Fees and Compensation**, and also **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

Tailor Advisor Services to Individual Needs of Clients

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may

be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Wrap-Fee Program versus Portfolio Management Program

In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services and transaction services are provided for one fee. We do not act as a portfolio manager of or sponsor wrap fee programs.

Client Assets Managed by Advisor

The amount of clients assets managed by Advisor totaled \$ 78,560,369 as of December 31, 2011, with \$78,552,770 managed on a discretionary basis and \$7,599 managed on a non-discretionary basis.

Item 5 – Fees and Compensation

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

Asset Management Services

We offer fee-based asset management services where we are solely responsible for making all investment recommendations and also for making changes to the managed account. If you elect to engage us for this service, we develop an individualized investment program for your account(s). We provide various investment strategies through our management services; a specific investment strategy and investment policy is crafted for you and focuses on your specific goals and objectives.

We require that your assets be maintained in an account with Fidelity Institutional Wealth Services ("Fidelity"). See **Item 12, Brokerage Practices**, for additional discussion on our recommendation and use of Fidelity. We assist you in establishing a managed account through Fidelity. There is no minimum investment amount required to establish or maintain a managed account. Our representatives also assist you in making transactions in your account. Fidelity maintains custody of your funds and securities. Neither we nor our investment advisor representatives ("representatives") act as custodian and we do not have access to your funds and securities except to have advisory fees deducted from your account by Fidelity with your prior written authorization and then paid to us.

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

To provide these services, we need to obtain certain documentation (i.e., wills, tax returns, broker statements, insurance policies, etc.) and information from you to determine your financial situation and investment objectives. You are asked to complete an investor profile questionnaire that includes an analysis of your investment style and risk comfort level. Although your specific needs and objectives are always considered, clients generally fall within one of the following investment categories:

- Aggressive. Client desires to maximize capital appreciation despite a correspondingly higher level of risk and volatility.

- Moderately Aggressive. Client desires to provide for a high degree of capital appreciation with a high degree of volatility expected.
- Moderate. Client desires a balance between achieving capital appreciation and seeking income.
- Moderately Conservative. Client desires long-term growth through capital appreciation with a decreased level of volatility.
- Conservative. Client desires current income with a small potential for growth from capital appreciation.
- Very Conservative. Client desires the generation of current income with a very low degree of volatility.
- Capital Preservation. Client desires to maintain portfolio principal with very low volatility.

Using this risk analysis as well as other specific client information gathered during initial discussions and document review, our representatives may develop a model investment portfolio using Morningstar Office. Recommended investments in these portfolios generally consist of domestic and international equity mutual funds and fixed income mutual funds. The funds recommended to you are usually traded at net asset value (NAV).

Fees for management services do not exceed 1.5% annually and are negotiable based on a variety of factors that include, but are not limited to, the following:

- Complexity of your financial situation
- Account composition
- Types of investment guidelines
- Experience and knowledge of our representative providing the service
- Anticipated future assets added to the managed account
- Related accounts (household only)

The exact fee charged is fully disclosed to you prior to any services being provided and is also disclosed in the agreement for services we both sign.

Fees are billed monthly in arrears and calculated based on the value of your managed account assets as of the last business day of the month. Fees are automatically deducted from your account, and you are required to provide written authorization to Fidelity to have fees automatically deducted and paid to us. At least quarterly, Fidelity sends you a statement identifying your account holdings at the end of the quarter and also indicating all transactions in the account during the quarter, including advisory fees deducted. If you have a managed employee retirement and benefit plan account, you may receive a similar statement at least quarterly from an affiliated third party administrator (please see **Item 10, Other Financial Industry Activities and Affiliations**, for additional disclosure). You are responsible for verifying the accuracy of the fee calculations. Fidelity and the third party administrator (if applicable) do not determine if fees are properly calculated.

There are no commissions charged for account transactions. However, Fidelity may charge brokerage commissions and/or transaction fees directly to you. We do not receive any portion of the commission or fees from either Fidelity or from you. In addition, you may incur certain charges imposed by third parties other than us in connection with investments made through your account, including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges and IRA and qualified retirement plan fees. Our management fees are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each security prospectus.

You are requested to notify us whether your financial situation or investment objectives have changed or if you want to impose and/or modify any reasonable restrictions on management of your accounts. At least annually, we contact you to determine whether your financial situation or investment objectives have changed, or if you want to impose and/or modify any reasonable restrictions on your managed accounts. We are always reasonably available to consult with you relative to the status of your accounts. You have

the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities. Your beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for you with the custodian and you retain right of ownership of the account (e.g., the right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations).

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

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

Either party can terminate the agreement for services by providing written notice to the other, and termination is effective two weeks after receiving the notice. During that two week period, our representatives continue to provide services as needed to complete their work but do not begin any new service unless specifically instructed by you. By regulatory rule, if services are terminated within five business days of signing the agreement, services are terminated without penalty. You are responsible for time expended by us prior to the effective date of termination. Fees are calculated by taking the quoted fee divided by 365 days. That resulting daily billing rate is then multiplied by the number of days services are provided in the current month, using the account balance as of the effective date of termination. If the two week notice period results in the effective termination date moving to a new month, then you are billed for the entire first month and partial second month. We provide you with a statement detailing the prorated management fees.

Referrals to Third Party Money Managers

Through this service, we are able to establish agreements directly with third-party money managers offering a wide range of advisory services, including asset allocation, market timing and portfolio management. We can then refer you to a third-party money manager and the third-party money manager provides asset management and investment advisory services directly to you. This means the third-party money manager is responsible for continuously monitoring your accounts and making trades in your accounts when necessary.

When you agree to engage a third-party investment advisor that we recommend, we are considered a solicitor to the third-party investment advisor. As a result, we are paid a portion of the fee charged and collected by the third-party investment advisor in the form of solicitor fees or consulting fees. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

We are always responsible for assisting you with identifying your risk tolerance and investment objectives. We recommend third-party investment advisors and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance. You must enter into an agreement directly with the unaffiliated third-party investment advisor.

Although the third-party investment will be responsible for making all investment decisions, we are available to answer questions the client may have regarding your account and act as the communication conduit between you and the third-party investment advisors. The third-party investment advisors we recommend generally require discretionary authority to determine the securities to be purchased and sold.

in your accounts. Neither we nor our representatives have any trading authority with respect to your managed account(s) with the third-party investment advisor(s).

Although we review the performance of numerous third-party investment advisor firms, we enter into only a select number of relationships with third-party investment advisor firms that have agreed to pay us a portion of the overall fee charged to our clients. Therefore, we have a conflict of interest because we only recommend third-party investment advisors that agree to compensate us for referring our clients.

We are also limited in this program because we can only select the services of money managers approved through Securities America Advisors, Inc.'s ("SAA") Independent Managed Assets Program ("IMAP"). SAA is an investment advisor registered with the Securities Exchange Commission and is an affiliated company of Securities America, Inc., a broker/dealer, member FINRA/SIPC. Our representatives are also registered representatives of Securities America, Inc. (See **Additional Compensation**, below.) One or more of these money managers may be affiliated entities of SAA.

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for your and that may be more or less costly than arrangements recommended by us. No guarantees can be made that your financial goals or objectives will be achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance can ever be offered by us. See **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss**, for more details.

Trading by IMAP money managers may trigger wash sale rule implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in the IMAP program.

If we recommend a third-party investment advisor to you, a complete description of that advisor's services, fee schedules and account minimums is provided in the advisor's Form ADV Disclosure Brochure or Wrap Fee Program Brochure. These brochures are provided to you when we initially recommend the third-party investment advisor.

While the actual fee charged to you varies depending on the third-party investment advisor utilized, the portion retained by us in the form of solicitor fees or consulting fees will not exceed 1.50%. Our portion of the fee is not negotiable. Under a typical fee schedule for accounts managed by a third party, we receive a fee of 1.50% on the first \$1,000,000 of assets, a 1.25% fee charged on the next \$1,500,000 of assets, and a fee of 1.00% on assets in excess of \$2,500,000. All fees are calculated and collected by the selected third-party investment advisor firm who is responsible for delivering our portion of fee to us.

SAA receives a portion of the solicitor fee, a marketing override or an administrative fee for providing administrative and marketing services. You may incur additional charges including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees. We will never receive any portion of such commissions or fees. We are only compensated by the consulting fee described above. We receive no other compensation in connection with your account managed by a third-party investment advisor. When we negotiate lower fees and expenses charged by third parties, all negotiated improvements are for your benefit.

Additional Compensation

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by our representatives. If you do decide to implement recommendations, you are responsible for taking any actions or implementing any transactions required. You are free to select any broker/dealer and/or insurance agent to implement our recommendations.

You should be aware that our representatives may also be registered representatives of Securities America, Inc., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, they can receive a commission for selling securities products. This is a potential conflict of interest. As a registered representative, they may sell mutual funds and receive 12(b)-1 fees in addition to commissions. The

12(b)-1 fees, named after a section of the *Investment Company Act of 1940*, are annual marketing or distribution fees and considered an operational or administrative expense. The fees are included as a part of the mutual fund's total expense ratio and paid from fund assets. Therefore, the fees come indirectly from your account. Every mutual fund prospectus includes a description of the fund's fees and expenses. Receiving 12(b)-1 fees represents an incentive for a registered representative to recommend funds with 12(b)-1 fees or with higher 12(b)-1 fees than funds with no fees or lower fees. This is also a potential conflict of interest. Our representatives will only recommend mutual funds to clients if those funds are suitable for you and appropriate to help fulfill your objectives.

In addition, our representatives are also independently licensed as insurance agents and sell insurance products to any client. The representatives can earn commissions when selling insurance products in this separate capacity. This is a potential conflict of interest, since any commissions earned could be in addition to advisory fees earned in their capacity as an investment advisor representative.

We may execute agreements with other registered investment advisors providing mutual fund timing services as well as asset allocation and reporting services. In these instances, we may receive a portion of the account management fee paid by the client to the provider for such services. This solicitation fee and the resulting relationship with other registered investment advisors or their representatives are fully disclosed to clients in the solicitor disclosure statement.

Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest as well as other potential compensation.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. Both we and our representatives endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

Comparable Services

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

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

Item 7 – Types of Clients

We provide investment advice to individuals, including high-net worth individuals.

There are no minimum account investment requirements to establish a managed account. However, third party money managers may have minimum account requirements that can vary from manager to manager. Any account minimums are described in the manager's Disclosure Brochure that is provided to you if you establish an account with that manager.

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

Methods of Analysis

We use fundamental analysis when considering investment strategies and recommendations for clients. Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

We evaluate the potential benefits and risks inherent within investment categories. Investment characteristics are then matched to the client's needs and preferences to determine an appropriate mix of investment vehicles. Individual securities within a particular investment category are selected based on fundamental analysis. When managing assets, we may use model mutual fund asset allocation portfolio programs provided by a number of institutional investment managers and strategists.

There are risks with using this analysis method. Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its "correct" value over the long run--perhaps several years. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

Investment Strategies

When implementing investment advice, our strategies focus on long term purchases, meaning securities are held at least a year.

We gather information from financial newspapers and magazines, research materials prepared by others, corporate rating services and annual reports, prospectus and other filings with the Securities and Exchange Commission.

Risk of Loss

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific

investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

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

Primary Recommend One Type of Security

Recommended investments in these portfolios generally consist of domestic and international equity mutual funds and fixed income mutual funds. The funds recommended to you are usually traded at net asset value ("NAV"), meaning that the per share price is computed once a day based on the closing market price of the securities in the fund's portfolio. Investors must wait until the following day to get the NAV trade price.

There is a risk in investing in mutual funds. Different mutual fund categories have different risk characteristics and you should not compare different categories. For example, a bond fund and a stock fund that both have below average risk still have different risk/return potential (stock funds traditionally have higher risk/return potential). Risks are based on the investments held in the fund. For example, a bond fund faces interest rate risk and income risk and income is affected by the change in interest rates. A sector fund (investing in a single industry) is at risk that its price will decline due to industry developments. The following are some risks to consider when investing in mutual funds:

- **Call Risk:** A bond issuer may redeem high-yield bonds before maturity date due to falling interest rates.
- **Default Risk:** A bond issuer may fail to repay interest and principal.
- **Income Risk:** Dividends in a fixed income fund may decline due to falling interest rates.
- **Geographical Risk:** Political events, natural disasters or financial problems may weaken a country or state's economy and cause investments to decline.
- **Industry Risk:** Stocks in a single industry may decline due to developments in that industry.
- **Inflation Risk:** Increases in the cost of living can reduce or eliminate a fund's actual returns when adjusted for inflation.
- **Manager Risk:** A manager may not execute the fund's investment strategy in a timely or effective manner.

Item 9 – Disciplinary Information

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

Item 10 – Other Financial Industry Activities and Affiliations

We do not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
- A investment adviser or financial planner
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- An insurance company or agency
- A lawyer or law firm
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships

We are an independent registered investment registered advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment advisor representatives with us.

Securities Sales

Our representatives are also registered representatives of Securities America, Inc. You can engage them in this separate capacity to render securities brokerage services under a commission arrangement. Our representatives may have a financial incentive to recommend that a financial plan be implemented using a certain product or service. This is a conflict of interest because they could receive commissions in their capacity as a registered representative and could also receive advisory fees in their capacity as an investment advisor representative.

You are under no obligation to use the services of our representatives in this separate capacity or to use Securities America, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use Securities America, Inc. Prior to effecting any transactions, you are required to enter into a new account agreement with Securities America, Inc. The commissions charged by Securities America, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

Insurance Sales

Some of our representatives may also be independently licensed to sell insurance products through various insurance companies. When acting in this capacity, they may receive fees or commissions for selling these products. You are under no obligation to direct insurance transactions to insurance companies with which our representatives may be licensed. Suitable insurance and investment products may be available from other companies.

Accounting Services

Bruce A. Rice has earned designation as a Certified Public Accountant and established a separate sole proprietorship for accounting services. However, he is no longer practicing and does not provide accounting services.

Third-Party Money Managers

As described in **Item 5, Fees and Compensation**, we have formed relationships with independent, third-party money managers.

We may recommend you work directly with third-party money managers. When we refer you to a third party money manager, we receive a portion of the fee charged by the third party money manager. Therefore, we have a conflict of interest because we only recommend third party money managers that agree to compensate us by paying us a portion of the fees billed to your account managed by the third party money manager.

Third Party Administrator

Employee Incentive Plans, Inc. ("EIP") is a third party administrator that provides non-advisory services to employee retirement and benefit plan sponsors and their participants. These services include plan design, legal document preparation, Form 5500 filing, loan processing and participant distribution. When providing these services, EIP can receive a fixed fee and/or a percentage fee based on the value of benefit plan assets. It may also receive compensation from other sources including, but not limited to, revenue sharing, sub-TA fees, administrative charges, services fees and plan expense reimbursements.

Plan participants have a variety of options to choose from when making their investment elections. One of those options is to request investment analysis and recommendations specific to their situation. If this option is selected, the participant will be referred by the plan sponsor to us for asset management services. If the participant elects to use our services, the participant will be required to enter into a client agreement with us and will be charged advisory fees as previously described.

Bruce A. Rice is the owner, President and an investment advisor representative of Advisor. He is also co-owner and President of EIP. Therefore, Advisor and EIP are affiliated companies. Although EIP does not provide advisory services and does not provide compensation of any type to Advisor, a conflict of interest exists due to his relationship with both entities and the possibility of his earning compensation from both entities. As an investment advisor representative, Mr. Rice has the ability to recommend and/or select

investments for advisory clients that could result in EIP receiving sub-TA fees, service fees and other compensation. Thus, he could receive advisory fees from Advisor and separate compensation from EIP that directly or indirectly comes from your account. You should be aware of the conflict of interest that exists because of Mr. Rice's affiliation with both EIP and Advisor. You should also be aware that this affiliation and dual compensation could affect Mr. Rice's independent judgment when making advisory recommendations and selections for your accounts.

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

Code of Ethics

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of its clients. We have a fiduciary duty to all clients. We have established a Code of Ethics which all representatives and associated persons must read. They must then execute an acknowledgment agreeing that they understand and agree to comply with our Code of Ethics. Our fiduciary duty to clients is considered the core underlying principle for our Code of Ethics and represents the expected basis for all dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of our own or our associated persons' own investment interests. All associated persons will conduct business in an honest, ethical and fair manner. All associated persons will comply with all federal and state securities laws at all times. We provide full disclosure of all material facts and potential conflicts of interest to clients prior to services being conducted. All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to clients. This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current clients or potential clients wish to review the Code of Ethics in its entirety a copy may be requested from any associated person and it is promptly provided.

Participation in Client Transactions and Personal Trading

We and our representatives may buy or sell securities or have an interest or position in a security for our personal accounts that we also recommend to clients. We are and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. As these situations may represent a potential conflict of interest, it is our policy that no associated persons will prefer his or her own interest to that of the advisory client. No person employed by us may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account. Associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. We maintain a list of all securities holdings for ourselves that is reviewed on a regular basis by a principal of the firm.

Item 12 – Brokerage Practices

Securities America, Inc.

If you elect to implement our advice, you are free to select any broker you wish. If you elect to have our representatives implement the advice in their capacity as registered representative or through the Securities America Advisors, Inc. ("SAA") program detailed in **Item 5, Fees and Compensation**, then our representatives' broker/dealer, Securities America, Inc. ("SAI") is used.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with SAI, we require the use of SAI when opening an account through our programs. We are limited in the broker/dealer or custodians we are allowed to use due to our relationship with SAI. SAI may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Because our representatives are registered representatives of SAI, they are required to use the services of SAI and SAI's approved clearing broker/dealers when acting in their capacity as registered representatives. SAI serves as the introducing broker/dealer. All accounts established through SAI are cleared and held through National Financial Services, LLC or Pershing, LLC. SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI's registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Because our representatives are also registered representatives of SAI, SAI provides compliance and supervision support to our representatives. In addition, SAI provides our representatives, and therefore us, with back-office operational, technology and other administrative support.

Economic benefits are provided to us by SAI that are not provided if you select another broker/dealer or account custodian. These benefits may include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services SAA/SAI participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system
- Electronic download of trades, balances and position information
- Access, for a fee, to an electronic interface with the account custodian's software
- Duplicate and batched client statements, confirmations and year-end reports

Fidelity Institutional Wealth Services

If you elect to utilize our asset management services you must establish a brokerage account with Fidelity Institutional Wealth Services ("Fidelity"). Fidelity provides us with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Fidelity include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

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

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

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

- Consulting, publications and conferences on practice management

- Information technology
- Business succession
- Regulatory compliance
- Marketing

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

Please see **Item 5, Fees and Compensation**, for additional information about advisory services and implementing recommendations.

Best Execution

While we do not allow directed brokerage, we must still use reasonable diligence to make certain that best execution is obtained for clients when implementing any transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surrounding the transaction execution is in the best interests of clients. When considering best execution, our associated persons look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with existing systems of the advisor, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered. We perform periodic reviews to determine that the relationship with SAI, NFS and Pershing, LLC are still in the best interests of clients.

Soft Dollar

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

Although we don’t allow directed brokerage, we may still receive products and services from SAI, SAA, Fidelity or other program sponsors and product issuers. These products and services may be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues

- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. We do not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements may be deemed to create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades are always implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

Handling of Trade Errors

If you elect to implement transactions through our representatives, they do so in their separate capacity as registered representatives of SAI. SAI has execution and clearing arrangements with Fidelity Capital Markets (“FCM”), a division of NFS.

We have implemented procedures designed to prevent trade errors when implementing transactions. However, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. FCM is contacted immediately about any trade error except those in mutual funds. SAI’s Trade Department is contacted to report and correct any error in mutual fund trades. Trading errors are usually corrected after the trade settles and may take 5-7 days to finalize.

If we, our representatives, SAI or FCM are responsible for making a trade error in a client account, the error is corrected and the client account is restored to where it would have been had the trade error not occurred. Any profit from the trade correction is retained by Fidelity or Advisor.

Block Trades

We may use block trades in clients’ managed accounts. This means we may elect to purchase or sell the same securities for several clients at approximately the same time when we believe such action may prove advantageous to clients. Block trades are initiated pursuant to objectives of the accounts (i.e., aggressive, conservative, etc. as determined by the associated persons) and are divided among client accounts based on the quantity desired in each account based on the size of the account (also determined by the associated persons). All identified accounts are treated equally when receiving the average price determined on the initiated trades. If a block trade cannot be fully filled on the day the order is placed, the associated persons will either pro rate the initial trade requested among all identified accounts or consider another selection for the block trade that can be fully filled. We keep copies of block trade tickets and custodian confirmations.

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

Item 13 – Review of Accounts

Account Reviews

Managed accounts are reviewed on at least a quarterly basis. Accounts at third party money managers are reviewed when statements are received from the money manager, usually quarterly. Bruce A. Rice performs all account reviews. The calendar is the main triggering factor for reviews, although reviews may also be conducted because of your specific request, a change in your circumstances or because of market issues. Absent your specific instructions, Mr. Rice reviews accounts to see whether account composition and performance remain consistent with your goals and objectives. Reviews may also include a more detailed review of holdings in the event of any changes in any funds held (i.e., a new fund manager).

We recommend that you meet with our representatives at least annually for a complete review and update of your financial situation relative to your investment goals.

Account Reports

You receive statements at least quarterly from the investment company, broker/dealer, clearing firm, money manager or custodian where your account is maintained. In addition, at your request, we can provide you with a Morningstar report on your portfolio holdings. There is no charge for this report.

Item 14 – Client Referrals and Other Compensation

We do not directly or indirectly compensate anyone for client referrals to us.

Please see **Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations** and **Item 12, Brokerage Practices**, for additional discussion about solicitor/referral fees from third party managers, other compensation and non-economic benefits.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. Please note that regulators have deemed the authorization to trade in client accounts to not be custody. However, we are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Our procedures do **not** result in our maintaining custody of client funds and securities.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports

received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

We manage your accounts on a discretionary basis. This means we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority.

When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian.

You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

If you have an account at a third party money manager, that advisor may take discretionary authority to determine the securities to be purchased and sold for you. We do not have any discretionary authority and are not responsible for selecting investments or implementing trades in your accounts held at third party money managers.

Item 17 – Voting Client Securities

Neither we nor our representatives vote proxies on your behalf. You should read through the information provided with the proxy document and make a determination based on the information provided. You are solely responsible for all proxy voting decisions.

Item 18 – Financial Information

This item is not applicable to our brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

Business Continuity and Contingency Plan

We have a business continuity and contingency plan in place designed to respond to significant business disruptions. These disruptions can be both internal and external. Internal disruptions will impact our ability to communicate and do business, such as a fire in the office building. External disruptions will prevent the operation of the securities markets or a number of firms, such as earthquakes, wildfires, hurricanes, terrorist attack or other wide-scale, regional disruptions. Our response to an external

business disruption relies more heavily on other organizations and systems, especially on the capabilities of our registered representatives' broker/dealer and clearing firm.

Our continuity and contingency plan has been developed to safeguard employees' lives and firm property, to allow us a method of making financial and operational assessments, to quickly recover and resume business operations, to protect books and records and to allow clients to continue transacting business.

The plan includes:

- Alternate locations to conduct business;
- Hard and electronic back-ups of records;
- Alternative means of communications with employees, clients, critical business constituents and regulators;
- Review of the contingency plans for the registered representatives' broker/dealer and clearing firm and also sponsors of investment programs utilized by us for client investments; and
- Details on our employee succession plan

Our business continuity and contingency plan is reviewed and updated on a regular basis to ensure that the policies in place are sufficient and operational.

Policy Privacy Statement

We are committed to safeguarding the confidential information of our clients. We hold all personal information provided to us in the strictest confidence. Our representatives may also be registered representatives of Securities America, Inc., ("SAI") a registered broker-dealer that is not affiliated with us. We may also have relationships with other non-affiliated investment advisor firms, such as Securities America Advisors, Inc. ("SAA") an affiliate of SAI, insurance companies, trust companies, custodians and other financial institution entities. Except as required or permitted by law, we do not share confidential information about clients with non-affiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of confidential client information, we provide written notice to clients, and clients are given an opportunity to direct whether such disclosure is permissible.

An Important Notice Concerning Customer Privacy

Customer Information Collected. We collect and develop personal information about clients and some of that information is non-public personal information ("Customer Information"). The essential purpose for collecting Customer Information is to provide and service the financial products and services clients obtain from us. The categories of Customer Information collected depend upon the scope of the engagement with us and are generally described below. As an investment advisor, we collect and develop Customer Information about clients in order to provide investment advisory services. Customer Information collected includes:

- Information received from clients on financial inventories through consultation with our representatives. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account and other records concerning the client's financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.
- Information developed as part of financial plans, analyses or investment advisory services.
- Information concerning investment advisory account transactions, such as wrap account transactions.
- Information about client financial products and services transactions with us.

Data Security. We restrict access to Customer Information to those representatives and employees who need the information to perform their job responsibilities within the firm. We maintain agreements, as well as physical, electronic and procedural securities measures, that comply with federal regulations to safeguard Customer Information about clients.

Use and Disclosure of Customer Information to Provide Customer Service for Client Accounts. To administer, manage and service customer accounts, process transactions and provide related services for client accounts, it is necessary for us to provide access to Customer Information within the firm and to non-affiliated companies such as SAI, SAA, other investment advisors, other broker-dealers, trust companies, custodians and insurance companies. We may also provide Customer Information outside of the firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

Former Clients. If clients close an account with us, we continue to operate in accordance with the principles stated in the Notice.

Requirements of Federal Law. In November of 1999, Congress enacted the *Gramm-Leach-Bliley Act* ("GLBA"). The GLBA requires certain financial institutions, including broker-dealers and investment advisors, to protect the privacy of Customer Information. To the extent a financial institution discloses Customer Information to non-affiliated third parties other than as permitted or required by law, customers must be given the opportunity and means to opt out (or prevent) such disclosure. Please note that we do not disclose Customer Information to non-affiliated third parties except as permitted or required by law (e.g., disclosures to service client accounts or to respond to subpoenas).