

REACT Investment Solutions, LLC

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This Brochure provides information about the qualifications and business practices of REACT Investment Solutions, LLC. If you have any questions about the contents of this Brochure, please contact us at 408-399-6330 or info@legacycapitalgroup.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.

REACT Investment Solutions, LLC is a registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you can use to determine to hire or retain an Adviser.

Additional information about REACT Investment Solutions, LLC (REACT) also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

The prior update to our ADV Part II brochure was July, 2011. This update is being made as part of our annual update and includes newly approved managers and updates our AUM. REACT's fiscal year end is December 31st.

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV" which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 1, 2011 is a new document prepared according to the SEC's new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting us at (408) 399-6330 or send an e-mail request to info@legacycapitalgroup.com.

Additional information about REACT is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with REACT who are registered, or are required to be registered, as investment adviser representatives of REACT.

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Item 4 – Advisory Business

REACT was created in 2009 to fill a need for independent Registered Investment Advisors looking for money management products for their clients. The founders of REACT saw the need for a platform that would provide access to money managers who met a set of criteria and passed a strict due diligence and research process.

The principal owners are Richard Baer (37.5%), Brent Bunker (37.5%) and Andy Baugh (20%). These individuals are also owners of Legacy Capital Group California, the largest RIA client of REACT. There is a minority owner of REACT, Kim Lawson (5%) who is not an owner, but is employed by, Legacy Capital Group California.

REACT does not:

- provide investment supervisory services
- manage investment advisory accounts not involving investment supervisory services
- issue periodicals about securities by subscription
- issue special reports about securities
- issue any charts, graphs, formulas, or other devices which clients may use to evaluate securities
- provide a timing service
- on more than an occasional basis, furnish advice to clients on matters not involving securities

REACT does:

- furnish investment advice through consultations
- furnish advice about investments
- furnish advice about money managers

REACT does not take custody of any client asset, nor does it utilize discretionary authority. The discretionary authority is given, by the individual account holder, to the money manager(s) selected to manage the client's assets. REACT will recommend to the client the money manager(s) to use along with other investment opportunities as well as advise on the percentage to allocate to each recommendation. However, the final decision is made by the investor.

The total assets REACT is providing assistance and recommendations for as of January 20th, 2011 is \$114,134,823.

Item 5 – Fees and Compensation

All fees are subject to negotiation.

The specific manner in which fees are charged by REACT is established in a client's written agreement. REACT will generally collect its fees directly from the investor's account at the custodian. The investor provides authorization for this at the time the account is established. Fees are calculated using Advent's APX Advent on Demand product, or Advent's Revenue Center product, calculated in arrears based on the value of the account(s) on the last day of the quarter. The fee schedule is as follows:

Assets from \$0 - \$1,000,000 charged at 2.0%
Assets from \$1,000,001 - \$4,000,000 charged at 1.5%
Assets \$4,000,001 and greater charged at 1%

REACT fees are exclusive of brokerage commissions, transaction fees, asset based pricing fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to REACT's fees. REACT may, in place of the fee schedule noted above, receive a portion of the fees that a money manager and/or Investment directly collects from the investor or investor's account.

The fee collection frequency and manner will be detailed in each investment agreement and may be different between investments. Typically, however, the fees are, as stated above, calculated in arrears and deducted on a quarterly basis directly from the investor's brokerage account. The fees charged by the money manager/investment may include performance fees. Performance fees will only be collected by the fund manager in the case of an alternative investment such as a hedge fund. The alternative investment fund manager may share a portion of the performance fee with REACT.

Item 12 further describes the factors that REACT considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Hourly Consultation Services:

Hourly consultation services will not be charged by REACT.

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

REACT does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

However, some of the investments it recommends may. In such case, the Investment or Money Manager will enter into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. the Investment or Money Manager will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, the Investment or Money Manager shall include realized and unrealized capital gains and losses. Receiving a portion of performance based fee from the Investment or Money Manager may create an incentive for REACT to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. REACT has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

REACT provides investment advice to Registered Investment Advisors (RIA). The investment advice provided to those RIAs may be shared with the ultimate investor, who is a client of REACT's RIA client.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

REACT seeks to find money managers who, when allocated in a model together, can protect client capital first and earn high returns second.

REACT employs several methods of analysis in selecting the Investment and/or Money Manager that it recommends to RIA clients:

- Charting
- Cyclical
- Fundamental
- Technical

The main sources of information REACT uses include but are not limited to:

- Financial newspapers and magazines
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Research materials prepared by others
- Company press releases
- Telephone, Internet based and/or in-person interviews with key individuals associated with the Investment or Money Manager

The investment strategies used to implement any investment advice given to RIA clients include but are not limited to:

- Long term purchases
- Margin transactions (securities held at least a year)
- Short term purchases (securities sold within a year)

REACT primarily recommends Money Managers and Investments that are actively managed. The secondary focus is on risk management. However, as a percentage of the overall investment model, REACT may recommend a Money Manager, Investment or strategy that does not fit into the definition of risk managed. These investments may carry a higher degree of risk of loss and investors should be aware of this increased risk.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of REACT or the integrity of its management. REACT has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

Other Business Activities & affiliations:

Richard E. Baer and Brent C. Bunker are registered representative producers with NFP Securities, Inc., a registered broker-dealer and Investment Advisor. Clients are under no obligation to purchase

variable products through Mr. Baer, Mr. Bunger, or NFP Securities, Inc. (NFP SI). Other individuals involved with REACT business are also registered representative, but not producers, with NFP SI:

- Andy Baugh
- Kim Lawson
- Amy Cono

The owners of REACT are: Richard Baer (37.5%), Brent Bunger (37.5%) Andy Baugh (20%) and Kim Lawson (5%).

Three of the four owners of REACT are also owners of Legacy Capital Group California: Richard Baer (47.5%), Brent Bunger (47.5%) and Andy Baugh (5%). REACT and Legacy Capital Group California share certain employees and share office space at 459 Monterey Avenue in Los Gatos, CA. Since Legacy Capital Group California is REACT's largest client, clients should be aware that a conflict exists between REACT and Legacy Capital Group California.

Baer & Bunger Financial & Insurance Services, LLC (B&B) has been established to receive traditional life and disability insurance commissions. Legacy Capital Group California owns 98% of the LLC and Richard E. Baer and Brent C. Bunger each own 1% of the LLC.

459 Monterey Avenue, LLC owns an office building and Legacy Capital Group California and REACT occupy the first floor. The second floor is sub-leased. 459 Monterey Avenue, LLC will receive rental income for the leased property. Richard Baer (47.5%) and Brent and Tanya Bunger (47.5%) and Andy Baugh (5%) own 459 Monterey Avenue, LLC.

Legacy Capital Group California is an SEC registered RIA that provides investment advice to individuals, trusts, estates, charitable organizations, corporations or business entities and profit sharing plans. The majority of clients Legacy Capital Group California advises are high net worth individuals and small business owners.

Advisory clients are hereby advised:

- A conflict exists between the interests of REACT and the interests of the client
- The client is under no obligation to act upon the investment adviser's recommendation
- If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser.

Richard E. Baer and Brent C. Bunger are registered representatives and producers with NFP Securities, Inc., a registered Broker-Dealer and investment advisor. An inherent conflict of interest exists as Messrs. Baer and Bunger may receive securities commissions in addition to advisory fees. Clients will be under no obligation to purchase securities through Messrs. Baer or Bunger or through NFP Securities, Inc. REACT has relationships that are material to its business with the following Money Managers, Investments and hedge funds:

- Al Frank Asset Management
- Contravisory Investment Management, Inc.
- Niemann Capital Management
- Philadelphia Financial
- Tactical Allocation Group (TAG)
- Titan Advisors, LLC
- Astor Asset Management
- Stonecrest Managers, Inc.

REACT does not, but Richard E. Baer and Brent C. Bunger along with other employees maintain resident insurance licenses. The corporate insurance license is in the name of Baer & Bunger Financial & Insurance Services, LLC. They may sell insurance products to clients. An inherent conflict of interest exists as they may receive insurance commissions in addition to advisory fees. Clients will be under no obligation to purchase insurance through Messrs. Baer or Bunger nor the insurance companies they represent. The other employees maintaining insurance licenses are: Kim Lawson, Amy Cono and Juliana Bobikyan.

Richard E. Baer has a real estate broker's license. Clients are made aware that securities- investing carries inherent risk. Furthermore, they are informed that using the proceeds from real estate collateralized loans to speculate on the overall market or individual securities is not prudent. REACT has policies and procedures in place to address these issues.

Item 11 – Code of Ethics

REACT has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at REACT must acknowledge the terms of the Code of Ethics annually, or as amended.

REACT anticipates that in appropriate circumstances consistent with clients' investment objectives, it will cause accounts over which REACT has management authority to effect, and will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which REACT, its affiliates and/or clients, directly or indirectly, have a position of interest. REACT's employees and persons associated with REACT are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of REACT and its

affiliates may trade for their own accounts in securities which are recommended to and/or purchased for REACT's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of REACT will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of REACT's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between REACT and its clients.

REACT's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting REACT at (408) 339-6330.

It is REACT's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. REACT will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

Item 12 – Brokerage Practices

Richard E. Baer, Brent C. Bunger and REACT hereby inform clients that they are registered with NFP Securities, Inc. In appropriate situations, clients may be referred to NFP Securities, Inc. for implementation of a financial or other investment plan. Clients are under no obligation to purchase securities through NFP Securities, Inc.

REACT does not require, but does recommend the broker-dealer. Not all advisers require their clients to direct brokerage. REACT does **not**. By directing brokerage, a firm may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money.

REACT has a relationship with Fidelity Brokerage Services LLC (Fidelity). Fidelity clears through National Financial Services LLC, which is the same clearing firm used by NFP Securities, Inc.

REACT has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides REACT with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist REACT in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with backoffice functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help REACT manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom REACT may contract directly.

REACT is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

Fidelity is providing REACT with certain brokerage and research products and services that qualify as "brokerage or research services" under Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act").

Item 13 Review of Accounts

Richard E. Baer, Principal, Brent C. Bunger, Principal and Andy Baugh, Chief Investment Officer will be responsible for reviewing client accounts. Annual reviews will be made available to all clients should they choose to have a review done either in person or via the phone. Letters will be mailed or sent via electronic mail to clients at the end of each year reminding them of this service. At the request of the investor, or at any significant change in the amount of assets available for investment, the overall allocation and financial plan will be reviewed and discussed.

Clients with managed accounts will receive confirmations and monthly statements from the Broker-Dealer or Investment Company with which their accounts are held. In addition, clients will receive quarterly and annual

statements from either the Investment, Money Manager, RIA or custodian. Clients who have insurance contracts will receive statements directly from the carrier. Clients who have contracted for fixed fee financial planning services will receive a written financial plan. Additional reports will be prepared at the request of clients.

Item 14 – Client Referrals and Other Compensation

REACT and its associates may from time to time enter into arrangements with non-clients that may result in fees paid to the advisor. For instance, the advisor may recommend a non-security, such as a First Trust Deed, to an investor, for which the advisor may receive a portion of the fees. The advisor may receive finder's fees or other solicitation fees for referring clients to third party investment advisers and hedge funds. Likewise, third parties may pay finder's fees and other solicitation fees to REACT for its referrals of individuals to their services or programs including but not limited to non-clients, investment advisors, accountants, qualified individuals, and/or law firms.

From time to time, REACT may pay referral fees to individuals qualified as solicitors. These and all such referral fees will be made and or received in accordance with SEC Rules.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. REACT urges the recipient to carefully review such statements and compare such official custodial records to the account statements that REACT may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

REACT does not have custody of client funds.

Item 16 – Investment Discretion

REACT presents the RIA client with the Money Manager and/or investment recommendation. However, it is always the client's final decision as to which Money Manager or Investment to utilize

and at no time will REACT select the identity and amount of securities to be bought or sold without consent from the client. Throughout the relationship, REACT may make investment recommendations, but the client is always given the option of accepting or rejecting the recommendation. The client will give discretionary authority to the Money Manager or Investment in a separate agreement.

When selecting investment recommendations, REACT relies solely on our client, the RIA, to ensure the end-investor's goals and objectives, plan documents, limitations and restrictions are taken into consideration. REACT does not provide any investment advice directly to the end-investor, even though REACT does manage the operational aspects of the end-investor's account(s). All end-investor advice is provided by the end-investor's RIA, REACT's RIA client.

Any Investment guidelines and restrictions must be provided to REACT in writing.

Item 17 – Voting Client Securities

As a matter of firm policy and practice, REACT does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios OR that task is given to the Money Manager or Investment client's assets are invested with in a separate agreement. REACT may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered Investment Advisers are required in this Item to provide you with certain financial information or disclosures about REACT's financial condition. REACT has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.