

## Item 1: Cover Page

### **Part 2A of Form ADV Firm Brochure**

March 28, 2012

#### **Roush Investments, LLC**

SEC File No. 801-71381

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This brochure provides information about the qualifications and business practices of Roush Investments, LLC. If you have any questions about the contents of this brochure, please contact us at [jroush@r2ri.com](mailto:jroush@r2ri.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 Roush Investments, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

Initial publication date is March 31, 2011.

## Item 3: Table of Contents

Item 1: Cover Page.....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business.....	6
A. Description of Your Advisory Firm.....	6
B. Description of Advisory Services Offered.....	6
C. Client-Tailored Services and Client-Imposed Restrictions.....	8
D. Wrap Fee Programs .....	8
E. Client Assets Under Management .....	8
Item 5: Fees and Compensation .....	9
A. Methods of Compensation and Fee Schedule .....	9
B. Client Payment of Fees.....	10
C. Additional Client Fees Charged .....	11
D. Prepayment of Client Fees .....	11
E. External Compensation for the Sale of Securities to Clients.....	12
Item 6: Performance-Based Fees and Side-by-Side Management.....	13
A. Performance-Based Fees and Side-by-Side Management.....	13
Item 7: Types of Clients .....	14
Types of Clients .....	14
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	15
A. Methods of Analysis and Investment Strategies .....	15
B. Investment Strategy and Method of Analysis Material Risks .....	22
C. Concentration Risks .....	25
Item 9: Disciplinary Information.....	26
A. Criminal or Civil Actions.....	26
B. Administrative Enforcement Proceedings.....	26
C. Self-Regulatory Organization Enforcement Proceedings .....	26
Item 10: Other Financial Industry Activities and Affiliations.....	27
A. Broker-Dealer or Representative Registration .....	27
B. Futures or Commodity Registration.....	27

C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest.....	27
D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest.....	27
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	29
A. Code of Ethics Description.....	29
B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest.....	29
C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest.....	29
D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest.....	29
Item 12: Brokerage Practices .....	31
A. Factors Used to Select Broker-Dealers for Client Transactions.....	31
B. Aggregating Securities Transactions for Client Accounts.....	32
Item 13: Review of Accounts .....	36
A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved.....	36
B. Review of Client Accounts on Non-Periodic Basis.....	36
C. Content of Client-Provided Reports and Frequency.....	36
Item 14: Client Referrals and Other Compensation .....	37
A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest.....	37
Other than as described in item 10 there is nothing to report for this item. ....	37
B. Advisory Firm Payments for Client Referrals.....	37
Item 15: Custody .....	38
A. Custody .....	38
Item 16: Investment Discretion.....	39
A. Investment Discretion.....	39
Item 17: Voting Client Securities .....	40
Item 18: Financial Information .....	41
A. Balance Sheet.....	41

B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients .....	41
C. Bankruptcy Petitions During the Past Ten Years .....	41

## **Item 4: Advisory Business**

### **A. Description of Your Advisory Firm**

Roush Investments, LLC (hereinafter "Roush Investments" or the "firm"), is a limited liability company formed under the laws of the State of California. Rick Roush is the sole Member and Chief Compliance Officer. Roush Investments offers investment advisory services to individuals, high-net-worth individuals, pension and profit sharing plans, other pooled investment vehicles, charitable organizations, corporations, and other businesses. This Brochure narrative provides clients with information regarding the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of Roush Investments.

### **B. Description of Advisory Services Offered**

Roush Investments is a fee-only investment management firm offering proprietary investment management and solicitor services. Roush Investments offers the following types of services to its clients, which are further detailed below:

- Portfolio management services
- Financial planning services
- Pension consulting services

Roush Investments, depending upon the engagement, offers its services on a fee basis, which primarily includes a percentage of assets-based fees. Prior to engaging Roush Investments to provide investment advisory services, the client will be required to enter into one or more written agreements with Roush Investments setting forth the terms and conditions under which Roush Investments shall render its services.

Pursuant to the terms of its agreement(s) with clients, Roush Investments will remind clients of their obligation to inform the firm of any changes to their personal financial circumstances, investment objectives or risk tolerance, as well as modifications or restrictions that should be imposed on the management of their accounts. Roush Investments will also contact clients at least annually to determine whether there have been any changes in their personal financial circumstances, investment objectives and tolerance for risk. There will be no restrictions on the ability of clients to contact and consult with portfolio managers.

In cases where the client's account is managed on a non-discretionary basis, Roush Investments will not implement any recommendation without the client's prior approval. Roush Investments will act as the client's agent to implement such recommendation in accordance with client's instructions. The client agrees to review trade confirmations received from the client's custodian and notify Roush Investments immediately of any errors.

Either party may terminate the agreement at any time by providing written notice to the other party. If the client terminates the agreement by written notice within five (5) business days of the date of the agreement, the client is entitled to a full refund of advisory fees paid. The client will

incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the client. Refunds will be given on a pro-rata basis.

In addition to Roush Investments' consulting fee, the client may also incur certain charges imposed by unaffiliated third parties. Such charges include, but are not limited to, custodial fees; administrative fees; brokerage commissions; transaction fees; charges imposed directly by a mutual fund, index fund, or exchange-traded fund purchased for the account, which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses); wire transfer fees; and other fees and taxes on brokerage accounts and securities transactions.

### **B.1. Portfolio Management Services**

Roush Investments' comprehensive portfolio management services, which encompass portfolio management as well as financial consulting/financial planning, are designed to assist clients in meeting their financial goals through the use of financial investments. For each portfolio management client, Roush Investments will conduct one or more meetings (in person if possible, otherwise via telephone conference) with the client in order to understand the client's current financial situation, existing resources, financial goals, and tolerance for risk. Based on the foregoing, Roush Investments will propose an investment approach to the client. Roush Investments may propose an investment portfolio consisting of exchange-traded funds, mutual funds, individual stocks or bonds, or other securities.

Upon the client's agreement to the proposed investment plan, Roush Investments will work with the client to establish or transfer investment accounts so that the firm is able to manage the client's portfolio. Once the relevant accounts are under Roush Investments' management, the firm will review such accounts on a regular basis and at least quarterly. Roush Investments may periodically rebalance or adjust client accounts under its management. If the client experiences any significant changes to his or her financial or personal circumstances, the client must notify Roush Investments so that the firm can consider such information in managing the client's investments.

For its portfolio management services, Roush Investments receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies as described in Item 8 of this Brochure.

### **B.2. Financial Planning Services**

Roush Investments may provide clients with financial consulting services separate from its portfolio management services. Roush Investments will provide additional financial planning services as mutually agreed upon with the client as further described below:

- Reviewing and prioritizing goals and objectives
- Developing a summary of current financial situation, including a net worth statement, cash flow summary and income tax analysis
- Reviewing current investment portfolio and developing an asset management strategy
- Assessing exposure to financial risk and developing a risk management plan (insurance)

- Completing a retirement planning assessment, including financial projections of assets required during retirement
- Identifying tax planning strategies to optimize financial position
- Assessing estate net worth and liquidity and developing an estate plan to ensure that legacy objectives are met
- Integrating and prioritizing all strategies outlined above into a comprehensive financial plan
- Presenting a written financial plan, to be reviewed in detail with the client, containing recommendations designed to meet stated goals and objectives and supported by relevant financial summaries
- Developing an action plan to implement the agreed-upon recommendations
- Providing referrals to other professionals as required to assist with implementation of the action plan

### **B.3. Pension Consulting Services**

Roush Investments may provide clients with pension consulting services. Pension consulting consists of assisting employer plan sponsors to establish, monitor, and review their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include investment options, plan structure, and participant education.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## **D. Wrap Fee Programs**

Roush Investments does not participate in wrap fee programs. Wrap fee programs offer investment services for one all inclusive fee.

## **E. Client Assets Under Management**

Roush Investments currently has \$25,000,000 in discretionary assets under management and \$0 in non-discretionary assets under management.



## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fees – Portfolio Management Services

Asset-based fees will be calculated either monthly or quarterly in advance based on the market value of the account at the end of the previous quarter, and calculated at up to 0.50% for fixed income assets under management and up to 2.00% for equity assets under management. Exceptions may be made to the published fee schedule under certain circumstances pursuant to a negotiated agreement with the client. No increase in the fee schedule shall be effective without prior written notification to the client.

Roush Investments generally requires a minimum account size of \$500,000 and generally charges a minimum annual fee of \$2,500 for managed accounts. For accounts with portfolio assets of less than \$500,000 you may be able to find comparable services at more favorable pricing elsewhere. This minimum account size and minimum annual fee may be negotiable under certain circumstances.

Asset-based fees are always subject to the investment advisory agreement between the client and Roush Investments. Such fees are payable either monthly or quarterly in advance. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar month or quarter, based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous quarter, as mutually agreed upon by the client and Roush Investments. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month or quarter. For clients who initiate services other than at the beginning of a calendar month or quarter, Roush Investments will invoice in arrears for the initial prorated period on the next monthly or quarterly invoice. There will be no adjustments for significant contributions to and distributions from a client's portfolio.

#### A.2. Additional Terms for All Roush Investments Client Accounts

Asset-based fees are always subject to the investment advisory agreement between the client and Roush Investments. Such fees are payable quarterly in advance. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar quarter. Adjustments for significant contributions to and distributions from a client's portfolio are prorated for the quarter in which the change occurs.

A client investment advisory agreement may be canceled at any time by the client, or by Roush Investments with thirty (30) days prior written notice to the client. A financial planning agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any unearned, prepaid fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

### **A.3. Financial Planning Fees**

With respect to financial consulting, Roush Investments will generally charge an hourly fee of \$500 per hour, and/or a fixed fee generally within the range of \$10,000 to \$50,000, which may be negotiable under certain circumstances depending on the level and scope of these services. The total number of hours will be estimated prior to the engagement for hourly billing, and the total estimated fees will be specified in Roush Investments' financial consulting agreement. Half of the total amount of fees will be due upon the execution of Roush Investments' financial consulting agreement, with the remainder due upon execution of the consultation. Any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

### **A.4. Pension Consulting Fees**

With respect to pension consulting, Roush Investments will generally charge an hourly fee of \$500 per hour and/or a fixed fee generally within the range of \$10,000 to \$50,000, which may be negotiable under certain circumstances depending on the level and scope of these services. The total number of hours will be estimated prior to the engagement for hourly billing, and the total estimated fees will be specified in Roush Investments' financial consulting agreement. Half of the total amount of fees will be due upon the execution of Roush Investments' financial consulting agreement, and the remaining amount of fees will be due upon execution of the consultation. Any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

## **B. Client Payment of Fees**

### **B.1. Portfolio Management Fees**

Roush Investments' fees will be billed directly to and paid from the client's account by the custodian of the portfolio. If the client's account is managed by a separate account manager, such manager will generally require that any fees be paid on a quarterly basis, in advance, directly from the client's account with the custodian of the portfolio assets.

Roush Investments will deduct its advisory fees directly from the client's account, provided that

- the client provides the qualified custodian written authorization;
- a bill is sent in advance to both the client and the custodian at the same time;
- the bill shows the amount of the fee, how it was calculated, and the value of the assets on which the bill is based; and
- the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

**B.2. Financial Planning Fees**

The total number of hours will be estimated prior to the engagement for hourly billing, and the total estimated fees will be specified in Roush Investments' financial consulting agreement. Half of the total amount of fees will be due upon the execution of Roush Investments' financial consulting agreement, with the remainder due upon execution of the consultation.

**B.3. Pension Consulting Fees**

The total number of hours will be estimated prior to the engagement for hourly billing, and the total estimated fees will be specified in Roush Investments' financial consulting agreement. Half of the total amount of fees will be due upon the execution of Roush Investments' financial consulting agreement, with the remainder due upon execution of the consultation.

**C. Additional Client Fees Charged**

The fees charged by Roush Investments do not include fees charged by any exchange-traded fund, mutual fund, pooled investment vehicles, or separate account manager selected by the client. The management fees and expenses for pooled investment vehicles are disclosed in the offering memoranda and subscription documents for the pooled investment vehicle. The management fees, trading costs, and expenses for investment managers are generally disclosed in each investment manager's disclosure document (Brochure) or, in the case of an exchange-traded fund or mutual fund, in the respective fund's prospectus. If a mutual fund also imposes sales charges, the client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. Clients are advised to read these materials carefully before investing. All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, and separate account managers. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, and for pooled investment vehicles, the pooled; investment vehicle's offering memoranda and subscription documents. A client using Roush Investments may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

**D. Prepayment of Client Fees****D.1. Prepayment of Fees – Portfolio Management Services**

Roush requires the prepayment of advisory fees for portfolio management services and requires the pre-payment of 50% of the estimated financial planning and pension consulting fees. Roush Investments' fees will either be paid directly by the client or disbursed to the firm by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

A client investment advisory agreement may be canceled at any time by the client, or by Roush Investments with thirty (30) days prior written notice to the client. If the agreement terminates other than at the end of a calendar quarter, Roush Investments will promptly refund all unearned, prepaid fees to the client. A financial planning and pension consulting agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any unearned, pre-paid fees will be promptly refunded and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

#### **D.2. Prepayment of Fees – Financial Planning and pension Consulting**

Roush Investments requires 50% of the estimated financial planning and pension consulting fees upfront. A financial planning and pension consulting agreement may be terminated by either party for any reason upon receipt of written notice. Upon termination of any account, any unearned, pre-paid fees will be promptly refunded and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

#### **E. External Compensation for the Sale of Securities to Clients**

Other than as disclosed in Item 10 of this Brochure, Roush Investments' financial advisors are compensated solely through a salary and bonus structure. Roush Investments is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products.

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

### **A. Performance-Based Fees and Side-by-Side Management**

Roush Investments does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## Item 7: Types of Clients

### Types of Clients

Roush Investments offers its investment services to various types of clients, including high-net-worth individuals, corporate executive groups, trusts, corporations, partnerships, retirement plans, tax exempt and other legal entities. Although Roush Investments provides investment services to the various types of clients mentioned, the services are conditioned upon meeting certain minimum criteria established by Roush Investments for each of the investment programs it offers.

Roush Investments generally requires a minimum account size of \$500,000 and generally charges a minimum annual fee of \$2,500 for managed accounts. For accounts with portfolio assets of less than \$500,000 you may be able to find comparable services at more favorable pricing elsewhere. This minimum account size and minimum annual fee may be negotiable under certain circumstances.

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

### **A. Methods of Analysis and Investment Strategies**

Roush Investments' methods of analysis may include fundamental, technical, charting, and cyclical analysis; quantitative methods for optimizing client portfolios; computer-based risk/return analysis; and statistical and/or computer models utilizing long-term economic criteria. In addition, Roush Investments reviews research material prepared by others, corporate filings, corporate rating services, and a variety of financial publications. Roush Investments may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds, Exchange-Traded Funds, Independent Investment Managers and Pooled Investment Vehicles, Individual Equity and Fixed Income Securities**

Roush Investments may recommend (i) separate account managers to manage client assets; (ii) no-load and load-waived funds and individual securities (including fixed income instruments); and (iii) pooled investment vehicles. Such management styles will include, among others, large-, mid-, and small-cap value, growth and core; emerging markets; and alternative investments. Roush Investments will also assist the client in selecting one or more appropriate manager(s) for some or all of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Roush Investments will take into account when recommending managers to clients. A description of the criteria to be used in formulating an investment recommendation for funds, exchange-traded funds, individual securities (including fixed income securities), and managers is set forth below.

Roush Investments has or may form relationships with third party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds, managers and pooled investment vehicles
- perform billing and certain other administrative tasks

Roush Investments may utilize additional independent third parties to assist it in recommending and monitoring funds and managers to clients as appropriate under the circumstances.

Roush Investments reviews certain quantitative and qualitative criteria related to individual securities, funds, and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis

- the fund or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending funds or managers include the investment objectives and/or management style and philosophy of a fund or manager, a fund or manager's consistency of investment style, and employee turnover and efficiency and capacity. Roush Investments will discuss relevant quantitative and qualitative factors pertaining to its managed portfolios with clients, as required by such clients.

Quantitative and qualitative criteria related to funds and managers are reviewed by Roush Investments on a quarterly basis or such other interval as mutually agreed upon by the client and Roush Investments. In addition, funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the fund or manager by Roush Investments (both of which are negative factors in implementing an asset allocation structure). Based on its review, Roush Investments will make decisions regarding the retention or discharge of a fund or manager.

Roush Investments may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. Roush Investments will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment. Roush Investments will regularly review the activities of funds and managers selected by Roush Investments.

## **A.2. Material Risks of Investment Instruments**

Roush Investments typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Private placements
- Pooled investment vehicles



- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations
- Option contracts on securities

#### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk, and liquidity risk.

#### **A.2.b. Warrants and Rights**

Roush Investments may invest in warrants and rights. Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

#### **A.2.d. Exchange-Traded Funds ("ETFs")**

Roush Investments may invest in ETFs (which may, in turn, invest in equities, bonds and other financial vehicles). ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>,

NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign), and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds also have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.g. U.S. Government Securities**

Roush Investments may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and

instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.2.h. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

#### **A.2.i. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth, and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, Roush Investments will be unable to monitor or verify the accuracy of such performance information.

#### **A.2.j. Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates, or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit, and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high-investment-grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

#### **A.2.k. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA"), and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority, or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHLMC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **A.2.l. Corporate Debt Obligations**

Roush Investments may invest in corporate debt obligations. Corporate debt obligations include corporate bonds, debentures, notes, commercial paper, and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. Roush Investments may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

#### **A.2.m. Mortgage-Backed Securities**

Roush Investments may invest in mortgage-backed securities, including pass-through securities and collateralized obligations. Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Roush Investments may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages, and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts, with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

#### **A.2.n. Collateralized Obligations**

Roush Investments may invest in collateralized mortgage obligations ("CMOs") that are collateralized by mortgage-backed securities issued by GNMA, FHLMC, or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly, or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Roush Investments may also invest in collateralized debt obligations ("CDOs"), which include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs"), and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and

subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

#### **A.2.o. Options Contracts on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period, and interest rates.

## **B. Investment Strategy and Method of Analysis Material Risks**

### **B.1. Leverage**

Although Roush Investments, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Roush Investments will utilize leverage. In this regard please review the following:

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor. In addition, the use of leverage enhances the price volatility of the collateral securities which can result in significant loss.

Broker-dealers that carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to satisfy a required margin deposit or withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **B.2. Short-Term Trading**

Although Roush Investments, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard please read the following:

There is an inherent risk for clients who trade frequently in that high-velocity trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

## **B.3. Short Selling**

Roush Investments generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the borrowed security.

## **B.4. Option Strategies**

Holders of long call options give the holder the right to acquire underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Roush Investments as part of its investment strategy may employ:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

### **B.4.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the money call option against a long security position held in the client's portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs, and significant losses



if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **B.4.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.4.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or "put" the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.4.d. Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder "locks in" a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; clients may contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### **B.4.e. Short Call Option Strategy**

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

#### **B.4.f. Short Put Option Strategy**

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract



strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

#### **B.4.g. Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified "cap rate." A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified "floor rate." A collar involving stock is called an "equity collar." In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

#### **B.4.h. Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date, and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

### **C. Concentration Risks**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss. Roush Investments invests in a diversified portfolio of equity and fixed income securities. Please refer to Item 8.A.2. above.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report for this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report for this item.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report for this item.

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

### **A. Broker-Dealer or Representative Registration**

Roush Investments is not registered as a broker-dealer and does not have an application to register pending.

### **B. Futures or Commodity Registration**

Roush Investments is not registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading advisor and does not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

Certain managers, members, and registered employees of Roush Investments are agents for certain insurance carriers. With respect to the provision of financial planning services, Roush Investments professionals may recommend insurance products offered by such carriers for whom they function as agents and receive a commission for doing so. Clients are advised of a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Clients are also advised that Roush Investments professionals strive to put their clients' interests first and foremost. Clients may utilize any insurance carrier or insurance agency they desire.

Rick Roush is a member of Heritage Storage Facilities-Turlock, LLC; Heritage Storage Facilities-Reedley, LLC; Heritage Storage Facilities-Lemoore, LLC; and Heritage Storage Facilities-Oakdale, LLC. The aforementioned legal entities are organized for mini storage business. Roush Investments' clients are not solicited to invest in these legal entities.

Mr. Roush is a limited partner of T.W. Patterson Investors, LP. T.W. Patterson Investors, LP owns a commercial office building in Fresno; a minority interest in Heritage Storage Facilities-Reedley, LLC; and a minority interest in Heritage Storage Facilities-Turlock, LLC. Roush Investments' clients are not solicited to invest in this limited partnership.

Mr. Roush is the sole member of Downtown Fresno, LLC. Downtown Fresno, LLC, is organized for the purpose of real estate and owns a minority interest in T.W. Patterson Investors, LP, and Salt Aire Holdings, LLC. Roush Investments' clients are not solicited to invest in this limited liability company.

### **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Other than as disclosed in Item 10.C above and Item 14 below, Roush Investments does not recommend separate account managers or other investment products to advisory clients in which it receives compensation. Roush Investments professionals who maintain a insurance

license do receive commission payments for the sale of such insurance products; however, such insurance products are not included as part of the investment advisory relationship between the client and Roush Investments.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Roush Investments has adopted policies and procedures designed to detect and prevent insider trading. In addition, Roush Investments has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Roush Investments' advisory and access persons. The Code imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of Roush Investments. Roush Investments will send clients a copy of its Code of Ethics upon written request.

Roush Investments has policies and procedures in place to ensure that the interests of its clients are given preference over those of Roush Investments, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Roush Investments does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory, or buying stocks from advisory clients into a firm's inventory). In addition, Roush Investments does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Roush Investments, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients.

### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Roush Investments, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Roush Investments clients. Roush Investments will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee, or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It

is the policy of Roush Investments to place clients' interests above those of Roush Investments and its employees.

## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

Roush Investments may recommend or require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Roush Investments may recommend or require that clients establish brokerage accounts with Schwab, Roush Investments is independently owned and operated and not affiliated with Schwab.

Schwab does not charge 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 or that settle into Schwab accounts.

In certain instances and subject to approval by the firm, Roush Investments will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Roush Investments will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### A.1. Institutional Trading and Custody Services

Schwab provides Roush Investments with access to its institutional trading and custody services, which are typically not available to Schwab's retail investors. These services are generally 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. These services are not contingent upon Roush Investments 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 that would require a significantly higher minimum initial investment.

#### A.2. Other Products and Services

Schwab also makes available to Roush Investments other products and services that benefit Roush Investments 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 Roush Investments' accounts, including accounts not maintained at Schwab. Schwab also makes available to Roush Investments its managing and administering 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 Roush Investments' fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

Schwab also offers other services intended to help Roush Investments 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 Roush Investments. Schwab 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 Roush Investments. Schwab may also provide other benefits, such as educational events or occasional business entertainment of Roush Investments personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, Roush Investments 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.

### **A.3. Independent Third Parties**

Schwab may make available, arrange, and/or pay third-party vendors for the types of services rendered to Roush Investments. Schwab may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Roush Investments.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

Roush Investments, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the price of such securities, the executing broker, and the commission rates to be paid to effect such transactions. Roush Investments recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Roush Investments will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:



- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Roush Investments seeks to ensure that clients receive best execution with respect to their transactions by blocking client trades to reduce commission costs. To the best of Roush Investments' knowledge, these custodians provide high-quality execution, and Roush Investments' clients does not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Roush Investments believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Directed Brokerage**

### **B.2.a. Roush Investments Recommendations**

Roush Investments currently recommends Schwab as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **B.2.b. Client-Directed Brokerage**

Occasionally, clients may direct Roush Investments to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Roush Investments derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Roush Investments loses the ability to aggregate trades with other Roush Investments advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### **B.3. Security Allocation**

Since Roush Investments may be managing accounts with similar investment objectives, Roush Investments may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Roush Investments in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Roush Investments' allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Roush Investments will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Roush Investments' advice to certain clients and entities and the action of Roush Investments for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objectives, guidelines, and circumstances. Thus, any action of Roush Investments with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of the firm to or on behalf of other clients.

### **B.4. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Roush Investments believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.5. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs, and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Roush Investments acts in accordance with its duty to seek best price and execution and will not continue any arrangements if it determines that such arrangements are no longer in the best interests of its clients.

**B.6. Soft Dollar Arrangements**

Roush Investments does not utilize soft dollar arrangements. Roush Investments does not direct brokerage transactions to executing brokers for research and brokerage services.

**B.7. Brokerage for Client Referrals**

Roush Investments does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

The review of accounts of high-net-worth and affluent clients, including corporations, partnerships, and trusts, are conducted in the first instance by the professional servicing the client relationship on at least a quarterly basis. Such professionals are subject to the general authority of Roush Investments' Managing Member. The Managing Member or his designee(s) must review and approve the opening of each new advisory relationship and oversee reviews of client accounts. The Managing Member or his designee(s) is also responsible for ensuring that any significant change in a client's investment strategy or in the concentration of a client's assets is appropriate for and has been reviewed with the client.

### **B. Review of Client Accounts on Non-Periodic Basis**

Roush Investments may perform *ad hoc* reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Roush Investments formulates investment advice.

### **C. Content of Client-Provided Reports and Frequency**

All investment advisory clients receive customized performance reports of their accounts, as well as comparative performance of underlying benchmark market indices and of their benchmark composite index on a quarterly basis. Investment advisory clients also receive standard account statements from the custodian of their accounts on a monthly basis, but no less frequently than quarterly. Financial planning clients do not normally receive investment reports. There are no post-plan reviews unless engaged to do so by the client.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

Other than as described in item 10 there is nothing to report for this item.

### **B. Advisory Firm Payments for Client Referrals**

Roush Investments may enter into agreements with solicitors who will refer prospective advisory clients to Roush Investments in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with Roush Investments. The solicitor must provide the client with a disclosure document describing the fees it receives from Roush Investments, whether those fees represent an increase in fees that Roush Investments would otherwise charge the client, and whether an affiliation exists between Roush Investments and the solicitor.

## Item 15: Custody

### A. Custody

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Roush Investments urges its clients to compare the account balance(s) shown on their Roush Investments performance review to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

### **A. Investment Discretion**

Clients may grant a limited power of attorney to Roush Investments with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In such cases, Roush Investments will exercise full discretion as to the nature and type of securities to be purchased and sold and the amount of securities for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## **Item 17: Voting Client Securities**

Roush Investments does not vote client proxies. However, money managers selected by Roush Investments may vote proxies for clients. Therefore, except in the event a money manager votes proxies, clients maintain exclusive responsibility for (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted; and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other type events pertaining to the client's investment assets. Therefore, except for proxies that may be voted by a money manager, Roush Investments and/or the client shall instruct the client's qualified custodian to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.



## **Item 18: Financial Information**

### **A. Balance Sheet**

Roush Investments does not require the prepayment of fees of \$1,200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Roush Investments does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report for this item.