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# Rich Investment Solutions LLC

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January 31, 2012

**This Brochure provides information about the qualifications and business practices of Rich Investment Solutions LLC (“the Adviser”). If you have any questions about the contents of this Brochure, please contact us at (646) 435-4872. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**The Adviser is an investment adviser registered with the SEC. Registration with the SEC does not imply any level of skill or training.**

**Additional information about the Adviser also is available on the SEC’s website at [www.Adviser.info.sec.gov](http://www.Adviser.info.sec.gov).**

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**ITEM 2 –MATERIAL CHANGES**

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This is the Adviser's initial narrative Brochure prepared in accordance with Part 2A of Form ADV. There are no material changes to report.

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## **ITEM 4 – ADVISORY BUSINESS**

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### **ADVISORY SERVICES**

Rich Investment Solutions LLC (“the Adviser”) has been operating since July 2009 and has been registered as an investment adviser with the Securities and Exchange Commission (the “SEC”) since October 27, 2009. Kevin Rich and Jeff Klearman are the principal owners of the Adviser.

The Adviser manages no client assets on either a discretionary or non-discretionary basis as of January 31, 2012.

The Adviser’s advisory services center on investment themes often seen in structured products. The Adviser attempts to create strategies which capture the beneficial aspects of these themes while mitigating the less beneficial components. The Adviser develops those themes into systematic, diverse, rules based investable strategies.

#### **Sub-advisory Services**

The Adviser will act as a sub-adviser to advisers on US registered products, such as exchange traded funds. As of January 31, 2012 the Adviser is not yet acting in this capacity, however, two prospective funds have been filed with the SEC under the ALPS ETF Trust for which the Adviser would be a sub-adviser. If the SEC does allow these funds to list, or any other funds in which the Adviser is the sub-adviser, the Adviser will update this section of the ADV with that information prior to the funds commencing operations. As sub-adviser to an adviser on a registered product, the Adviser would not consider investors in the registered product to be direct clients of the Adviser, since those investors would transact through their respective broker dealer client accounts.

The Adviser’s role as sub-adviser will be documented under investment sub-advisory agreements with the respective registered product as approved by that product’s board. As sub-adviser the Adviser would typically be responsible for placing purchase and sale orders and providing continuous supervision of the investment portfolio of the registered product. As sub-adviser the Adviser typically would not be responsible for arranging administration, transfer, custodial, and distribution related services for the registered products to operate, as those duties would typically be carried out by the adviser of that product.

The Adviser does not provide custodial or other administrative services, and at no time will the Adviser accept or maintain custody with respect to advisory services.

### **TERMINATION OF ACCOUNTS AND ADVISORY AGREEMENTS**

Subadvisory Services: terms of termination will be specified in each sub-advisory agreement. Typically agreements with the registered products will terminate immediately upon assignment or the Adviser may terminate upon 60 days prior written notice. Typically sub-advisory

agreements must be renewed by the applicable product's board on an annual basis after their initial two-year term.

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## **ITEM 5 – FEES AND COMPENSATION**

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### **I. Subadvisory Services**

For its services to registered products as sub-adviser, the Adviser would receive a portion of the overall management fee paid to the adviser of the product. While fees will vary from product to product depending on several factors, the Adviser would typically expect to receive a sub-advisory fee generally ranging from 0.50% to 0.95% (per annum) of average daily net assets, payable in arrears on a monthly basis. Additional information regarding fees would be set forth in the applicable product's prospectus.

### **II. Index and Strategy Development**

As compensation for the Adviser's services related to presenting and completing OTC transactions, the Adviser will receive a portion of the Index Licensing fee charged by the Index Provider on the transactions where the OTC transaction payout is tied to a specific Index.

Typically the overall fee basis and amount of what is owed to the Derivative Provider from the Investor will be negotiated on a case by case basis between the parties and will be determined based upon various factors, including the US dollar notional size of the transaction and the length of the transaction. While actual fees may be higher or lower than the range provided below based on the specific circumstances, generally, the Adviser would expect to receive 0.05% to 0.50% (per annum) of notional from the Derivative Provider based on the size of the transaction.

All fees due from the Investor will be paid to the Derivative Provider. These fees will typically be deducted from the payout due from the Derivative Provider to the Investor per the OTC transaction schedule of payments, or added to the amount the Investor owes to the Derivative Provider per the OTC transaction schedule of payments. It will then be the Derivative Provider's responsibility to pay the portion of those fees owed to the Adviser and to the Index Provider.

All other fees or expenses in addition to those listed above which are due from the Investor and deducted from the payments due the Investor will be documented in the OTC transaction documentation.

No members of the Adviser receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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**ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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

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**ITEM 7 – TYPES OF CLIENTS**

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The Adviser offers its services to institutional investors, broker-dealers, funds operating in various forms, corporations and other institutions.

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**ITEM 8 –METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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There can be no assurances that a client will achieve its investment objective or that the strategies pursued and methods utilized by the Adviser will be successful under all or any market conditions.

A main focus of the Adviser's services centers on income generating strategies and other themes seen with structured products. The Adviser has taken popular, single name, bespoke strategies from the structured products arena, and developed systematic, diverse, rules based ongoing strategies. These strategies when offered through registered products or OTC transactions can provide Investors investment opportunities which have not been readily available to them in the past.

Many of the strategies the Adviser has developed involve selling options on underlying stocks, typically in a systematic rules based process. Some of these strategies will focus on selling options on stocks with a relatively higher implied volatility when compared to other stocks or the overall equity market, with the goal of increasing income. While Investors would expect to receive higher income selling options on stocks with higher implied volatility, they also face higher risk as well if the underlying stocks move against them. Depending upon the specific strategy, Investors assume the risk at option maturity that the underlying referenced equities may close at or below certain levels, and Investors may also give up the upside on the underlying equities above the income the strategy receives from selling the options.

Investment Risk: An investment in the strategies is subject to investment risk, including the possible loss of the entire initial investment (assuming no leverage).

**Option Risk:** Options are subject to volatile price swings, and the options held in the Adviser's strategies may be particularly subject to this risk because the underlying stocks selected by the Index Provider focus on high volatility. The risk of loss may substantially outweigh the option premiums.

**Equity Risk:** The value of options are based on the value of the underlying stocks, so the strategies are exposed to equity risk that the value of the stocks underlying options held will fall. If the value of the stocks underlying the short options positions increases, however, the returns will not increase accordingly.

**Implied Volatility Risk:** When options are written and premium is received, there is also a corresponding liability representing the value of the options until the options cash settle or expire worthless. The options values are partly based on the volatility used by dealers to price such options, so increases in the implied volatility of such options will cause the value of such options to increase, which will result in a corresponding increase in the liabilities.

**Issuer-Specific Changes.** The value of an individual security or particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

**Tax Efficiency Risk:** Generating income using short dated options can be less tax-efficient than investments that generate returns through capital appreciation or longer term transactions.

**Non-Correlation Risk.** Certain strategies when implemented to track an index may not match the return of that index for a number of reasons. For example, the strategy may have to sell options on stocks outside the index if there is not a competitive market from over-the-counter option dealers on a stock. The implemented strategy may not be able to sell options on terms that exactly mirror the index. The implemented strategy incurs operating expenses not applicable to the index.

**Portfolio Turnover Risk.** The strategies may involve transaction costs in mark-ups in the bid/offer spread on option positions. Higher portfolio turnover will result in additional transaction costs and may result in higher taxes

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## **ITEM 9 – DISCIPLINARY INFORMATION**

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The Adviser does not have any disciplinary or legal events to report.

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## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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### **Index and Strategy Development**

The Adviser will present certain investment strategy ideas to Institutional Investors (“Investors”) which would be made available to those Investors facing large financial institutions (“Derivative Provider”) whereby the Investor faces the Derivative Provider in an Over the Counter (“OTC”) transaction. The OTC transactions would be documented as either an OTC Swap or OTC Option transaction under International Swaps and Derivative Association (ISDA) guidelines. The Adviser will only present to Investors who have the expertise and capability to enter into ISDA based transactions. Investors will normally be funds of various forms, retirement accounts, corporations and other institutions, and defined as Qualified Institutional Buyers (QIBs) under the Securities Act of 1933, Qualified Purchasers under the 1940 Act, or Eligible Contract Participants (ECPs) under the Commodity Exchange Act. The Adviser will receive a portion of the Index License fee from the Derivative Provider.

### **TERMINATION OF ACCOUNTS AND ADVISORY AGREEMENTS**

Index and Strategy Development: Each ISDA documented OTC transaction will have the specific termination date of the transaction defined within the transaction confirmation. Any provisions for early termination of that specific transaction will be noted in the confirmation or documented within a broader master agreement.

The Adviser does not engage in any other business activity other than providing investment advice.

Kevin Rich and Jeff Klearman are Registered Representative of ALPS Distributors, Inc.

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## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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The Adviser has adopted a Code of Ethics (the “Code”) which sets forth the ethical and fiduciary principles and related compliance requirements under which the Adviser operates and the procedures for implementing those principles. The Code includes provisions which govern fiduciary duty, client opportunities, insider trading, personal trading, gifts and entertainment, political contributions, outside business activities and confidentiality. To avoid any potential conflicts of interest involving personal trades, the Adviser’s Code specifies and prohibits certain



types of transactions deemed to create actual conflicts of interest, the potential for conflicts, or the appearance of conflicts, and establishes reporting requirements and enforcement procedures.

The Adviser's Code generally requires employees to: 1) report personal securities transactions on at least a quarterly basis; 2) provide the Adviser with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such employees have a direct or indirect beneficial interest; and 3) obtain pre-clearance prior to investing in securities deemed to create actual conflicts of interest, the potential for conflicts, or the appearance of conflicts.

A copy of the Adviser's Code is available to any client or prospective client upon request by contacting the Adviser's Chief Compliance Officer at (646) 435-4872.

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## **ITEM 12 – BROKERAGE PRACTICES**

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The Adviser's policy is to obtain the best execution of transactions over the long term, taking into account the full range and quality of services offered by executing brokers.

The Adviser will transact through firms which are considered reputable and financially secure to execute trades, and which it believes can offer best execution, on an overall or transaction basis.

While trade price is often a significant factor in selecting brokers to execute transactions, a number of factors will be considered including, financial strength, stability and responsibility, reputation, quality and depth of services (including back office and processing capabilities), nature and frequency of sales coverage, price, reliability, ability to execute trades, commission rate, research capabilities, success of prior research recommendations, the value of research and brokerage products and services provided and responsiveness to the Adviser.

In selecting brokers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost to be charged by the brokers it selects. The commissions and/or fees charged by brokers are exclusive of, and in addition to, the Adviser's fees.

As permitted under applicable law, the Adviser may cause client accounts to pay a broker a commission for effecting a securities transaction that is in excess of the commission which another broker would have charged for effecting the transaction, if the Adviser makes a good faith determination that the broker's commission paid by clients is reasonable in relation to the value of the brokerage and research services provided by the broker, viewed in terms of either the particular transaction or the firm's overall responsibilities to the clients and the accounts.

The Adviser does not use soft dollar benefits to service clients' accounts.

The Adviser does not consider client referrals when selecting or recommending brokers, and typically does not engage in directed brokerage arrangements. The Adviser does not participate in any directed brokerage programs.

The Adviser's policy is to ensure that no individual client is benefited or harmed by virtue of trade allocations and transactions across client accounts and account types, should that occur.

From time to time, it may be appropriate for more than one of the accounts managed by the Adviser to trade in the same securities at the same time. As a general rule, such orders would be combined (or bunched) and allocations among the Adviser's clients acquiring the same securities on the same day are effected on a pro rata basis, based on the relative value of the accounts, or otherwise in an allocation amount determined at the time of the order. If the orders were to be combined (or bunched), each of the accounts will have their same day orders filled on an average price basis (such that each receives the same price). While the Adviser's goal is to be fundamentally fair on an overall basis with respect to all clients, there can be no assurance that on an overall or trade-by-trade basis that any particular client will not be treated more favorably than another.

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#### **ITEM 13 – REVIEW OF ACCOUNTS**

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The Adviser will perform day-to-day portfolio management related to its advisory services, however, does not offer the type of services which require a periodically review of client accounts or financial plans.

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#### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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The Adviser does not compensate third parties for client referrals.

As noted in Item 4 and Item 5 above, as compensation for the Adviser's services related to presenting and completing OTC transactions, the Adviser will receive a portion of the fee charged on OTC transaction between the Investor and Derivative Provider. This arrangement and the amount being paid to the Adviser by the Derivative Provider will be fully disclosed to the client and will not create a conflict of interest.

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#### **ITEM 15 – CUSTODY**

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The Adviser does not have custody of client funds or securities.

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**ITEM 16 – INVESTMENT DISCRETION**

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The Adviser does not have discretionary authority to manage securities accounts on behalf of clients.

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**ITEM 17 – VOTING CLIENT SECURITIES**

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The Adviser does not offer services where it will hold client securities directly or indirectly, so as a result, the Adviser does not authority to vote client securities.

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**ITEM 18 – FINANCIAL INFORMATION**

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The Adviser has no financial condition that impairs its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.