

## Item 1 – Cover Page

### **Reutemann Financial Solutions, Inc. (RFS)** Form ADV Part 2A Appendix 1 Wrap Fee Program Brochure

Date of Wrap Fee Program Brochure: March 2012

Reutemann Financial Solutions also conducts business under the following:

**Research Financial Strategies**

9600 Blackwell Road, Suite 101

Rockville, MD 20850

Ph: 301-294-7500

[www.rfsadvisors.com](http://www.rfsadvisors.com)

**Wealth Planning Concepts, LLC**

15245 Shady Grove Road, Suite 355 South

Rockville, MD 20850

Ph: 240-386-8413

**Applied Financial Wisdom**

18301 Mink Hollow Road

Highland, MD 20777

Ph: 301-570-8006

[www.appliedfinancialwisdom.com](http://www.appliedfinancialwisdom.com)

**The Capital Group of Virginia**

106 South Street, Suite 203

Charlottesville, VA 22902

Ph: 434-979-6386

[www.thecapitalgroupva.com](http://www.thecapitalgroupva.com)

**The Legacy Foundation, LLC**

200 Hansen Road., Suite 1

Charlottesville, VA 22911

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This wrap fee program brochure provides information about the qualifications and business practices of Reutemann Financial Solutions, Inc. doing business as Research Financial Strategies. If you have any questions about the contents of this brochure, please contact John F. Reutemann, Jr. at 301-294-7500 or at [john.reutemann@rfsadvisors.com](mailto:john.reutemann@rfsadvisors.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 Research Financial Strategies is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## **Item 2 – Material Changes**

This item discusses specific material changes that are made to the Wrap Fee Program Brochure and provides readers with a summary of such changes. This item also references the date of the last annual update of this brochure. Prior to this March 2012 version, our last annual update for the Wrap Fee Program Brochure was in March 2011. The material changes since March 2011 include the following:

- 1) We have added information about several new office locations and DBA (doing business as) names for the firm. Please refer to *Item 1 – Cover Page* for the specific doing business as (DBA) information.

If you participate in our wrap fee program, we will ensure that you receive a summary of material changes, if any, to this and subsequent wrap fee disclosure brochures within 120 days after our fiscal year ends.

Our fiscal year ends on December 31 so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer a copy of the most current Wrap Fee Program Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Services, Fees and Compensation**

### **ETF TREND ALLOCATOR PROGRAM**

RFS is the sponsor of the ETF Trend Allocator Program (ETF Program), a wrap-fee program developed through an arrangement using LPL's Strategic Wealth Management platform. Through the ETF Program, RFS provides investment management services, including providing continuous investment advice to you and making investments for you based on your individual needs. Through this service, RFS offers a customized and individualized investment program for you. A specific asset allocation strategy and investment policy statement (IPS) is crafted to focus on your specific goals and objectives. The IPS will define your risk tolerance and investment objective. The IPS should be updated regularly, but at a minimum every 2 years.

ETF Program accounts are established at LPL in its capacity as a registered broker/dealer, member FINRA/SIPC. LPL is also an investment advisor registered with the SEC, but does not serve as an investment advisor for RFS' clients through the ETF Program. LPL provides clearing, custody and other brokerage services for accounts established through the ETF Program. Therefore, you will be required to establish a brokerage account(s) through LPL's Strategic Wealth Management platform. Separate accounts are maintained for each client. You retain all rights of ownership of your accounts (e.g., the right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

ETF Program accounts allow you to authorize RFS to purchase and sell on a discretionary basis portfolios consisting of securities and investments. Portfolio holdings may include equity securities, certificates of deposit, municipal securities, investment company securities (mutual funds, variable annuities, and variable life insurance), and United States government securities. RFS may limit its discretion with respect to the client account and the securities eligible to be purchased for the client account.

During any month that there is activity in the ETF Program account, you will receive a monthly account statement from LPL showing account activity as well as positions held in the account at month end. Additionally, you will receive a confirmation of each transaction that occurs within the ETF Program account unless the transaction is the result of a systematic purchase, redemption or exchange. You will also receive a detailed quarterly report showing performance, positions, and activity. All account data and statements are also available on-line through the account view portal through LPL.

The annual investment advisory fee charged will vary between 0.50% - 3.0% of the assets held in the account and is negotiable with you depending on the market value of the account, asset types, your financial situation and trading activity. The annual fee will be divided and payable quarterly in advance through a direct debit in your account. LPL is responsible for calculating and debiting all fees from client accounts. You must provide LPL with written authorization to debit advisory fees from your accounts and pay such fees to RFS. Fees are based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of a quarter will be prorated based on the number of days remaining in the initial quarter.

Prior to engaging RFS to provide investment management services, you will be required to enter into a formal investment advisory agreement with RFS setting forth the terms and conditions, including the amount of investment advisory fees, under which RFS will manage your assets and a separate custodial/clearing agreement with LPL.

You may open an ETF Program I or an ETF Program II account. In an ETF Program I account, in addition to the investment advisory fee, you will pay certain transaction charges to defray the costs associated with trade execution. These costs are set out in the LPL Strategic Wealth Management

platform brokerage account and application agreement. In the ETF Program II account, you do not pay transaction charges associated with trade execution. The minimum account size to open an ETF Program account is \$50,000, although exceptions may be granted upon request.

You may incur certain charges imposed by third parties other than RFS in connection with investments made through the account including, but not limited to, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by RFS (which include transaction and execution fees charged by LPL for ETF Program I accounts) are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. The IARs of RFS, in their separate capacity as registered representatives of LPL may retain a portion of the commissions charged to you. These commissions may include 12b-1 fees, surrender charges and IRA and qualified retirement plan fees.

The ETF Program I and ETF Program II may cost you more or less than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged commissions for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold investment strategy for the account or do not wish to purchase ongoing investment advice or management services, you should consider opening a brokerage account rather than an ETF Program I or ETF Program II account.

RFS does not always charge a lower advisory fee for ETF Program I accounts versus ETF Program II accounts. Therefore, there is the potential for ETF Program I account clients to pay higher overall costs which are derived from the amount of trading activity within an account. This is because transaction costs are passed along to you in ETF Program I accounts whereas transactions costs are covered under the overall fee charged for ETF Program II accounts.

Either party may terminate the agreement for services at any time. If services are terminated within five business days of executing the agreement, services will be terminated without penalty and a full refund of all fees paid in advance will be provided. If services are terminated after the initial five day period, RFS will provide you with a prorated refund of fees paid in advance. The refund will be based on the number of days service was actually provided during the final billing period. Termination will be effective from the time the other party receives written notification or such other time as may be mutually agreed upon, subject to the settlement of transactions in progress and the final refund of advisory fees. There will be no penalty charge upon termination.

### **Block Trading Policy**

RFS may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used by RFS when it believes such action may prove advantageous to clients. If and when RFS aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If and when RFS determines to aggregate client orders for the purchase or sale of securities, including securities in which the IARs may invest, RFS will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither RFS nor its IARs will receive any additional compensation or remuneration as a result of block trades.

## **Item 5 – Account Requirements and Types of Clients**

### **Minimum Investment Amounts Required**

RFS requires a minimum account size of \$50,000 to open an ETF Program account, although exceptions to this minimum may be granted at the discretion of RFS and LPL. To become an ETF Program participant, a program agreement (the *Asset Management Agreement*) between the client and RFS must be executed with RFS setting forth the terms and conditions, including the amount of investment advisory fees, under which RFS will manage the client's assets.

### **Types of Clients**

RFS generally provides investment advice to the following types of clients:

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

## **Item 6 – Portfolio Manager Selection and Evaluation**

RFS and its associated person(s) act as the portfolio manager for the ETF Program. The ETF Program does not allow the use of portfolio managers that are not associated with RFS. In other words, the only portfolio managers selected for managing client assets in the ETF Program are associated persons of RFS. Therefore, conflicts of interest present in other wrap-fee programs that make available both affiliated and unaffiliated portfolio managers are not present in the ETF Program. Because the ETF Program does not provide for a multitude of outside portfolio managers, RFS does not have procedures designed to select outside portfolio managers. Many of the disclosures required by the Item 6 Wrap Fee Program Brochure instructions do not apply to RFS. The disclosures that do apply are answered below.

The RFS ETF Allocator Program exclusively uses ETFs (exchange traded funds) which are selected based exclusively on technical analysis indicators that are proprietary to RFS. ETF performance is reviewed on the DWA website, of which RFS is a paid subscriber. The exact methods of selection and the exact combination of indicators used to select and sell ETFs are proprietary to RFS. The ETF portfolio is reviewed daily by the RFS CIO and his staff.

### **Types of Advisory Services**

In addition to the ETF Program, RFS offers advisory services including Financial Planning Services, and Asset Allocation Services. A description of those advisory services is provided in the RFS Form ADV Part 2A Disclosure Brochure.

### **Specialization**

RFS management believes that the core expertise of any registered investment adviser should be the pro-active management of risk and the protection of client capital. As such, we focus our money management services on technical analysis, risk mitigation, and a strong “sell-side” disciplined approach. RFS believes much of the industry has put this objective second to the “financial planning” process, and as such has produced a commoditized method of money management--the “buy and hold” pie chart, which RFS strongly rejects and considers to be a failed money management process.

## **Limits Advice to Certain Types of Investments**

We provide advice on the following types of investments:

RFS provides investment advice on the following types of investments:

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities

RFS does not provide advice on foreign issues, warrants, corporate debt securities, commercial paper, options contracts on securities and commodities, futures contracts on tangibles and intangibles, interests in partnerships investing in real estate and oil and gas interests, or hedge funds and other types of private (i.e. non-registered) securities.

When providing asset management services through our ETF Trend Allocator Program, RFS typically constructs each client's account holdings using ETFs to build diversified portfolios. It is not RFS' typical investment strategy to attempt to time the market but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

## **Tailor Advisor Services to Individual Needs of Clients**

RFS will assist clients in determining their objective(s), investment strategy, and investment suitability, prior and subsequent to opening an ETF Program account. Clients must contact RFS to advise of any changes in their investment objective(s) and/or financial situation.

## **Wrap-Fee Program versus Portfolio Management Program**

RFS offer advisory services through both wrap-fee programs and non-wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee (or fees) not based directly upon transactions in a client's account is charged for the execution of client transactions and investment advisory services (which advisory services may include portfolio management or may include advice concerning the selection of other investment advisers). Whenever a fee is charged to a client for advisory services described in this brochure (whether wrap fee or non-wrap fee), RFS will receive all or a portion of the fee charged.

From a management perspective, there is not a fundamental difference in the way RFS manages traditional management accounts versus wrap-fee management accounts. The only significant difference is the way in which transaction services are paid. It should be noted that RFS complies with certain trading platform restrictions. For example, a Schwab PCRA account using ETFs has no trading restrictions, whereas variable annuities and 401(k) trading platforms commonly have trading restrictions involving exit and re-entry holding periods.

## Performance-Based Fees

RFS does not charge or accept performance-based fees. Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

## Methods of Analysis

RFS uses the following methods of analysis in formulating investment advice:

Charting. The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Cyclical. Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

Fundamental. A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Technical. This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets can be indications of future performance. The RFS investment committee uses a variety of technical indicators, e.g., average daily trading volume, high/low indicators, and the MACD. The exact combination and weighting of indicators used to make trading decisions is confidential and proprietary to the RFS business model.

## Investment Strategies

RFS uses the following investment strategies when managing client assets:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Trading. Investments sold within 30 days.

Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000



worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from RFS.

RFS also uses sector rotation analysis as an investment strategy. This is a technical analysis model using relative strengths to identify sector rotation opportunities.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

### **Voting Client Securities**

Neither RFS nor its IARs will vote proxies on your behalf. You are instructed to read through the information provided with the proxy-voting documents and to make a determination based on the information provided. You have the ultimate responsibility for making all proxy-voting decisions.

### **Item 7 – Client Information Provided to Portfolio Managers**

Because only the associated person(s) of RFS serve as the portfolio manager for the ETF Program, the associated persons of RFS are responsible for gathering all information provided by clients. Associated persons will interview and work with clients to gather all information needed relative to the client's investment objectives and needs in order to provide management services through the ETF Program. Clients are responsible for promptly contacting RFS to notify of any changes to the client's financial situation that will impact or materially influence the way RFS manages the client's accounts. Since RFS does not use any outside portfolio managers, RFS does not share client information with any outside portfolio managers.

### **Item 8 - Client Contact with Portfolio Managers**

Because only associated persons of RFS serve as the portfolio manager for the ETF Program, there are no restrictions placed on the clients' ability to contact and consult with their portfolio manager. It is RFS' policy to provide for open communications between RFS' associated person(s) and clients. Clients are encouraged to contact John F. Reutemann, Jr. whenever the client has questions about the management of their account(s).

### **Item 9 - Additional Information**

#### **Disciplinary Information**

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events to report that are material to a client's or prospective client's evaluation of our business or integrity.

### **Other Financial Industry Activities and Affiliations**

RFS is **not** and does **not** have a related company that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) other investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) accountant or accounting firm, (7) lawyer or law firm, (8) insurance company or agency, (9) pension consultant, (10) real estate broker or dealer, or (11) sponsor or syndicator of limited partnerships. The IARs of RFS are also registered representatives of LPL and may suggest that clients implement their advice by placing transactions through LPL. This could present a conflict of interest since they could receive fees and commissions if clients choose to implement recommendations through the IARs in their separate capacities as registered representatives. Clients are not obligated to implement any

recommendations through RFS or through its IARs and are free to select any broker/dealer they wish in order to implement recommendations.

Commissions and fees charged by LPL and RFS may be higher or lower than at other broker/dealers and investment advisors. Registered representatives may have a conflict of interest in having you purchase securities through LPL because the higher their production with LPL the greater potential they have for obtaining a higher pay-out on commissions earned. Further, the registered representatives are restricted to only offering those products and services that have been reviewed and approved for offering to the public by LPL and for which LPL has obtained a selling agreement.

Some of the IARs may also be independently licensed as insurance agents with various insurance companies. If you elect to purchase insurance products through the IARs in this separate capacity, the IARs may earn commissions. This situation represents a conflict of interest because the IARs could receive fees for the advice and receive commissions for implementing insurance transactions as an insurance agent. You are not obligated to implement any recommendations through RFS or through its IARs and are free to select any insurance agent or company they wish in order to implement recommendations.

### **Code of Ethics**

Section 204A-1 of the *Investment Advisers Act of 1940* requires all investment advisors to establish, maintain and enforce a Code of Ethics. We have established a Code of Ethics that applies to all of our associated persons. An investment advisor is considered a fiduciary according to the *Investment Advisers Act of 1940*. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of its clients at all times. We have a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle for our Code of Ethics, which also covers our insider trading and personal securities transactions policies and procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and when changes occur, all supervised persons sign an acknowledgement that they have read, understand and agree to comply with our Code of Ethics. We have the responsibility to make sure that the interests of all clients are placed ahead of our own or our supervised persons' investment interests. We provide full disclosure of all material facts and potential conflicts of interest to you prior to any services being conducted. We and our supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give you a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy is provided promptly upon request.

Some of our representatives are also Certified Financial Planners<sup>™</sup>. In addition to abiding by our Code of Ethics, they also abide by the Code of Ethics and Responsibility Code of the Certified Financial Planner<sup>™</sup> Board of Standards, Inc. That Code requires CFP<sup>®</sup> designees to comply with all applicable laws and regulations and also to act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP<sup>®</sup> designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from one of our representatives.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

RFS or our associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of RFS that all persons associated in any manner with our firm must place the interests of our clients ahead of their own when implementing personal investments. RFS and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by RFS are widely held and publicly traded.

### **Account Reviews and Reviewers**

At least quarterly, the RFS IARs will contact clients participating in the ETF Program to schedule a one-on-one account review. The calendar is the main triggering factor, although more frequent reviews may also be triggered by specific client request or changes in the client's circumstances. Reviews may also be conducted on a "transactional" or "as needed" basis. Specific client account reviews include checking the accuracy of the holdings and an analysis of whether investments continue to work toward the client's goals and objectives.

ETF Program accounts are generally based on one or more of six basic models holding specific investment products. Those models and their investment products are reviewed on a daily basis. Account models are reviewed to ensure the models and their investment products are performing to expectations. While all IARs are responsible for reviewing their own accounts, the Chief Executive Officer of RFS reviews all managed account models.

### **ETF Program Account Statements and Reports**

During any month that there is activity in the ETF Program account, the client receives a monthly account statement, from LPL showing account activity as well as positions held in the account at month end. Additionally, the client receives a confirmation of each transaction that occurs within the ETF Program account unless the transaction is the result of a systematic purchase, redemption or exchange. The client will also receive a detailed quarterly report showing performance, positions, and activity. All account data and statements are also available on-line through the account view portal through LPL.

### **Client Referrals and Other Compensation**

RFS does not directly or indirectly compensate any person for client referrals.

While there is no direct linkage between the investment advice given to clients and the recommendation of RFS to use LPL, economic benefits may be provided by LPL to RFS that will not be provided if the client selects another broker/dealer or account custodian. These benefits may include: negotiated costs for transaction implementation, a dedicated trade desk that services LPL participants exclusively, a dedicated service group and an account services manager dedicated to RFS accounts, access to a real-time order matching system, electronic download of trades, balances and position information, access, for a fee, to an electronic interface with the account custodian's software, duplicate and batched client statements, confirmations and year-end reports.

The IARs of RFS may receive normal commissions if client transactions are implemented through them in their separate capacities as registered representatives or independently licensed insurance agents.

The IARs may receive commissions from executing securities transactions in their separate capacity as registered representatives. Certain mutual fund companies may also charge 12b-1 fees as outlined in the fund's prospectus. The 12b-1 fees come from fund assets and, therefore, indirectly from client assets. LPL retains all 12b-1 fees in ETF Program accounts and no portion of the fees are passed onto RFS or its IARs. However, this could still be considered a conflict of interest. As part of its fiduciary duty, RFS endeavors at all times to put clients' interests first when it and its IARs make recommendations.

RFS does not have any verbal or written agreements whereby it receives soft dollars from a broker/dealer firm. RFS does not pay for any research received from LPL or any other broker/dealer. The IARs, in their separate capacities as registered representatives and/or independently licensed insurance agents, may be eligible to receive various incentives based on production levels. These incentives may include marketing reimbursements, educational conference trips or discounts on various software or investment-related research materials. RFS may also be provided with various newsletters or publications from financial services firms as a customary consideration.

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

Please also see our separate Disclosure Brochure for additional discussion about other compensation and non-economic benefits. Specifically, *Item 5, Fees and Compensation*, *Item 10, Other Financial Industry Activities and Affiliations* and *Item 12, Brokerage Practices* contain additional information about other compensation we may receive.

### **Financial Information**

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