



## FORM ADV PART 2A\* SEC-Required Brochure

June 2012

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\*This brochure provides information about the qualifications and business practices of Raub Brock Capital Management, LP. If you have any questions about the contents of this brochure, please contact us at telephone 415.927.6990. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority. Additional information about Raub Brock Capital Management, LP is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **MATERIAL CHANGES FROM PRIOR FORM ADV PART 2A**

This updated Form ADV Part 2A contains the following changes from the prior version:

- Routine revisions and updates to formatting.
- Non-material edits to the existing descriptions of prior disclosures.
- Inclusion of an Index of ERISA Disclosures following the Table of Contents

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## INDEX OF ERISA RELATED DISCLOSURES

Raub Brock Capital Management, LP (sometimes “Raub Brock,” the “Firm” or “Advisor”) may provide investment management services to retirement plans governed by the Employee Retirement Investment Security Act (“ERISA”). ERISA regulations require that specific disclosures be made to the ERISA plan fiduciary that is authorized to enter into, or extend or renew, an agreement with the Firm to provide these services. The following Index identifies the disclosures required and the location where plan representatives may find them. It is intended to assist ERISA Plan representatives with compliance with the service provider disclosure regulations under section 408(b)(2) of ERISA. Any questions concerning this guide or the information provided regarding our services or compensation should be addressed to our Chief Compliance Officer at the number noted on the cover page of this ADV Part 2A.

Required Disclosure	Location of the Required Disclosure
Description of the services that Advisor will provide to covered ERISA plans	Item 1 of this Form ADV Part 2A and Paragraphs 1- 4 of the investment management agreement.
Statements that the services that Advisor will provide to covered ERISA plans will be as an ERISA fiduciary and registered investment adviser	Item 1 of this Form ADV Part 2A and Paragraph 12 of the investment management agreement signed with our firm.
Description of the direct compensation to be paid to Advisor	Item 2 of this Form ADV Part 2A and Paragraph 5 of the investment management agreement signed with our firm.
Description of the indirect compensation Advisor might receive from third parties in connection with providing services to covered ERISA plans, if any	Items 2, 9 and 11 of this Form ADV Part 2A
Description of the compensation to be shared between Advisor and any third party or any affiliated entity, if any	Items 9 and 11 of this Form ADV Part 2A.
Compensation that Advisor will receive upon termination of its agreement to provide investment management services, if any	Item 2 of this Form ADV Part 2A and Paragraph 15 of the investment management agreement.

## 1. ADVISORY BUSINESS

Registration Status -	Registered with the SEC on August 6, 2010 <sup>1</sup>
Principal Owners -	David W. Raub Richard H. Alpert

### ADVISORY SERVICES

#### Investment Management Services

Raub Brock Capital Management, LP (sometimes “Raub Brock,” the “Firm” or “Advisor”) is a California limited partnership that provides investment management and comprehensive financial planning services to its clients. Raub Brock’s investment management services include, among others, financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments. Securities transactions are supervised on a continuous basis and each client’s portfolio holdings and asset allocations are monitored on a periodic basis.

The investment management services we provide are based on each individual client’s financial circumstances and investment objectives. Our portfolio managers meet with each client to discuss the client’s current financial condition and to review the client’s current investment holdings. Based upon each client’s circumstances, we determine an appropriate asset allocation for the client’s investment portfolio, in accordance with the client’s specific financial objectives and risk tolerance and in consideration of other factors, including the client’s time horizon (education funding, home purchase, retirement, legacy planning), liquidity needs, and other available resources (including external retirement plans, projected social security, outside investments, real estate, and insurance). Clients may identify any investment restrictions to be placed on their account. Each client’s financial objectives, risk tolerance, and liquidity needs, along with a recommended asset allocation, are incorporated into an investment plan that is customized to the client.

A client may make additions to and withdrawals from the client’s portfolio account at any time, subject to the Firm’s right to terminate an account if the amount of assets drops below our account size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design client portfolios as long-term investments and caution our clients that asset withdrawals may impair the achievement of the client’s investment objectives.

Additions to an account may be in cash or securities provided that we may decline to accept particular securities into a client’s account or may recommend that the security be liquidated if it is inconsistent with the Firm’s investment strategy or the client’s

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<sup>1</sup>“Registration” means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply a certain level of skill or training or that the SEC or other regulator guarantees the quality of our services or recommends them.

investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### **Fiduciary Status Under ERISA**

To the extent any client is a retirement plan or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and depending upon the investment management services provided by us, the Firm may be considered a "fiduciary" under ERISA.

### **Financial Planning and Financial Consulting Services**

The Firm provides financial planning and financial consulting services that may include, among other services: 1. full spectrum financial plans; 2. analysis and advice on the client's current investment holdings, investment strategy or asset allocation; 3. a review of specific investment programs or products; 4. a review of alternative investment opportunities; and/or 5. a review of other financial advisors.

Prior to engaging Raub Brock to provide financial planning or consulting services, the client will generally be required to enter into a separate written agreement with Raub Brock setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and any portion of the fee that is due from the client prior to Raub Brock commencing services.

Financial planning and financial consulting clients are not required to be investment management clients of the Firm. A client may, under a separate investment management agreement and fee, retain the Firm to provide investment management services. Raub Brock may recommend to its financial planning and financial consultation clients that they retain the Firm to implement its recommendations and that such recommendation may be viewed as a conflict of interest. Clients are under no obligation to act upon any of the recommendations made by Raub Brock under a financial planning or consulting engagement and/or to engage it for investment management services. The client retains absolute discretion over all consultation implementation decisions and is free to accept or reject any of Raub Brock's recommendations.

### **General Notice**

In performing its services, Raub Brock relies upon the information received from its client or from their other professional legal and accounting advisors, and is not required to independently verify such information. Clients must promptly notify us of any change in their financial situation or investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or financial plan.

### **ASSETS UNDER MANAGEMENT AS OF MARCH 15, 2012**

Discretionary Assets - \$217,911,658

Non-discretionary Assets - \$705,000

## **TERMINATION OF AGREEMENT**

Raub Brock and its clients may terminate their respective investment management agreement at any time, upon written notice. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. Any earned fees owed to Raub Brock will be paid from the client's account on a pro rata basis determined on the amount of time expired in the calendar quarter.

If a copy of this Form ADV Part 2A disclosure statement was not delivered to the client prior to or simultaneous with a client entering into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. For purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded. Any transaction costs imposed by the executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

## **2. FEES AND COMPENSATION**

### **ADVISORY FEES**

#### **Investment Management Fees**

For its investment management clients, Raub Brock charges a fee based on a percentage of the market value of the investments held in each client's account. Assets in the Account are included in the fee assessment unless specifically identified in writing for exclusion. The management fee is billed quarterly, in arrears, and prorated for accounts established or terminated at times other than the start of the quarter.

The management fee is computed on the last day of each quarter of management by determining the market value of the Account using the following guidelines: (a) for marketable securities: the current market price provided by custodian and (b) cash or equivalents, at dollar value. Fees charged are not calculated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

The annual management fee paid to Raub Brock is calculated according to the following standard fee schedule:

Value of Account Assets	Annual Fee Rate
On the market value of Account up to \$500,000	1.25%, plus
On the market value of Account up to \$500,000 up to \$2,500,000	1.00% plus

On the market value of Account above \$2,500,000 up to \$5,000,000	0.80%, plus
On the market value of Account above \$5,000,000	0.60%
Minimum Annual Investment Management Fee	\$5,000

For its investment management services, the Firm charges a minimum annual fee of \$5,000, payable where applicable in quarterly fee installments of \$1,250. Under certain circumstances, and in its sole discretion, Raub Brock may waive or negotiate an alternative minimum annual management fee based upon the nature of the account and such factors, among others as: historical relationship with the client, number of related accounts, account composition, anticipated future additional assets.

Fees for multiple accounts of the same client are determined by aggregating the account holdings to determine the overall assets under management and investment management fee, then allocating the fee to each account on a pro rata basis.

Clients are invoiced at the beginning of each calendar quarter for management services performed in the previous quarter. Clients customarily authorize Raub Brock to deduct its quarterly investment advisory fee directly from their custodial account. This authorization is granted under the terms of the client's signed investment management agreement and the client's instructions to the custodian. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated.

Because client investment assets may include money market funds, mutual funds, exchange traded funds, third party hedge funds or other such securities, the total investment management expense incurred by clients may consist of fees paid to Raub Brock, plus management fees charged directly to the fund portfolios by the fund management companies, plus any transaction fees charge by the custodian of client's account. (See "Fund Disclosures" below.)

To the extent that a client authorizes the use of margin, and margin is thereafter employed by our portfolio managers in the management of the client's portfolio, the market value of the client's account and corresponding fee payable by the client to Raub Brock may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Firm. Accordingly, the decision as to whether to employ margin is left to the sole discretion of client.

#### **Financial Planning and Financial Consulting Services**

For its financial planning services, Raub Brock charges a fixed fee which is based upon the complexity of the planning services requested and ranges between \$1,000 and



\$5,000. For its financial consulting services, Raub Brock charges a fee of \$295 per hour. A portion of the estimated fee for the engagement is due upon entering the engagement agreement; thereafter, ongoing fees are payable as invoiced.

## **GENERAL FEE DISCLOSURES**

The client's fee is determined in accordance with the above fee structure, with exceptions negotiated on a case-by-case basis at Raub Brock's discretion. Any deviations from the fee structure are based upon a number of factors including the amount of work involved, the amount of assets placed under management and the attention needed to manage the account.

We believe our investment management fees are competitive with the fees charged by other investment advisors in the San Francisco Bay area for comparable services. However, comparable services may be available from other sources for lower fees than those charged by Raub Brock.

Raub Brock receives no commissions on investment products purchased or sold for client accounts.

We do not provide clients advice as to the tax deductibility of our advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

## **CUSTODIAN AND BROKERAGE FEES**

Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

## **FUND DISCLOSURES**

Mutual funds, closed-end funds, exchange traded funds and alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by Raub Brock, clients indirectly pay for the expenses and advisory fees charged by the funds in which their assets are invested.

All such funds incur operating expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to their shareholders (the individual investors in the funds) in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge shareholders (individual investors in the funds) other types of fees such as early redemption or transaction fees. These charges also vary widely among funds. As a result, clients will still pay

management fees and other, “indirect” fees and expenses as charged by each mutual fund (or other fund) in which they are invested.

Clients are provided a copy of a fund prospectus for each fund in which they invest by their custodian or by the fund sponsor rather than by Raub Brock. As required by law, a prospectus represents the fund’s complete disclosure of its management and fee structure. In addition, a fund’s prospectus can be obtained directly from the fund.

### **BOND DISCLOSURE**

Clients whose assets are invested in bonds purchased directly from an underwriter may pay a sales credit or sales concession to the underwriter on the trade (in lieu of a sales commission).

### **3. PERFORMANCE-BASED FEES**

No part of Raub Brock’s investment management fee is based upon capital gains or the capital appreciation of assets.

### **4. TYPES OF CLIENTS**

Our clients include individuals and high net worth individuals, trusts and estates, pension and profit sharing plans, corporations and other business entities. Raub Brock requires a minimum annual investment management fee of \$5,000. As a result, Raub Brock’s services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisors may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

### **5. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

#### **METHODS OF ANALYSIS**

Depending upon the type of investment, Raub Brock utilizes a combination of fundamental and technical analysis. Fundamental analysis involves analyzing real data, including overall economic and company-specific information available to determine the value of a particular investment. Technical analysis involves analyzing statistics provided by market activity such as past prices and volume to identify patterns that can be used to predict future activity. In performing these analyses, the Firm consults third-party research materials, company annual reports and other regulatory filings, and financial newspapers and periodicals.

#### **INVESTMENT STRATEGY**

For all client accounts over which Raub Brock has been granted discretionary authority, it is authorized to enter into any type of investment transaction that it deems appropriate for the account, given the financial circumstances, investment objectives,

risk tolerance and investment restrictions, if any, set by the individual client. Raub Brock currently utilizes general types of investments including equities, corporate and municipal bonds, investment company products (i.e. mutual funds, annuities, exchanged traded funds (“ETF”s), among other securities. For active investments the Firm relies on individual stocks and bonds, as well as equity and bond mutual funds. On the passive investment side, the Firm relies on indexed funds and ETFs.

Generally, the Firm purchases securities in client accounts with the intent to hold them for one year or more (long term), although occasionally and when warranted, securities will be held for the short term only (less than one year). Raub Brock does not use “short sales” in implementing investment advice for clients although it may use ETFs or hedge funds that employ “short sales” strategies. The Firm generally does not engage in the purchase of securities on margin for clients, although the Firm may do so to cover short-term portfolio liquidity needs, or when the client requests that it do so.

Raub Brock does not routinely employ margin trading as a part of its investment strategy and due to the risks and costs of trading on margin the Firm does not recommend the use of margin by its clients. Nevertheless, from time to time, a client’s margin account may go into negative cash position, which may occur for a day or two surrounding trade settlement for a given transaction or may result from a client withdrawal of funds from their account without notifying the Firm. Our policy is to cure this negative position when practicable depending on the extent of the shortfall and the availability of assets. On occasion, after consultation with and consent by the client, the Firm will wait for a longer period of time to employ assets scheduled to become available to the account, for example from a maturing bond.

### **Alternative Investments**

In addition to these types of investments the Firm also provides investment advice regarding alternative investments to qualified clients for whom such investments are deemed suitable. These alternative investments may include, but are not limited to, venture capital limited partnerships, private equity, managed future funds, hedge funds and third party funds of funds.

### **INVESTMENT RISKS**

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, interest rate risk, reinvestment rate risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

Here are some of the general risks associated with parts of our investment strategy:

**Short-term purchases** - on occasion, generally only for tax management purposes, we may determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

**Bond Pricing** - The price of bonds depends in part on the current rate of interest. Rising interest rates decrease the current price of bonds because current purchasers require a competitive yield. As such, decreasing interest rates increase the current value of bonds with associated decrease in bond yield. We may decide to exchange to a lower or higher duration bond or to another asset class due to interest rate risk that could affect investment performance.

**Inflation** - Inflation is the loss of purchasing power through a general rise in prices. If an investment portfolio is designed for current income with a real rate of return of 4% and inflation were to rise to 5% or higher, the account would result in a loss of purchasing power and create a negative real rate of return.

**Price Fluctuation** - Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

**Reinvestment of Dividends** - An investor can choose to reinvest interest, dividends and capital gains to accumulate wealth. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate than was initially earned.

**Mutual Funds with Foreign Asset Holdings** - Any investments in mutual funds that make foreign investments are subject to the uncertainty with changes in the foreign currency value. The client will bear more risk and may earn a substantially higher return or a substantially lower return.

**Margin Trading** - In some cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client's custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by their custodian. Consequently, all margin decisions are left to the client.

**Option Trading** - Certain clients engage in option trading. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss.

**Alternative Asset Classes** - Many alternative investments are illiquid, which means that the investments can be difficult to trade. Consequently, such holdings may limit a

client's ability to dispose of such investments in a timely manner and at an advantageous price.

## **6. DISCIPLINARY INFORMATION**

Raub Brock has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

## **7. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Raub Brock is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. We recommend that our clients custody their investment accounts at Charles Schwab & Co., Inc. ("Schwab"), a broker-dealer registered with the Financial Industry Regulatory Authority ("FINRA") and a member of the Securities Investors Protection Corporation ("SIPC"). Although we recommend Schwab, we have no affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

David W. Raub is a practicing attorney with the firm of Canterbury & Raub, specializing in estate planning, probate and trust administration. No legal services are included in Raub Brock's investment advisory agreements with its clients. No person affiliated with Canterbury & Raub other than Mr. Raub provides any investment advisory services to Raub Brock clients. The law firm receives no portion of any fees for investment advisory services provided by Raub Brock. Approximately ninety-five percent of Mr. Raub's time is devoted to the investment advisory business and the remaining time to the practice of law.

The Firm has a number of institutional clients to which it provides investment management services. We provide these services to other investment advisors, banks and trusts and third party asset managers. In some cases the firm has entered into formal sub-advisor arrangements.

Although we may refer our clients to other professionals such as attorneys or accountants for estate planning, tax or other matters, neither the Firm nor its principals or employees are affiliated with any law or accountancy firm other than noted above.

## **8. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Raub Brock, its employees and their immediate families (sometimes collectively "employees") are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. Raub Brock's partners, officers and employees are required to report

all personal securities transactions on a regular basis. All employees are required to sign a certification agreeing to abide by the Firm's personal trading practices and code of ethics.

Employees may trade in the same securities traded for clients. However, it is our policy not to give preference to orders for personnel associated with the Firm regarding such trading. Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. If a security is purchased or sold for client accounts and employees on the same day, either employees will pay or receive the same price as the client account, or the client account will receive the more favorable price. If purchased or sold on different days, it is possible that the Firm and/or employees' personal transactions might be executed at more favorable prices that were obtained for clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. This can occur when securities that are not suitable for clients at the time of purchase (e.g., speculative stocks, micro-cap stocks, penny stocks), are purchased by employees. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a stock sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

A copy of Raub Brock's employee trading policies and code of ethics is made available to clients and prospective clients upon request.

## **9. BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER**

Raub Brock recommends that clients establish brokerage accounts with Schwab to maintain custody of clients' assets and to effect trades for their accounts. Schwab is independently owned and operated and not affiliated with Raub Brock and does not supervise or otherwise monitor Raub Brock's investment management services to its clients. Schwab provides Raub Brock with access to its institutional trading and custody

services, which typically are not available to Schwab retail investors. These services generally are 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 is maintained in accounts at Schwab, but are not otherwise contingent upon Raub Brock committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institution investors or would require a significantly higher minimum initial investment.

Schwab also makes available to Raub Brock other products and services that benefit Raub Brock but may not benefit its clients. Some of these other products and services assist Raub Brock in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Raub Brock ' fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of Raub Brock's accounts, including accounts not maintained at Schwab. Schwab also makes available to Raub Brock other services intended to help Raub Brock manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to Raub Brock by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to Raub Brock.

Raub Brock's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Raub Brock of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **BEST EXECUTION**

Raub Brock is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, Raub Brock's primary objective is to obtain the best execution. Expected price, giving effect to brokerage commissions, if any, and other transaction costs, are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealers willingness to commit capital, the broker-dealers reliability

and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, Raub Brock may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. Raub Brock may select broker-dealers whose fees may be greater than those charged for similar investments if Raub Brock determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

Raub Brock reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom Raub Brock executes transactions on behalf of clients.

#### **SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS**

Although not currently a party to any formal arrangements, Raub Brock may in the future enter into agreements whereby an executing broker-dealer, including Schwab might provide or purchase on its behalf, brokerage services or research products (known as “soft dollar” products or services).

“Soft dollars” refers to the use of brokerage commissions on client trades to pay for the soft dollar research or brokerage services received. Soft dollar research and services may include among others, economic and market information, portfolio strategy advice, proxy voting services, industry and company comments, technical data, recommendations, research conferences, general reports, periodical subscription fees, consultations, performance measurement data, on-line pricing, news wire charges, quotation services, computer hardware and software. Because many of these services would benefit Raub Brock in conducting its advisory business, and because the soft dollars used to acquire them would be assets of its clients (in the form of commissions), Raub Brock might be considered to have a conflict of interest in allocating client brokerage business, in light of a potential incentive to effect more transactions than it might otherwise in order to obtain those benefits.

If Raub Brock ever accepts soft dollar services and research, it would be the Firm’s policy is to limit its use of soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. To be protected under Section 28(e), Raub Brock must, among other things, determine that commissions paid are reasonable in light of the value of the brokerage and “research” services and products acquired. Section 28(e)’s “safe harbor” protects the use of client soft dollars even when the research and brokerage services and products acquired are used in making and implementing investment decisions and transactions for other clients. Only *bona fide* research and brokerage products and services that provide assistance to Raub Brock in the performance of its investment decision-making responsibilities would be permitted.



Raub Brock may, on occasion, be the recipient of unsolicited discounts on software and other services. The discounts are generally offered to all firms who fit a common profile and we are not offered such discounts because of a particular event or request. Such discounts are accepted with the intent to benefit all clients and the value of these discounts is not considered in the process of selecting securities to purchase for client accounts.

#### **AGGREGATION OF TRADES AND POTENTIAL CONFLICTS**

Raub Brock may combine transaction orders on behalf of multiple clients and allocate the securities or proceeds on an average price basis among the various participants in the transactions. Raub Brock and/or its associated persons may participate in such aggregated orders.

While we believe that combining transaction orders in this way should, over time, be advantageous to all participants, in particular cases the average price could be less advantageous to a particular client than if such client had been the only client effecting the transaction or had completed its transaction before the other participants. There may be circumstances in which transactions on behalf of Raub Brock or its associated persons may not, under certain laws and regulations, be combined with those of some of our other clients. In such cases, neither Raub Brock nor any associated person will effect transactions in a security on the same day as clients until after the clients' transactions have been executed.

When orders are aggregated, the price paid by each account is the average price of the order. Transaction costs are allocated to each client by the client's custodian according to the client's custodial agreement. It is our policy that trades are not allocated in any manner that favors one group of clients over another over time. Client transactions may be aggregated according to custodial relationship in consideration of "trade away" charges that may be imposed if trades are directed to a non-custodial broker-dealer for execution. Aggregated trades placed with different executing brokers may be priced differently.

#### **ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS**

Because we manage more than one client account, there may be a conflict of interest related to the allocation of investment opportunities among all accounts managed by the Firm. We attempt to resolve all such conflicts in a manner that is generally fair to all of clients over time. We may give advice and take action with respect to any of our clients that may differ from advice given or the timing or nature of action taken with respect to any other client based upon individual client circumstances. It is our policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to all clients. The Firm is not obligated to acquire for any client account any security that the Firm or its owners, officers, employees or affiliated persons may acquire for their own accounts or for the account of any other client, if in the discretion of the portfolio managers, based upon the

client's financial condition and investment objectives and guidelines, it is not practical or desirable to acquire a position in such security for that account.

## **10. REVIEW OF ACCOUNTS**

All client accounts are reviewed by David W. Raub and Richard H. Alpert, the Firm's portfolio managers, for consistency with the client's investment policy statement which details the client's investment objectives, risk tolerance, assets and liabilities and investment restrictions, if any. The portfolio managers monitor client portfolios as part of an ongoing process that tracks asset class allocations, cash allocations and other account factors. Periodic allocation adjustments may be required due to client investment guideline changes, client deposits and withdrawals and significant life changes for the client (births, deaths, marriage, divorce, etc.) Additionally, client accounts are reviewed in response to changes in the financial markets and/or changes in the Firm's investment strategy. Each client account is reviewed in depth with the client at least annually.

Clients receive reports at least quarterly, summarizing portfolio holdings, asset allocations and portfolio performance. Additional investment commentary is included as the Firm deems appropriate in the form of a newsletter. In addition, each client receives transaction confirmations and a monthly account statement from the custodian of their account.

## **11. CLIENT REFERRALS AND OTHER COMPENSATION**

Raub Brock may pay referral fees to third party firms or individuals that recommend the Firm to prospective clients or that actively solicit new clients on its behalf. Such arrangements are documented in a written agreement between the third party solicitor and the Firm and fully disclosed to all prospective clients at the time of the referral or solicitation. Referral fees are calculated as a percentage of the investment management fee paid by the solicited client to the Firm and are paid by Raub Brock out of the fees it receives from clients rather than directly by the clients themselves. Clients that are referred to the Firm by a third party solicitor are not charged higher investment management fees than those charged to Firm clients that were not referred.

Neither the Firm, nor its employees are paid referral fees by any third party for referring clients to their businesses. We do not direct brokerage transactions to any broker-dealer in exchange for receiving client referrals.

Firm employees are not paid "sales awards" or other prizes for referring clients to the Firm.

## **12. CUSTODY**

Raub Brock does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a “qualified custodian,” namely a broker dealer, bank or trust company. Raub Brock is unable to take even temporary possession of client assets for the purpose of transferring them to the client’s account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary. The Firm is given the authority to receive payment of its management fees directly from the account, but it is not authorized to make any other withdrawals or to transfer money out of the account to a third party.

### **Disclosures Related to Custodians**

The Schwab Advisor Services Division of Schwab acts as custodian and executing broker-dealer for Raub Brock clients. Schwab is independently owned and operated and not affiliated with Raub Brock and does not supervise or otherwise monitor our investment management services to our clients.

For Raub Brock client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into client accounts that are held with Schwab. In most cases, trade executions for client accounts custodied at Schwab will be made by Schwab to avoid “trade away” charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through the custodial broker, and in light of our best execution evaluation, certain executions may be made at a different broker-dealer.

Schwab sends account statements directly to the client (or to an independent third party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client’s account, including the payment to Raub Brock of its investment management fees.

## **13. INVESTMENT DISCRETION**

Clients appoint Raub Brock as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm’s investment strategy and the client’s investment objectives, our portfolio managers are given full discretion to determine:

1. Types of investments;
2. Which securities to buy;
3. Which securities to sell;
4. The timing of any buys or sells;
5. The amount of securities to buy or sell; and

6. The broker-dealer to be used in the transaction; and

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining the most favorable price and market execution for each transaction.

Client securities transactions generally are executed through the custodian of their account to avoid “trade away” fees for trades that are executed at other broker-dealers. In some cases, a particular security may be not be available through the client’s custodian or available only under execution parameters or at an overall cost that makes the use of an alternative executing broker more advantageous for that transaction. In such cases, the portfolio managers have the discretion to select the broker to execute the trade.

#### **14. VOTING CLIENT SECURITIES**

It is Raub Brock policy not to vote proxy solicitations or shareholder actions received on behalf of clients related to the securities held in the client’s account. All such solicitations will be forwarded to client by the client’s custodian upon receipt of a client request. Any client wishing to review our proxy voting policies in full may request a copy.

#### **15. FINANCIAL INFORMATION**

Raub Brock does not require or solicit prepayment of its management fees from clients six months or more in advance. There are no adverse conditions related to the Firm’s finances that are likely to impair our ability to meet our contractual commitments to our clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.