

# Disclosure Brochure

September 23, 2014



This brochure provides information about the qualifications and business practices of Rose Capital Advisors, LLC (hereinafter "RCA" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. 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. Additional information about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). RCA is an SEC registered investment adviser. Registration does not imply any level of skill or training.

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## **Item 2. Material Changes**

In this Item, RCA is required to discuss any material changes that have been made to the brochure since the last annual amendment. As this brochure has been prepared in connection with the Firm's initial application for investment adviser registration, there are no such material changes to disclose.

## Item 3. Table of Contents

Item 1.	Cover Page .....	i
Item 2.	Material Changes .....	ii
Item 3.	Table of Contents .....	iii
Item 4.	Advisory Business .....	4
Item 5.	Fees and Compensation .....	6
Item 6.	Performance-Based Fees and Side-by-Side Management .....	9
Item 7.	Types of Clients.....	9
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9.	Disciplinary Information.....	12
Item 10.	Other Financial Industry Activities and Affiliations .....	12
Item 11.	Code of Ethics .....	12
Item 12.	Brokerage Practices .....	13
Item 13.	Review of Accounts.....	16
Item 14.	Client Referrals and Other Compensation .....	17
Item 15.	Custody .....	17
Item 16.	Investment Discretion.....	17
Item 17.	Voting Client Securities .....	18
Item 18.	Financial Information .....	18

## Item 4. Advisory Business

RCA is a boutique investment advisory firm located in Miami Beach. The Firm offers a broad scope of investment advisory services, which include asset management, financial planning and investment consulting. Through these services, RCA strives to identify realistic solutions that satisfy the core investment and life planning needs of families and small businesses who seek objectivity, candor and an adherence to fiduciary standards and responsibilities. Prior to the rendering of any of the foregoing advisory services, clients are required to enter into one or more written agreements with RCA setting forth the relevant terms and conditions of the advisory relationship (the “*Agreement*”).

RCA has been an independent registered investment adviser since 2014 and is wholly owned by Michael Rose, CFP®. As of the date of this filing, RCA does not have any assets under management; however, the Firm reasonably expects to have at least \$100 million under its management within 120 days of SEC approval.

While this brochure generally describes the business of RCA, certain sections also discuss the activities of its *Supervised Persons*, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on RCA’s behalf and is subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

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RCA offers clients a range of financial planning and consulting services, which may include any or all of the following functions:

- Cash Flow Analysis
- Retirement Planning
- Education Funding
- Trust and Estate Planning
- Life Management Analysis
- Retirement Plan Analysis

While each of these services is available on a stand-alone basis, certain of them may also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (as described below). In performing these services, RCA is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information.

RCA may recommend the services of itself, its *Supervised Persons* in their individual capacities as registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage RCA to provide additional fee-based services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by RCA under a financial planning or consulting engagement or to engage the services of any such recommended

professionals, including RCA itself. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising RCA's previous recommendations and/or services.

### **Investment Management Services**

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RCA manages client investment portfolios on a discretionary or non-discretionary basis. RCA primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, and options, as well as other independent investment managers ("*Independent Managers*").

In addition, RCA may also recommend that clients who qualify as "accredited investors," as defined by Rule 501 of the Securities Act of 1933, invest in privately placed securities, which may include debt, equity and/or pooled investment vehicles (e.g., hedge funds). Clients may also engage RCA to advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts, and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, RCA directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's sponsor. The Firm also provides advice about any type of legacy position or investment otherwise held in its clients' portfolios.

RCA tailors its advisory services to accommodate the needs of its individual clients and continually seeks to ensure that its clients' portfolios are managed in a manner consistent with their specific investment profiles. RCA consults with clients on an initial and ongoing basis to assess their individual investment objectives, liquidity and cash flow needs, risk tolerance, time horizon, and other factors relevant to the management of their portfolios. Clients are advised to promptly notify RCA if there are changes in their financial situations or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if RCA determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Sponsor / Manager of Wrap Program**

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RCA is the sponsor and manager of the Rose Capital Advisors Wrap Program (the "*Program*"), a wrap fee program (i.e., an arrangement where brokerage commissions and transaction costs are absorbed by the Firm). Accounts managed through the *Program* are done so in substantially the same manner as those managed under a non-wrap arrangement. Participants in the *Program* may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. Additional information about the *Program* is available in RCA's Wrap Brochure, which appears as Part 2A Appendix 1 of the Firm's Form ADV.

## Use of Independent Managers

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As mentioned above, RCA may select or recommend certain *Independent Managers* to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an *Independent Manager* are set forth in a separate written agreement between the designated *Independent Manager* and either RCA or the client. In addition to this brochure, clients also receive the written disclosure documents of the designated *Independent Managers* engaged to manage their assets. RCA does not receive compensation from any such *Independent Managers*.

RCA evaluates various information about the *Independent Managers* it chooses to manage client portfolios, which may include the *Independent Managers*' public disclosure documents, materials supplied by the *Independent Managers* themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the *Independent Managers*' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. RCA also takes into consideration each *Independent Manager's* management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

RCA continues to provide services relative to the discretionary or non-discretionary selection of the *Independent Managers*. On an ongoing basis, the Firm monitors the performance of those accounts being managed by *Independent Managers*. RCA seeks to ensure the *Independent Managers*' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## Item 5. Fees and Compensation

RCA offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management. Additionally, certain of RCA's *Supervised Persons*, in their individual capacities, may offer securities brokerage services under a separate commission arrangement.

### Financial Planning and Consulting Fees

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RCA generally charges either a negotiable hourly and/or fixed fee to provide clients with stand-alone financial planning or consulting services. These fees are largely determined by the scope and complexity of the agreed upon services and range up to \$500 on an hourly basis and up to \$20,000 per quarter on a fixed fee basis.

The specific terms and fee structure are negotiated in advance and set forth in the *Agreement* with RCA. If the client engages RCA for additional investment advisory services, RCA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

## Investment Management Fees

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RCA provides investment management services for an annual fee based on the amount of assets under the Firm's management. This fee varies between 50 and 100 basis points (0.50% – 1.00%), depending upon the size of a client's portfolio and the type of investment management services rendered.

This fee is prorated and billed quarterly in advance, based upon the average daily balance of the assets being managed by RCA during the previous quarter, as valued by Envestnet, a third-party service provider the Firm has engaged to perform various back office functions. Since the fee is determined by average daily account balance, if assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted accordingly.

For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated, the fee for the final billing period is prorated through the effective date of the termination and the unearned portion is refunded to the client, as appropriate.

## Fee Discretion

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RCA, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

## Additional Fees and Expenses

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In addition to the advisory fees paid to RCA, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "*Financial Institutions*"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, fees charged by the *Independent Managers*, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), 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. The Firm's brokerage practices are described at length in Item 12, below.

## Fee Debit

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Clients generally provide RCA with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. The *Financial Institutions* that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to RCA. As required by applicable state securities laws, RCA also sends clients an itemized summary detailing the advisory fees deducted from their accounts. Alternatively, clients may elect to have RCA send them an invoice for direct payment.

## Account Additions and Withdrawals

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Clients may make additions to and withdrawals from their account at any time, subject to RCA's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to RCA, subject to the usual and customary securities settlement procedures. However, RCA designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. RCA may consult with its clients about the options and implications of transferring securities. 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.

## Commissions or Sales Charges for Recommendations of Securities

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Clients can engage certain persons associated with RCA (but not RCA) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with RCA.

Under this arrangement, the Firm's *Supervised Persons*, in their individual capacities as registered representatives of Saxony Securities, Inc. ("*Saxony Securities*"), may provide securities brokerage services and implement securities transactions under a separate commission based arrangement. *Supervised Persons* may be entitled to a portion of the brokerage commissions paid to *Saxony Securities* as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. RCA may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions, clients are required to enter into a separate account agreement with *Saxony Securities*. RCA does not receive any portion of the commissions or transactional fees charged by *Saxony Securities*.

A conflict of interest exists to the extent that RCA recommends the purchase of securities where RCA's *Supervised Persons* receive commissions or other additional compensation as a result of RCA's recommendations. RCA has procedures in place to ensure that any recommendations made by such *Supervised Persons* are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act ("ERISA") and such others that RCA, in its sole discretion, deems appropriate, RCA may provide its investment advisory services on a fee-offset basis. In this scenario, RCA may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by RCA's *Supervised Persons* in their individual capacities as registered representatives of *Saxony Securities*.



## Item 6. Performance-Based Fees and Side-by-Side Management

RCA does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## Item 7. Types of Clients

RCA provides its services to individuals, trusts, estates, charitable organizations, corporations and other business entities.

### No Minimum Account Requirements

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RCA does not impose a stated minimum fee or minimum portfolio value for starting and maintaining an investment management relationship. Certain *Independent Managers* may, however, impose more restrictive account requirements and varying billing practices than RCA. In these instances, RCA may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Methods of Analysis

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RCA employs a largely bottom-up, fundamental approach to analyzing investments, while incorporating a series of technical indicators when assessing buy or sell opportunities. Fundamental analysis involves an evaluation of an issuer's fundamental financial condition, competitive position and overall intrinsic value. RCA generally analyzes an issuer's financial facilities, cash management strategy, growth prospects, capabilities and style of management, earnings capacity, new products and services, as well as the company's position amongst its industry competitors in order to determine the recommendations made to clients. A substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the examination of past market data rather than specific company information in determining the recommendations made to clients. Technical analysis may involve the use of mathematical based indicators and charts, such as moving averages and price correlations, to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. A substantial risk in relying upon technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that RCA will be able to accurately predict such a reoccurrence.

## Investment Strategies

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RCA's approach to investing is premised on the evaluation and selection of strong portfolio managers, rather than the active trading of individual securities. When building a portfolio for a client, the Firm looks to issuers and companies that illustrate a strong fundamental position across the board, while also considering external capital market factors, such as interest rate cycles and general economic outlook, which play a significant part in the duration of a security.

While RCA seeks to remain agnostic to industry, there are three important parameters in the buy/sell determination:

1. The present to historical evaluation of book value;
2. The strength of present to historical market niche of key products; and
3. The price of a security to present cash flow generation.

The Firm tends to avoid highly leveraged balance sheets, boards that pay executives excessively while firing employees and cutting back on services to customers, and other characteristics that appear to illustrate instability and mismanagement.

## Risks of Loss

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### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

### *Market Risks*

The profitability of a significant portion of RCA's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that RCA will be able to predict those price movements accurately.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The

trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge against potential losses or to speculate on the performance of the underlying securities. Option transactions involve inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase or decrease to the level of the respective strike price. Holders of option contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Use of Independent Managers*

RCA may recommend the use of *Independent Managers*. In these situations, RCA continues to do ongoing due diligence of such managers, but such recommendations rely to a great extent on the *Independent Managers'* ability to successfully implement their investment strategies. In addition, RCA generally may not have the ability to supervise the *Independent Managers* on a day-to-day basis.

### *Use of Private Collective Investment Vehicles*

RCA recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and other offering documents explaining such risks prior to investing.

## *Use of Margin*

While the use of margin borrowing can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a *Financial Institution*, which is secured by a client's holdings. Under certain circumstances, a lending *Financial Institution* may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the *Financial Institution* may liquidate account assets to satisfy the client's outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client's borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client's portfolio.

## **Item 9. Disciplinary Information**

RCA has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

### **Registered Representatives of Broker Dealer**

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Certain of the Firm's *Supervised Persons* are registered representatives of *Saxony Securities* and may provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

### **Affiliated Institutional Consulting Firm**

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Joseph Mara, a *Supervised Person* of the Firm, is the principal of Tandragee Capital Management, LLC ("*TCM*"), an institutional consulting firm that provides business development services to asset managers, registered investment advisers, pension funds, for-profit entities, and not-for-profit entities. *TCM* may provide services to, or have other business relationships with, certain of the *Independent Managers* engaged to manage the investment portfolios of the Firm's advisory clients. These types of arrangements may give rise to a potential conflict of interest in that there may exist a financial incentive to recommend one *Independent Manager* over another. RCA seeks to ensure that all investment decisions are aligned with its clients' best interests.

## **Item 11. Code of Ethics**

RCA has adopted a code of ethics in compliance with applicable securities laws ("*Code of Ethics*") that sets forth the standards of conduct expected of its *Supervised Persons*. RCA's *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material

non-public information by the Firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of RCA's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, RCA's *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact RCA to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

RCA generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") or Pershing Advisor Solutions ("*Pershing*") for investment management accounts.

Factors which RCA considers in recommending *Fidelity*, *Pershing* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* and *Pershing* enable RCA to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* and *Pershing* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by RCA's clients comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where RCA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates and responsiveness. RCA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

RCA periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct RCA in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution* and the Firm will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by RCA (as described below). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, RCA may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

Transactions for each client generally will be effected independently, unless RCA decides to purchase or sell the same securities for several clients at approximately the same time. RCA may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among RCA's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among RCA's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that RCA determines to aggregate client orders for the purchase or sale of securities, including securities in which RCA's *Supervised Persons* may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. RCA does not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines

which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, RCA may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist RCA in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because RCA does not have to produce or pay for the products or services.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain *Supervised Persons* in their respective individual capacities, are registered representatives of *Saxony Securities*. These *Supervised Persons* are subject to FINRA Rule 3040 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless *Saxony Securities* provides written consent. Therefore, clients are advised that certain *Supervised Persons* may be restricted to conducting securities transactions through *Saxony Securities* if they have not secured written consent from *Saxony Securities* to execute securities transactions through a different broker-dealer. Absent such written consent or separation from *Saxony Securities*, these *Supervised Persons* are prohibited from executing securities transactions through any broker-dealer other than *Saxony Securities* under *Saxony Securities*' internal supervisory policies. RCA is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Software and Support Provided by Financial Institutions**

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RCA may receive from *Fidelity* and *Pershing*, without cost to RCA, computer software and related systems support, which allow RCA to better monitor client accounts maintained at those *Financial Institutions*. RCA may receive the software and related support without cost because RCA renders investment management services to clients that maintain assets at *Fidelity* and *Pershing*. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit RCA, but not its clients directly. In fulfilling its duties to its clients, RCA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that RCA's receipt of economic benefits from a broker-dealer creates a conflict of



interest since these benefits may influence RCA's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

Additionally, RCA may receive the following benefits from *Fidelity* and *Pershing* through their institutional divisions: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. Clients should be aware, however, that the receipt of economic benefits by RCA or its related persons in and of itself creates a potential conflict of interest and may indirectly influence RCA's recommendation of *Fidelity* and *Pershing* for custody and brokerage services.

### Item 13. Review of Accounts

#### Account Reviews

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For those clients to whom RCA provides investment management services, RCA monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom RCA provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of RCA's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with RCA and to keep RCA informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

#### Account Statements and Reports

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from RCA and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Reports provided by the Firm or an outside-service provider, may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Accordingly, clients should compare the account statements they receive from their custodian with those they receive from RCA or an outside service provider.



## Item 14. Client Referrals and Other Compensation

### Client Referrals

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RCA is required to disclose any direct or indirect compensation that it provides for client referrals. RCA does not have any required disclosures to this Item.

### Other Economic Benefits

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In addition, RCA is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

## Item 15. Custody

RCA's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize RCA through such *Financial Institution* to debit the client's account for the amount of RCA's fee and to directly remit that management fee to RCA in accordance with applicable custody rules.

The *Financial Institutions* recommended by RCA have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to RCA. In addition, as discussed in Item 13, RCA also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from RCA.

## Item 16. Investment Discretion

RCA may be given the authority to exercise discretion on behalf of clients. RCA is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. RCA is given this authority through a power-of-attorney included in the *Agreement* between RCA and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). RCA takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

RCA is required to disclose if it accepts authority to vote client securities. RCA does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### Item 18. Financial Information

RCA is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.



Prepared by:

