

# RMR Wealth Builders, Inc.

## Firm Brochure - Form ADV Part 2A

This brochure provides information about the qualifications and business practices of RMR Wealth Builders, Inc., which has its principal place of business at 500 Glenpointe Centre West; Teaneck NJ 07666. If you have any questions about the contents of this brochure, please contact us at (201) 836-2460 or by email at: [info@rmrwealth.com](mailto:info@rmrwealth.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.

RMR Wealth Builders, Inc is a SEC-registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about RMR Wealth Builders, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). RMR Wealth Builders, Inc.'s CRD number is: 169005.

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2/09/2015

## Item 2: Material Changes

This brochure was updated on February 9, 2015, providing information that is different from our previous brochure dated October 15, 2014. The following is a summary of the more significant updates that were made to the brochure:

- In Item 4, **“About Us”** the firm is registering as an Investment Advisor with 5 investment advisors instead of the previously noted 17.
- In Item 4, section B **“Descriptions of Services Available”** was revised.
- In Item 4, section E **“Assets under Management”** a table was added to show Total Discretionary and Non- Discretionary amounts as well as the date these totals were calculated.
- In item 5, section A revisions were made to the following **“Financial Planning & Consultation Agreement”** and **“Retirement Plan Consulting”**
- In Item 5, section B **“Payment of Fees and Fee Collection Process”** the language was revised.
- Item 10, James P Barrett was added to sections A **“Registration as a Broker/Dealer or Broker/Dealer Representative”** and C **“Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests”**.
- Item 10, section D **“Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections”** was revised by replacing “Calton” with Broker/Dealer or Custodian.
- Item 13, section C **“Content and Frequency of Regular Reports Provided to Clients”** was revised.

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## **Item 4: Advisory Business**

### **A. About Us**

RMR Wealth Builders, Inc. (hereinafter “RMR”) is a C Corporation organized in the State of NJ and was formed in 1986 as the corporate administrative organization serving the owners. In response to the changing needs of our clients the firm is registering as an Investment Advisor with 5 investment advisor representatives. RMR’s investment advisory services are designed to help its clients fulfill their financial goals. The firm conducts business throughout the United States through investment advisor representatives (“Financial Advisors” or “IARs”) who are either employees or independent contractors registered with the Firm.

The current principal owners of RMR (each owning 25% or more of the firm) are Douglas Roth, Edward Majtenyi and Joseph Russo. Their combined experience in the industry is over 70 years.

RMR supports and maintains an open environment where IARs have the tools, products, and services necessary to provide quality service to their clients. RMR is structured as a shared services model supporting both IARs and clients with the goal of providing white glove and turnkey services. RMR serves as the “back office” to its independent contractors, providing operations, trading, technology, compliance, guidance, oversight, business development, investment selection, planning support, and platforms. RMR also serves as an asset manager offering a variety of actively managed risk-based model portfolios along with asset class specific strategies.

### **B. Descriptions of Services Available**

RMR’s suite of investment advisory and investment management services are designed to accommodate a wide range of investment philosophies and objectives. Clients have access to a wide range of securities products, including, but not limited to, mutual funds, fixed income securities, real estate funds (including REITs), insurance products including annuities, equities, hedge funds, private placements, ETFs (including ETFs in the gold and precious metal sectors), treasury inflation protected/inflation linked bonds, options, derivatives, unit investment trusts, and non-U.S. securities. RMR advisors may also offer advice related to direct participation programs, private placements, and other alternative investments, including, but not limited to, alternative energy programs, research and development programs, leasing programs, and real estate.

RMR's advisory and investment management services are offered via Consulting Agreements, Advisory Agreements, Solicitor Agreements, Investment Management Agreements, and/or Advisory Services Programs through unaffiliated third-party asset managers ("TPAM") programs.

For all Asset Management Programs, there is the option to select a "Wrap Fee" account. Wrap Fee accounts are defined as when the client pays a single fee for trade execution and portfolio management services. Wrap Fee programs differ from other programs in that the fee structure for the wrap program is all-inclusive, whereas non-wrap program include trade execution costs that are in addition to the IAR fees. For further information please reference sections 5C and 5E.

Comment [C1]: Reference Section f & e

In addition to the services named above, RMR also offers the following Programs and Services which may be offered as Wrap Fee or a la carte:

- **ICAP:** Innovation Customized Allocation Portfolio ("ICAP") enables our IARs to assist the client in developing an investment portfolio using a variety of security types, including, but not limited to, stocks, bonds, mutual funds, exchange traded-funds ("ETFs"), unit investment trusts, and derivatives. The IARs typically acts as asset manager, with full investment discretion, although clients may also select nondiscretionary ICAP account.
- **TPAM:** Third-Party Asset Manager Portfolio ("TPAM") enables our IARs clients' access to professional third-party asset managers. RMR may act as a solicitor or sub-advisor to TPAM Programs which offer IARs clients access to a variety of model portfolios with varying levels of risk from which they may choose. TPAM program accounts are not managed by RMR; rather, they are managed by one or more third-party asset managers on a discretionary basis, and they may consist of a variety of different securities types, including stocks, bonds, mutual funds, and derivatives. Account minimums for unaffiliated TPAM program accounts generally range between \$25,000 and \$1,000,000.
  - **Solicitor:** When acting as a solicitor for the TPAM program, neither RMR nor your RMR IAR provides advisory services in relation to the TPAM program. Instead, your IAR will assist you in selecting one or more TPAM programs believed to be suitable for you based on your stated financial situation, investment objectives, and financial goals. RMR and your IAR are compensated for referring you to the TPAM program. This compensation generally takes the form of the TPAM sharing a percentage of the advisory fee you pay to the TPAM with RMR and your IAR. When we act as a solicitor for a TPAM program, you will receive a written solicitor disclosure statement describing the nature of our relationship with the TPAM program, if any; the

terms of our compensation arrangement with the TPAM program, including a description of the compensation that we will receive for referring you to the TPAM program; and the amount, if any, that you will be charged in addition to the advisory fee that you will pay to the TPAM as a result of our referral of you to the TPAM program.

- **Advisor or Sub-Advisor:** Under an advisor or sub-advisor relationship between RMR and the sponsor of the TPAM program, RMR and your IAR will fulfill the role of an advisor or sub-advisor to you. We will provide you with portfolio management supervisory services with respect to the advisor or sub-advisor TPAM programs you select. That means that we will monitor the TPAM program's performance, investment selection, and continued suitability for your portfolio and will advise you accordingly. Your IAR will help you determine your risk tolerance, investment goals, and other relevant guidelines in order to help you choose a TPAM program that appears to satisfy your investment needs. On a periodic basis, we will monitor and evaluate the TPAM and replace any TPAM that no longer meet the client objectives.
- **Financial Planning & Consultation Agreement:** RMR IARs may provide advisory consulting services relating to securities and investments on a wide range of topics, including, but not limited to, comprehensive financial planning, budgeting and cash flow analysis, major purchases, education planning, retirement income/longevity planning, portfolio analysis, estate planning analysis, investment analysis, business succession planning, and fringe benefit analysis. Clients may engage IARs for consulting services on a negotiated hourly, flat, or fixed-fee basis. Fees may be paid in two parts, 50% of the estimated fee up to \$1,200 is due upon signing of the consulting agreement, and the remaining fee is due within 30 days of completion. Final delivery of services will be completed within 6 months or the fee will be returned.
- **Retirement Plan Consulting Agreement:** RMR's IARs may provide a fee for service consulting program whereby IARs may offer one time or ongoing advisory services to qualified retirement plans. For more information reference "**Special Disclosures for ERISA Plans**" in section 5E. These services may be offered on a discretionary non-discretionary basis.
  - **Plan Consulting:** We will review and advise management on various plan alternatives strategies and structure.
  - **Investment Policy Statement ("IPS"):** We will review with Sponsor the investment objectives, risk tolerance and goals of the

**Comment [C2]:** Reword ... add in language about pg 13

Plan. If the Plan does not have an IPS, we will provide recommendations to Sponsor to assist with establishing an IPS. If the Plan has an existing IPS, we will review it for consistency with the Plan's objectives. If the IPS does not represent the objectives of the Plan, we will recommend revisions to align the IPS with the Plan's objectives.

- **Selection, Monitoring, & Replacement of Designated Investment Alternatives ("DIAs"):** We will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and recommend to Sponsor an IPS that aligns , contains criteria from which we will select, monitor and recommend replacement the Plan's DIAs. Once approved by Sponsor, we will review the investment options available to the Plan and will recommend changes to the Plan's DIAs in accordance with the criteria set forth in the IPS. On a periodic basis, we will monitor and evaluate the DIAs and recommend replacement of any DIA(s) that no longer meet the IPS criteria.
- **Creation & Maintenance of model asset allocation portfolios ("MODELS"):** We will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS or other documentation that contains criteria from which we will select, monitor and recommend replacement of the Plan's Models. We will recommend a series of risk-based Models comprised solely among the Plan's DIAs; and, on a periodic basis and/or upon reasonable request, we will reallocate and rebalance the Models in accordance with the IPS or other guidelines approved by Sponsor.
- **Selection, Monitoring & Replacement of qualified default investment alternatives ("QDIA(s)):** We will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS or other guidelines that contains criteria from which we will select, monitor and recommend replacement of the Plan's QDIA(s). Once Sponsor confirms the Plan's desired QDIA type, we will select, monitor and recommend replacement of the QDIA(s) in accordance with the IPS or other guidelines approved by Sponsor.
- **Participant Investment Management:** We will meet with plan participants, periodically and upon reasonable request, to collect information necessary to complete a profile to identify the participant's individual investment objectives, risk tolerance, time horizon, etc. Based upon each participant's Profile, we will recommend investment of the participant's individual plan account among one or more of the pan's DIAs or models, if

**Comment [C3]:** Change to recommend language

**Comment [C4]:**



applicable. Participants have the option to provide RMR sole discretion over the investment of the participant's account.

The specific advisory program selected by the client may cost the client more or less than purchasing program services separately. Factors that bear upon the cost of a particular advisory program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account, the historical and/or expected size or number of trades for the account, and the number and range of supplementary advisory and client-related services provided to the account.

Investment recommendations and advice offered by RMR and its IARs do not constitute legal, tax, or accounting advice. Clients should coordinate and discuss the impact of the financial advice they receive from RMR IARs with their attorney and accountant. Clients should also inform their IAR promptly of any changes in their financial situation, investment goals, or objectives. Failure to notify the IAR of any such changes could result in investment advice not meeting the changing needs of the client.

As a fiduciary we put our client's interests first and must disclose any potential conflict of interest. We do not directly hold customer funds or securities and all transactions are sent to our qualified custodian which executes, compares, allocates, clears, and settles them. Our selected custodian also maintains our clients' accounts and may grant clients access to them. For further information please reference sections 4F, 5C, and 5E.

**Comment [C5]:** See sections 5C & 4F & 5E

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

Investment advisory services provided by RMR IARs depend significantly on the information the client provides to the IAR. For RMR IARs to provide investment advice and make investment recommendation to the client, it is very important that clients provide accurate and complete responses to their IAR's questions about their financial condition, needs and objectives, and any reasonable restrictions they wish to apply to the securities or types of securities to be bought, sold, or held in their managed account. It is also important that clients inform their RMR IAR of any changes in their financial condition, investment objectives, personal circumstances, and reasonable investment restrictions on the account that may affect the client's overall investment goals and strategies.

In general whether the client has given discretionary authority or retains the right to make the final decision it is the client's responsibility for making sure the RMR IAR has all the information necessary to make recommendations and or manage the account in the best interest of the client.

## D. Wrap Fee Programs

We are a sponsor of a wrap fee program, which is a type of investment program that provides clients with access to asset management services for a single fee that includes management fees and securities transaction costs. If you participate in our wrap fee program, you will pay our firm a single fee, which includes our money management fees and certain transaction costs. We receive a portion of the wrap fee for our services. The overall cost you will incur if you participate in our wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program.

To compare the cost of the wrap fee program with non-wrap fee portfolio management services, you should consider the frequency of trading activity associated with our investment strategies and the brokerage commissions charged by the broker-dealer/custodian through which securities transactions are executed, and the advisory fees charged by investment advisers.

## E. Assets Under Management

RMR is a newly formed investment advisory firm. The principals of RMR, prior to [this](#) filing, were solely licensed as investment advisory representatives of Calton & Associates, Inc. a Registered Investment Advisor. Currently the RMR principals and associated persons have advisory clients with Calton in which the assets total [in](#) excess of \$250,000,000 and remain dually registered. It is anticipated that the management of these assets will be transferred to RMR. RMR has the following assets under management. The method for computing the amount of client assets we manage is the same as assets under management.

Discretionary Amounts	Non-Discretionary Amounts	Date Calculated
\$100,893,768.98	\$0.00	2/06/2015

## F. Program Choice Conflicts of Interest

Clients should be aware that the compensation to RMR and your IAR will differ according to the specific advisory program chosen. This compensation to RMR and your IAR may be more than the amounts we would otherwise receive if you participated in another program or paid for investment advice, brokerage, and/or other relevant services separately. As a result of the differences in fee schedules [among the various advisory programs and services offered by RMR and your IAR](#), we may have a financial incentive to recommend a particular program or service over other programs or services. Just as many RMR IARs offer management fee discounts to their larger clients, RMR and its IARs have administrative fee discounts based on their total assets under management. Administrative fees are deducted from the annual total account fee charged to

Comment [C6]: Dually licensed

Comment [C7]: Calton – throughout

Comment [C8]: Need to add a little bit more and also Reference sections 5c and 5

the client and cover various costs associated with the Advisory Programs. As IARs grow their fee-based business economies of scale are shared with RMR and its IARs by reducing the percentage amount of administrative fees that would be charged. For more information please reference sections 5C and 5E.

## **Item 5: Fees and Compensation**

### **A. How You're Charged and How We're Compensated**

Clients who elect to receive asset management services through one or more of RMR's Asset Management or TPAM programs will pay RMR and their IAR for those services with an ongoing asset management fee based on a schedule of percentage of assets under management ("AUM"). The maximum account management fee that can be charged in any RMR managed account program is 2.50% annually and is negotiable.

Certain TPAM programs may have higher or lower fee schedules. In most cases, the annual account management fee is payable quarterly in advance and is computed as one-quarter of the annual fee, based on the AUM on the last business day of the previous calendar quarter. Certain managed account programs charge fees in arrears and will have differing methods of computation. Please refer to the respective program description in this Brochure or to the respective client agreement for specific information about the maximum fee allowed, the varying fee schedules of each program, and the methods of fee billing for the program(s) you select.

All RMR advisory program and service fees are negotiable between the IAR and client. In the event a client terminates an advisory agreement with RMR and the advisor, any unearned fees resulting from advanced payments will be returned to the client. Likewise, in the event RMR bills clients in arrears for services that have already been rendered, RMR will prorate such fees up to the termination date of the advisory agreement.

RMR uses a "tiered" or "blended" fee schedule in the RMR Wealth Managed Account Program. A tiered or blended schedule looks at the account value and compares it to a set fee schedule. Based upon the value of the account at the end of the last billing period, the fee schedule identifies specific portions of the account value to be charged at different fee rates. The total value of the account is compared against this schedule and, based on the account size, the different fee rates are blended to determine the total quarterly account fee for that period.

Portion of Assets Under Management	Maximum Annual Fee
The portion of the portfolio Up to \$250k	2.5%
The portion of the portfolio from \$250k - \$500k	2.25%
The portion of the portfolio from \$500k - \$1M	2%
The portion of the portfolio from \$1M - \$2.5M	1.75%
The portion of the portfolio from \$2.5M - \$5M	1.5%
The portion of the portfolio from Over \$5M	1.25%

Hypothetical Example: assume that the account value at the end of the billing period is \$500,000. The quarterly account fee for the quarterly billing period would be assessed as follows: First \$250,000 of the account value will be billed at a rate of 2.5% ( $\$250,000 \times 2.5\% = \$6,250$ ;  $\$6,250 \div 4 = \$1,562.50$ ); the next \$250,000 will be billed at a rate of 2.25% ( $\$250,000 \times 2.25\% = \$5,625$ ;  $\$5,625 \div 4 = \$1,406.25$ ). Each of the different fee rate amounts is added together to determine the total quarterly account fee for that period, as follows:  $\$1,562.50 + \$1,406.25 = \$2,968.75$  quarterly account fee

The initial quarterly fee will be prorated based on the number of billing days in the initial quarter. Subsequent fees will be billed based on the balance on the first day of the billing period. Fees are based on account value and account type and as stated previously are negotiable, but may not exceed 2.50%. The final fee schedule is included in the Investment Advisory Agreement. The majority of our fees are paid by debiting your brokerage account. In other instances a client can pay directly based on the agreed amount in the contract.

Additional deposits of funds and/or securities during a particular calendar quarter will be subject to billing on a pro rata basis. Clients who withdraw funds from a managed account during a billing period are not generally entitled to a pro rata refund unless they are terminating their managed account program client agreement.

All fee amounts and arrangements are negotiable and RMR may waive a particular fee, whether on an ongoing or a one-time basis, in its sole discretion. RMR may also allow for the aggregation of assets among a client's "related" managed accounts for purposes of determining the value of assets under management and the applicable advisory fee to be paid by a client. RMR reserves the right to determine whether client accounts are "related" for purposes of

aggregating a client's accounts together for a reduction in the percentage fee amount.

RMR's Financial Planning & Consultation Agreement and Retirement Plan Consulting programs provide the following fee payment options:

#### **Financial Planning & Consultation Agreement**

The program provides clients with the option of paying a flat fee or an hourly rate not to exceed \$500 per hour. The fee amount a client will pay is negotiable between the client and their IAR and fees may be paid in two parts, 50% of the **estimated** fee up to \$1,200.00 is due upon signing of the consulting agreement, and the remaining fee is due within 30 days of completion. Final delivery of services will be completed within 6 months or the fee will be returned.

**Comment [C9]:** Within the guidelines set forth by RMR

#### **Retirement Plan Consulting**

The RMR Retirement Plan Consulting program provides clients with the option of paying an annual fee for ongoing services based on a percentage of assets **under** advisement, a flat fee, or an hourly rate.

**Comment [C10]:** Within the guidelines set forth by RMR

The fee amount a client will pay is negotiable between the client and the IAR. Fees may be paid directly from qualified plan assets or may be direct billed, as agreed to between the client and the IAR.

### **B. Payment of Fees and Fee Collection Process**

RMR, through the account custodian, will typically debit the account management fee from the account automatically. The account management fee will be payable first from free credit balances, money market funds, or cash equivalents, if any, **and** second from the liquidation of a portion of the client's securities holdings, pursuant to the discretionary authority granted by the client to RMR and the IAR. If non - discretionary, the client will be contacted to give consent. Rather than automatic fee debiting from a client's account, clients may also have the ability to be direct billed by writing a check to RMR for the fee amount.

**Comment [C11]:** Client gives consent

Managed account clients pay fees quarterly, in advance, or in arrears, based on the specific program selected by the client. Consulting clients fees may be paid in two parts, 50% of the estimated fee is due upon signing of the consulting agreement, and the remaining fee is due within 30 days of completion. Final delivery of services will be completed within 6 months or the fee will be returned.

### ***Termination of Agreement***

Clients may terminate the agreement without penalty, for full refund of RMR's fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract generally with thirty days' written notice and the fee will be prorated with any excess being returned.

### **C. Clients Are Responsible for Other Fees and Costs**

When RMR effects securities transactions for the client's account held at Calton & Associates, Inc, the fees charged by the custodian are passed through to the client per the following schedule:

<b>Security Types</b>	<b>Execution Fees</b>
Listed Equities	\$16.00 + \$0.015 per share
ETF	\$16.00 + \$0.015 per share
Other Equities	\$16.00 + \$0.015 per share
Options	\$23 per ticket + \$2.00 per contract
<b>Fixed Income</b>	
Listed Corporate Bonds	\$30 per ticket + \$1.00 per bond
OTC Corporate Bonds	\$35 per ticket
Treasuries	\$35 per ticket
Money Markets	\$40 per ticket
CDs	\$40 per ticket
Municipal Bonds	\$40 per ticket
Unit Investment Trusts (UITs)	\$30 per ticket
Zero Coupon Bonds	\$45 per ticket
Other Government Securities	\$45 per ticket
Average Price Trades / Multi fill (per entry)	\$5
<b>No Load Mutual Funds</b>	
Buy/Sells	\$15 per ticket
Exchanges	\$5 per side
PIPs/SWPs	0
NTF Mutual Funds	\$0

Alternative Investments	\$75
Precious metals transactions	\$75
Other Transaction Types	\$50 per ticket

In addition to the charges noted above, clients may also incur certain charges imposed by third parties other than RMR or the IAR in connection with certain investments. RMR and your IAR may receive a portion of these fees. These include, but are not limited to:

- Mutual fund or money market 12b-1 fees and sub-transfer agent fees;
- Mutual fund and money market management fees and administrative expenses;
- Mutual fund transaction fees;
- Certain deferred sales charges on previously purchased mutual funds transferred into the account;
- Other transaction charges and service fees;
- IRA and qualified retirement plan fees; and
- Other charges that may be required by law.

These fees and transaction charges present a potential conflict of interest because your RMR IAR may have a greater incentive to recommend (or make investment decisions regarding) investments that provide additional compensation to RMR and your IAR. Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus. For further information please reference sections 4F and 5E.

**Comment [C12]:** Reference section 5e and 4f

### Revenue Sharing

Through our network of IARs, RMR offers a broad selection of mutual funds. Some of the mutual funds we sell participate in activities that are designed to help facilitate the distribution of their products by making our IARS, we believe, more knowledgeable about those companies' funds, such as marketing activities and educational programs (including, but not limited to, attendance by fund representatives at conferences, one-on-one marketing, and due diligence presentations to our IARs).

In return for assistance in facilitating the activities described above, RMR may receive additional compensation known as 12b-1 fees and expense reimbursements disclosed in a fund's prospectus fee table. These payments may be paid out of the fund assets or other fund affiliate's assets. Therefore, certain expenses not paid out of fund assets, would not appear as an item in a fund's expense table. No portion of these payments to RMR or an IAR is made by means of brokerage commissions generated by the fund.

It is important to understand that none of the payments other than 12b-1 fees received by RMR is paid or directed to any IAR who recommends these funds. RMR IARs do not receive a greater or lesser commission for sales of mutual funds. Because RMR IARs receive no direct increase or change in compensation from selling shares of one fund over another, we do not believe that they are subject to a conflict of interest based on the

amount of compensation each IAR receives when recommending one fund's shares over another's. The marketing and educational activities paid for by a fund, however, could lead our IARs to focus more on those funds. RMR does not maintain a "preferred" list of mutual fund families.

#### **D. Prorated Rebate of Fees Paid in Advance**

In the event a client terminates an advisory agreement with RMR and their IAR, any unearned fees resulting from advanced payments will be returned to the client. Likewise, in the event RMR bills clients in arrears for services that have already been rendered, RMR will prorate such fees up to the termination date of the advisory agreement.

#### **E. Other Forms of Compensation**

As mentioned above, an ongoing asset management fee, paid in advance, is the most common method of payment for the client and compensation to RMR and IAR. When an IAR provides consulting services for a client, the client typically pays for services rendered on a one-time basis.

For Retirement Plan Consulting, the fee may be an hourly, flat, fixed, or asset-based fee for providing one-time, or ongoing, advisory services to a plan. Financial Planning and Consulting Services may be calculated on an hourly, flat, or fixed fee and are paid fifty percent in advance and fifty percent when the service is completed.

The client generally makes a check payable to RMR Wealth Builders, Inc. to pay for consulting services. This is the only instance in which the client should make a check payable to RMR outside of direct billing for advisory fees. **Checks should be made payable to the IAR, the IAR's business name, or any other entity under the control of the IAR.**

**Comment [C13]:** Mention direct billing from client account as well as the option to pay by check.

Clients should be aware that, when assets are invested in shares of mutual funds or variable insurance products, clients will pay investment advisory fees to RMR and to the IAR for their advisory services in connection with the investments. Indirectly, clients will also pay the management and other fees charged by the mutual fund or in insurance products themselves. Clients may be able to invest directly in the mutual fund's shares or in the insurance product without incurring the investment advisory fees charged by RMR and custodian. If a client's assets are invested in a variable annuity, the client will pay both the direct management fee to RMR for the advisory services provided by the client's IAR in connection with that investment and, indirectly, the management and other fees charged by the underlying annuity sub-accounts, as well as the charges assessed by the insurance company. Of course, clients should also be aware of the tax implications of investing, as well as of the existence of deferred sales charges or redemption fees in some products.

**Comment [C14]:** 4f can be enhanced using language from 5e



RMR and your IAR may receive service fees and other compensation from investment product sponsors when they make recommendations or investment decisions for you. These fees and compensation include, but are not limited to, mutual fund and money market 12b-1 and deferred sales charges on previously purchased mutual funds transferred into an account, variable annuity expenses, due diligence fees, marketing reimbursements or reallowances, or other transaction or service fees. RMR and your IAR may receive a portion of these fees. This additional compensation presents a potential conflict of interest because RMR and your IAR may have a greater incentive to recommend (or make investment decisions regarding) investments for your account that provide such additional compensation to RMR and your IAR. Further information regarding fees and charges assessed to you by investment products you purchase is available in the appropriate prospectus. Notwithstanding the foregoing, RMR will reduce a client's retirement account management fee, or will otherwise credit a client's managed retirement account, an amount that is proportionate to the mutual fund 12b-1 fees normally payable to RMR, IAR, or the custodian from the mutual fund assets held in your managed retirement accounts.

**Comment [C15]:** Make Ramu aware of this and verify that NFS automatically does this

**For California Residents:** Subsection (j) of Rule 260.238 of the California Code of Regulations requires that all investment advisers disclose to their advisory clients that lower fees for comparable services may be available from other sources.

**For District of Columbia Residents:** Section 1811.1 Subsection (j) of the DC Rules requires RMR to disclose that lower fees for comparable services may be available from other sources. Subsection (k) requires RMR to indicate that all material conflicts of interest that relate to the IAR or to any of its employees, and that would cause RMR not to render unbiased and objective advice, have been disclosed to the client in writing via the disclosure provided in this Form ADV Part 2.

**For Massachusetts Residents:** Massachusetts General Law Section 203A requires disclosure that information about the disciplinary history and the registration of RMR and its associated persons may be obtained by contacting the Public Reference Branch of the SEC at 202.942.8090, or by contacting the Massachusetts Securities Division at One Ashburton Place, 17th Floor, Boston, MA 02108 or at 617.727.3548.

**Special Disclosures for ERISA Plans:** In this Brochure, RMR has disclosed potential conflicts of interest, such as receiving additional compensation from third parties (e.g., 12b-1 fees, sub-transfer agent fees, and revenue sharing) for providing marketing, recordkeeping, or other services in connection with certain investments. RMR, however, has adopted policies and procedures that are designed to ensure compliance with the prohibited transaction rules under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. For example, RMR has taken several steps to address the potential conflict of interest

of IARs who receive compensation for services provided to ERISA plans. First, an IAR negotiates the compensation with ERISA plan sponsors or participants (“ERISA clients”) and the compensation is either an annual fee for ongoing services based on a percentage of assets under advisement, a flat fee, or an hourly rate. Second, RMR has established a policy not to influence any IAR’s advice or management of assets at any time or for any reason based on any compensation that RMR or the advisor might receive from third parties. In no event will RMR allow advisors to provide advice or manage assets for ERISA clients if they have conflicts of interest that RMR believes are prohibited by ERISA. As a covered service provider to ERISA plans, RMR will comply with the U.S. Department of Labor regulations on fee disclosures, effective July 16, 2011 (or such other date as provided by the Department). Thus, RMR and its advisors will disclose (i) direct compensation received from ERISA clients; (ii) indirect compensation (e.g., 12b-1 fees) received from third parties; and (iii) transaction-based compensation (e.g., commissions) or other similar compensation shared with related parties servicing the ERISA plan. These fee disclosures will be made reasonably in advance of entering into, renewing, or extending the advisory service agreement with the ERISA client.

**Comment [C16]:** Make sure font is uniform

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

RMR does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7: Types of Clients**

Individuals, Businesses, Charities, Foundations, Endowments, Pension Plans, Trusts

### ***Minimum Account Size***

There is no account minimum for any of RMR’s services.

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

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

Investing in securities involves risk of loss that investors should be sure they understand and should be prepared to bear. RMR primarily serves retail investors. Each IAR associated with RMR has the independence to take the approach they believe to be the most appropriate when analyzing investment products and strategies for clients. There are several sources of information that

RMR and the IAR may use as part of the investment analysis process. These sources include, but are not limited to:

- Financial publications
- Research materials prepared by others
- Corporate rating services
- SEC Filings (annual reports, prospectus, 10-K, etc.)
- Company press releases

As a firm, RMR does not favor any specific method of analysis over another and therefore would not be considered to have one approach deemed to be a “significant strategy.” There are, however, a few common approaches that may be used by RMR or your IAR, individually or collectively, in the course of providing advice to clients. Please note that there is no investment strategy that will guarantee a profit or prevent loss. Following are some common strategies employed by advisors in the management of client accounts:

- **Dollar Cost Averaging (“DCA”):** The technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and fewer shares are bought when prices are high. DCA is believed to lessen the risk of investing a large amount in a single investment at higher price. DCA strategies are not effective and do not prevent against loss in declining markets.

- **Asset Allocation:** An investment strategy that aims to balance risk and reward by allocating assets among a variety of asset classes. At a high level, there are three main asset classes—equities (stocks), fixed income (bonds), and cash/cash equivalents—each of which has different risk and reward profiles/behaviors. Asset classes are often further divided into domestic and foreign investments, equities are often divided into small, intermediate, and large capitalization, and fixed income into short, intermediate, and long term durations. The general theory behind asset allocation is that each asset class will perform differently from the others in different market conditions. By diversifying a portfolio of investments among a wide range of asset classes, advisors seek to reduce the overall volatility and risk of a portfolio through avoiding overexposure to any one asset class during various market cycles. Asset allocation does not guarantee a profit or protect against loss.

- **Technical Analysis (aka “Charting”):** 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. Instead, they use charts and other tools to identify patterns that can suggest future activity. When looking at individual equities, a person using technical analysis generally believes that performance of the stock, rather than performance of the company itself, has more to do with the company’s future stock price. It is important to understand that past performance does not guarantee future results.

- **Fundamental Analysis:** A method of evaluating a security that entails 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 (e.g., the overall economy and industry conditions) and company-specific factors (e.g., financial condition and management). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price, with the aim 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.

- **Quantitative Analysis:** An analysis technique that seeks to understand behavior by using complex mathematical and statistical modeling, measurement, and research. By assigning a numerical value to variables, quantitative analysts try to replicate reality mathematically. Some believe that it can also be used to predict real-world events, such as changes in a share price.

## B. Material Risks Involved

As mentioned above, regardless of what strategy or analysis is undertaken, there is risk of loss; in some cases, total loss. Some risks may be avoided or mitigated, while others are completely unavoidable. Some of the common risks you should consider prior to investing include, but are not limited to:

- **Market risks:** The prices of, and the income generated by, the common stocks, bonds, and other securities you own may decline in response to certain events taking place around the world, including those directly involving the issuers; conditions affecting the general economy; overall market changes; local, regional, or global political, social, or economic instability; governmental or governmental agency responses to economic conditions; and currency, interest rate, and commodity price fluctuations.

- **Interest rate risks:** The prices of, and the income generated by, most debt and equity securities may be affected by changing interest rates and by changes in the effective maturities and credit ratings of these securities. For example, the prices of debt securities generally will decline when interest rates rise and will increase when interest rates fall. In addition, falling interest rates may cause an issuer to redeem, "call," or refinance a security before its stated maturity date, which may result in having to reinvest the proceeds in lower-yielding securities.

- **Credit risks:** Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a

debt security will fail to make timely payments of principal or interest and the security will go into default.

- **Risks of investing outside the US:** Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent. Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

Your investments are not bank deposits and are not insured or guaranteed by the FDIC or any other governmental agency, entity, or person, unless otherwise noted and explicitly disclosed as such, and as such may lose value.

### C. Risks of Specific Securities Utilized

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned below).

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary and include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general the fixed income market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income

securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing.

**Exchange Traded Funds (ETFs):** Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). The price of Precious Metal ETFs (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) may be negatively impacted by several factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real Estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; natural disasters; the impact of present or future environmental legislation and compliance with environmental laws.

**Hedge Funds** often engage in leveraging and other speculative investment practices that may increase the risk of investment loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; May involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Private placements** carry a substantial risk as they are subject to less regulation than publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

**Non-U.S. securities** present certain risks such as fluctuation in exchange rates of foreign currency, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

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

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

The three principal owners: Joseph J Russo, Edward A Majtenyi, Douglas Roth along with the Ryan P DeGrau and James Barrett in their role as a registered representative of Calton each accepts compensation for the sale of securities. For information on your specific RMR IAR, please reference the IAR's ADV 2B.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither RMR nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

The three principal owners, Joseph J Russo, Edward A Majtenyi, Douglas R Roth along with Ryan P DeGrau and James P Barrett are each a registered representative of Calton. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser.

Clients are in no way required to implement the plan through any representative of RMR in such individual's capacity as a registered representative.

For information on your specific RMR IAR, please reference the IAR's ADV 2B.

### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

RMR allocates all or a portion of its assets to a Broker/Dealer or Custodian, through which it may execute all or some of its transactions. Any fees shared will not exceed any limit imposed by any regulatory agency. This creates a conflict of



interest in that RMR is affiliated with a Broker/Dealer or Custodian and has an incentive to direct clients to its affiliate. RMR will act in the best interests of the client, including when allocating assets to a Broker/Dealer or Custodian. RMR will ensure that the Broker/Dealer or Custodian is licensed or notice filed in the states in which RMR is recommending them to clients.

**Comment [C17]:** Remove Calton references .

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

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

RMR has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

### **B. Recommendations Involving Material Financial Interests**

RMR does not recommend that clients buy or sell any security in which a related person to RMR or RMR has a material financial interest.

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of RMR may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of RMR to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. RMR will document any transactions that could be construed as conflicts of interest and will engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of RMR may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of RMR to buy or sell securities before or after

recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, RMR will engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Custodians and/or Broker/Dealers**

Custodians/broker-dealers will be recommended based on RMR's duty to seek "best execution," which is the obligation to seek to execute securities transactions for a Client on terms that are the most favorable to the Client under the circumstances. The Client will not necessarily pay the lowest commission or commission equivalent, and RMR may also consider the market expertise and research access provided by the payment of commissions, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers to aid in the research efforts of RMR. RMR will charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian. Calton and National Financial Services are recommended by RMR.

#### **1. *Research and Other Soft-Dollar Benefits***

While RMR has no formal soft dollars program in which soft dollars are used to pay for third party services, RMR may receive research, products, or other services from custodians and broker dealers in connection with client securities transactions ("soft dollar benefits"). RMR may enter into soft dollar arrangements within (but not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended. There can be no assurance that any particular client will benefit from soft dollar research, whether or not the client's transactions paid for it, and RMR does not seek to allocate benefits to client accounts proportionate to any soft dollar credits generated by the accounts. RMR benefits by not having to produce or pay for the research, products or services, and RMR will have an incentive to recommend a broker dealer based on receiving research or services. Clients should be aware that RMR's acceptance of soft dollar benefits may result in higher commissions charged to the client.

#### **2. *Brokerage for Client Referrals***

RMR receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

#### **3. *Clients Directing Which Broker/Dealer/Custodian to Use***

RMR will require clients to use a specific broker-dealer to execute transactions.

### **B. Aggregating (Block) Trading for Multiple Client Accounts**

RMR does not aggregate or bunch the securities to be purchased or sold for multiple clients, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions.

**Comment [C18]:** This can be done !

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client portfolio management accounts are reviewed at least annually only by an appropriate member of the portfolio management team with regard to clients' respective investment policies and risk tolerance levels.

### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Portfolio management reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### **C. Content and Frequency of Regular Reports Provided to Clients**

Each portfolio management client will receive at least quarterly a written or electronic report that details the client's account including assets held and asset value, this report will come from the custodian in which the account is held.

**Comment [C19]:** Mention that reports may come from multiple custodians

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

RMR does not receive any economic benefit, directly or indirectly from any third party for advice rendered to RMR clients.

**Comment [C20]:** Make this language clear. No one understands!!! Mention advisory bonuses

## **B. Compensation to Non - Advisory Personnel for Client Referrals**

RMR may enter into written arrangements with third parties to act as solicitors for the Adviser's investment management services. All compensation with respect to the foregoing will be fully disclosed to each Client to the extent required by applicable law.

### **Item 15: Custody**

RMR does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the client's custodian. Clients will receive account statements from the custodian and should carefully review those statements.

**Comment [C21]:** Will most likely be held in VA , mutual fund , or

### **Item 16: Investment Discretion**

RMR provides discretionary investment advisory services to clients. The Investment Advisory Contract established with each client outlines the discretionary trading authority for trading. Where investment discretion has been granted, RMR generally manages the client's account and makes investment decisions without consultation with the client as to what securities to buy or sell, when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, the commission rates at which securities transactions are affected, and the price per share.

### **Item 17: Voting Client Securities (Proxy Voting)**

RMR will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

### **Item 18: Financial Information**

#### **A. Balance Sheet**

RMR neither requires nor solicits prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

**B. Financial Conditions Reasonably Likely to Impair  
Ability to Meet Contractual Commitments to Clients**

Neither RMR nor its management has any financial condition that is likely to reasonably impair RMR's ability to meet contractual commitments to clients.

**C. Bankruptcy Petitions in Previous Ten Years**

RMR has not been the subject of a bankruptcy petition in the last ten years.