



Firm Brochure

Form ADV Part 2A

March 29, 2019

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This brochure provides information about the qualifications and business practices of R3 Returns (“R3”). If you have any questions about the contents of this brochure, please contact us at 303.444.0283 or info@r3returns.com. 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 R3 is available on the SEC website at www.adviserinfo.sec.gov.

R3 is registered with the SEC as an investment adviser and conducts itself accordingly. Such registration requires that we conduct our business in accordance with the Investment Advisers Act of 1940 but does not imply a certain level of skill or training.

Item 2 - Material Changes

R3 is required to disclose material changes to each annual update to its Form ADV Part 2A (the “Brochure”).

This Brochure dated March 29, 2019, replaces the March 29, 2018, version, which was our last annual amendment. Key updates were made to the following section(s) since the last annual amendment:

- Item 4 – Advisory Business – The ownership of R3 was updated to reflect BSW Wealth Partners, Inc., a Public Benefit Corporation, the successor to BSW Wealth Partners, LLC. In addition, the Regulatory Assets Under Management (“RAUM”) figures were updated.
- Item 5 – Fees and Compensation – was revised to include specifics regarding the method and timing of advisory fees.
- Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading – was revised to reflect an amended Code of Ethics which will require pre-clearance of certain personal securities transactions.

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Item 4 - Advisory Business

Overview: R3 is a Boulder, Colorado-based independent investment advisor and separate account manager that provides financial and investment services on a fee-only basis to private investors. The firm was founded in 2012. R3's clients are primarily other registered investment advisory firms (RIAs) and their clients.

Ownership: R3 is wholly owned by one entity, BSW Wealth Partners, Inc., a Public Benefit Corporation ("BSW"), that is actively engaged in R3's business. BSW Wealth Partners, Inc., a Public Benefit Corporation is the successor to BSW Wealth Partners, LLC. In 2019, BSW elected to change its corporate and legal structure from a limited liability company to a Public Benefit Corporation.

Specialization: R3 specializes in developing, managing, and providing impact investment portfolios. Impact investing seeks to maximize both investor returns and community/ecological/societal objectives.

Services: R3 provides specialized investment management and separately managed account services. Services may include:

Separately Managed Accounts: R3 Impact Bond Strategies

- R3 Impact Bond Strategies:
 - R3 Impact Bond – Tax Exempt Ladder PLUS
 - R3 Impact Bond – Tax Exempt Muni PLUS
 - R3 Impact Bond – Taxable PLUS
- Customized separately-managed account portfolios of laddered bonds financing impact projects in three areas (economic empowerment, healthy communities, and environmental sustainability).
- Monitoring client's investments coming under R3's supervision;
- Monitoring client's R3 portfolio on a regular basis and making changes as necessary and appropriate;
- Maintaining regular communication with client's advisor; and
- Preparing periodic investment reports for client's advisor.

Use of Sub-Advisors

- R3 provides investment management services to clients facilitated in a collaborative effort with an unaffiliated independent investment advisory firm, Belle Haven Investments, LP ("Belle Haven").

- R3 will manage and monitor accounts based on impact investing criteria and metrics and Belle Haven will manage and monitor the accounts based on various economic and investment factors. This collaborative management approach will not increase the management fee charged to the client.
- R3 and Belle Haven direct the investment of the securities in the account under a limited power of attorney granted to us by the client in the R3 Returns Investment Management Agreement (the “Agreement”).
- R3 has entered into a contract with Belle Haven to provide sub-advisory, trade execution, and portfolio management services to R3 clients.
- Under these arrangements, each account is held at an unaffiliated brokerage firm or custodian and is registered to the client. The custodian maintains physical custody of all funds and securities of the account, and the client retains all rights of ownership
- Neither R3 nor Belle Haven receives any compensation from commissions or other charges levied by the account’s brokerage or custodial firm. R3 and Belle Haven are compensated solely by the investment management fee as detailed in the Agreement.
- Clients will engage R3 to design an investment portfolio and provide ongoing corresponding investment management services on a fee-only basis. All securities are owned directly by the account’s registered owner.

Suitability: R3 and its sub-advisors do not gauge the suitability of R3 investment strategies for client investors. Investment suitability is entirely determined by the client and/or client’s primary adviser. In performing its services, R3 and its sub-advisors shall not be required to verify the suitability of the client and is expressly authorized to rely on the assessment of suitability as determined by the client’s primary adviser.

Account Restrictions: Clients may impose limited, reasonable restrictions on their account investments by including such restrictions in R3’s Exhibit A to the Agreement. Any such restrictions must be approved and accepted by R3 and/or Belle Haven prior to implementation.

Assets Under Management: As of December 31, 2018, R3 has approximately \$132,634,325 regulatory assets under management (“RAUM”), all of which are managed on a discretionary basis.

Wrap Fee Programs: R3 does not participate in wrap fee or similar types of programs.

General Statement of Ethical Principles

- R3 will, at all times, place the interests of its clients first;
- All personal securities transactions will be conducted in such a manner as to avoid any actual or potential conflict of interest or any abuse of R3’s position of trust and responsibility;
- R3 will not take inappropriate advantage of its position;
- R3 will uphold the fiduciary principle that information concerning the identity of security holdings and financial circumstances of clients is confidential;
- R3 will uphold the principle that independence in the investment decision-making process is paramount; and
- R3 will always act with honesty, integrity, and professionalism.

Item 5 - Fees and Compensation

R3 is an independent fee-only investment advisor and separate account manager. As such, R3 is compensated for its services using one or more of the methods described below. R3’s billing method will be disclosed to and agreed to by client as contained in client’s written Agreement with R3.

Compensation Methods: Clients may choose between: (1) an asset-based fee; or (2) a fixed fee, as further described below. The following fee schedule represents the maximum compensation that R3 may receive. All fees are subject to negotiation.

- (1) **Asset Based Fee:** The maximum annual fee for services will be based on the value of client’s assets under R3’s management. R3’s annual fees for investment and separately managed account services are:

<u>STRATEGY</u>	<u>MAXIMUM ANNUAL FEE</u>
Tax Exempt Ladder PLUS	0.650%
Tax Exempt Muni PLUS	0.750%
Taxable PLUS	0.750%

Affiliated Firm Discount: BSW is an affiliated firm of R3 (see “Other Financial Industry Activities and Affiliations” below). BSW’s clients may utilize R3 investment strategies for a reduced asset-based annual fee. Any R3 fees in such an engagement are solely to compensate the sub-advisor.

- (2) **Fixed Fee:** R3 and the client may agree to negotiate a fixed quarterly fee instead of an asset-based fee for R3's investment management, and/or advisory services. The fixed fee is negotiable by the client and R3.
- (3) **Minimum Fee:** R3's minimum fee is \$100 per quarter. This minimum may be waived at R3's discretion.

Negotiability of Advisory Fees: R3 retains the discretion to negotiate alternative fees and fee arrangements or waive fees entirely.

Travel Expenses: Travel related expenses incurred by R3 on client's behalf will be reimbursed by the client.

Other Expenses: In addition to R3's compensation described above, the client will incur various trading commissions, transaction fees, and administrative costs in the implementation of R3's recommendations. R3 will receive no compensation from these sources. Please refer to Item 12 of this Brochure for more information on R3 brokerage practices.

Method and Timing: R3's fees are billed and payable quarterly in advance by applying one quarter of the applicable annual rate to the value of the account as of the final day of the prior quarter, including cash and accrued interest, as set forth and valued by the custodian. Fees shall be deducted from client's R3 managed assets.

Termination and Refunds: Client or R3 may terminate their agreement at any time upon five days prior written notice. If R3 and client's relationship is terminated prior to the end of a billing period, R3 will prorate and refund the paid but unearned portion of client's fee for that period back to the client.

Prohibited Compensation Methods:

Commissions: R3 does not charge or receive commissions or similar types of compensation.

Item 6 – Performance-Based Fees

R3 is required to disclose if any accounts are charged performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets of a client). This type of fee structure may, under certain circumstances, create a conflict with client interests.

R3 does not charge any performance-based management fees.

Item 7 - Types of Clients

R3 works with a diverse cross-section of clients who are looking for a trusted and specialized impact investment advisor to assist them. These clients generally include:

- Other investment advisors on behalf of their clients;
- Individuals and Families (other than high net worth individuals);
- High net worth individuals;
- Family foundations.

Minimum Account Size: R3 does not have a required minimum account size. As indicated above, R3 does have a minimum quarterly fee (see **Item 5 – Fees and Compensation**).

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Impact Strategies: Evaluation of securities using a proprietary assessment and ranking methodology to target three thematic investment areas: economic restoration, community development, and green initiatives. The analysis includes both quantitative and qualitative factors.

Risks Associated with Impact Strategies: Impact investing strategies will generally favor certain economic sectors and/or issuer types over others. Although R3 strives to maintain adequate and sufficient diversification across economic sectors and/or issuer types, portfolio concentration may occur. The R3 Impact Bond Strategy targets three thematic areas (economic restoration, community development, and green initiatives) for which there may be a limited supply of bonds and which may negatively affect investment returns. The strategy's Impact screening methodologies also narrow the manager's opportunity set of potential investments which may negatively affect investment returns. Investing for impact involves risks of loss that clients should be prepared to bear including loss of investment principal, fluctuation of investment values, illiquidity, inability to liquidate investments without incurring losses, loss of purchasing power and loss of income.

Fixed Income Strategies: Fixed income investments such as bonds are intended to provide diversification, generate income, and to preserve and protect assets. Generally, the stabilizing influence of fixed income comes at the cost of lower returns relative to other investments. R3's Impact Bond portfolios generally consist of high quality domestically issued municipal bonds.

Risks Associated With Fixed Income Strategies: Fixed Income investing involves risks of loss that clients should be prepared to bear including loss of purchasing power, loss of income, fluctuation of investment values, loss of investment principal, illiquidity, and inability to liquidate investments without incurring losses. Additional risks associated with investments in general, fixed income investments, and municipal fixed income investments include:

Credit Risk: The financial soundness of an issuer (borrower) is often measured by a credit rating agency such as Standard & Poors, Moody's or Fitch. The rating agencies attempt to measure the ability of an issuer to pay the interest and principal payments on their debt. Typically, the higher the issuer's credit rating the lower the expected investment return will be.

Liquidity Risk: Liquidity risk is the risk that there may be limited buyers for a security when an investor wants to sell. Typically, this results in a discounted sale price in order to attract a buyer. Bonds that are lower quality generally have higher liquidity risk.

Default Risk: A default occurs when an issuer fails to make payment on a principal or interest payment.

Event Risk: Event risk is difficult to predict because it may involve natural disasters such as earthquakes or hurricanes, as well as changes in circumstance from regulators or political bodies.

Political Risk: Political risk is the risk associated with the laws of the country, or to events that may occur there. Particular political events such as a government's change in policy would restrict the flow of capital.

Market Risk: Market risk refers to the bond market as a whole declining, causing the value of all securities to decline regardless of the individual characteristics of a particular security.

Duration Risk: Duration is a way to measure a bond's price sensitivity to changes in interest rates. The duration of a bond is determined by its maturity date, coupon rate, and call feature. Duration is a way to compare how different bonds will react to interest rate changes. If a bond has a duration of five (5) years it means that the value of that security will decline by approximately five percent (5%) for every one percent (1%) increase in interest rates.

Inflation Risk: Inflation is the decline in the purchasing power of a dollar, meaning today's dollar will buy less tomorrow. In other words, the purchasing power of a bond's future interest and principal payments will be reduced. Typically, in an inflationary environment interest rates will rise as well, causing the value of bond holding to decline.

Interest Rate Risk: Interest rate risk refers to the relationship between the value of a bond and changing interest rates. A rise in interest rates will cause a decline in the value of a bond holding.

Reinvestment Risk: Reinvestment risk is the risk that future interest and principal payments may be reinvested at lower yields due to declining interest rates.

Tax Risk: For municipal bonds, depending on the client's state of residence, the interest earned on certain bonds may not be tax-exempt at the state level.

Disclosure Risk: The amount of public information available on municipal bonds is generally less than that for corporate bonds or equities.

Regulatory Risk: Market participants are subject to rules and regulations imposed by one or more regulators. Changes to these rules and regulations could have an adverse effect on the value of an investment.

Item 9 - Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of them or the integrity of their management.

As of the date of this Brochure, R3 does not have any legal, financial or other disciplinary items to report to you. R3 is obligated to disclose any disciplinary event that would be material to you when evaluating a client/adviser relationship.

Item 10 - Other Financial Industry Activities and Affiliations

R3's management persons are not registered, nor do any management persons have an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

R3 is an independent investment advisor and separate account manager. R3 is a wholly-owned subsidiary of BSW. R3 earns advisory fees from non-BSW clients. For BSW clients, R3 does not charge an additional advisory fee in addition to BSW's advisory fee. See R3 Returns Compensation Methods on page 5 for complete information. BSW may utilize R3 investment strategies for a reduced asset-based annual fee (see "Affiliated Firm Discount" above).

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics: As required by the Investment Advisers Act of 1940, as amended (the "Advisers Act"), R3 has adopted a Code of Ethics (the "Code") that emphasizes a set of high standards of conduct for all employees to observe. The Code governs a number of potential conflicts of interest which exist when providing advisory services to R3 clients. This Code is designed to enable R3 to meet its fiduciary obligation to R3 clients

(or prospective clients) and to instill a culture of compliance within R3. The Code is designed to assist R3 in preventing violations of securities laws.

The Code is distributed to each employee at the time of hire and annually thereafter, and it is available on R3's intranet. R3 also supplements the Code with ongoing monitoring of employee activity.

The Code includes (among other things):

- Requirements related to confidentiality of client information;
- Prohibitions on:
 - Insider trading (if we are in possession of material, non-public information);
 - The acceptance of gifts and entertainment that exceed our policy standards;
- Requirements and reporting of gifts and/or entertainment;
- Pre-clearance of applicable securities transactions (beginning 2nd quarter 2019);
- Reporting of personal securities transactions; and,
- Disclosure of accounts over which employees have beneficial interest.

On an annual basis, R3 requires all employees to certify that they are in compliance with the Code.

Participation or Interest in Client Transactions: R3 does not recommend to clients, or buy or sell for client accounts, securities in which R3 or a related person has a material financial interest.

Personal Trading: R3 employees may trade for their own accounts in securities which are purchased or sold for R3's clients. Because R3 permits such personal trading, this creates the potential conflict that employees could use their knowledge of pending client transactions in an attempt to benefit their own personal transactions. For example, if an employee owns a security the employee knows R3 will be selling out of a client's account, the employee could sell the personal holding ahead of time in an effort to obtain a higher price than might exist when the client account holdings are sold.

To address conflicts related to personal trading, beginning in second quarter 2019, the Code will require employees to pre-approve many types of securities transactions. In order to avoid either an actual or apparent conflict of interest, R3 will disclose the names of all such securities to client upon request.

You may request a copy of BSW's Code by contacting us at the address, telephone number or email on the cover of this Brochure.

Item 12 - Brokerage Practices

Broker/Dealer Selection: The criteria R3 uses in the selection of broker/dealers include: best execution of client's transactions, including timeliness, efficiency and price; discounted commission schedule on all client transactions; range of services available to client; financial soundness of brokerage firm; and level of customer service available to client. Any research or similar services provided to R3 are exclusively for the benefit of R3's clients. In no event will R3's clients pay higher commissions in order to obtain the benefit of such research or services.

Aggregate Trading: R3 may aggregate the purchase or sale of securities for R3 clients when aggregation is in the client's best interest including best execution and/or lower transaction costs.

Directed Brokerage: R3 may require clients to use a particular broker/dealer or qualified custodian. Requiring the use of specific broker/dealer may cost clients more money including higher brokerage commissions and transaction costs and/or less favorable prices, and may not provide for most favorable execution of their transactions. While R3 endeavors to act in its clients' best interests, compliance and operational efficiencies warrant R3 requiring clients to use a particular broker/dealer or qualified custodian.

Research and Other Soft Dollar Benefits: In order to avoid an actual or apparent conflict of interest, R3 does not receive soft dollar benefits or engage in any similar practices.

Cross Transactions: R3 may engage in cross transactions to the extent permitted by, and in accordance with, the advisory agreement and all applicable laws and regulations. Cross transactions may be deemed to occur in instances where, for example, one R3 Client is reducing an allocation to an Underlying Manager or position and another R3 Client simultaneously is increasing its allocation of such Underlying Manager or position. As it has no affiliated broker-dealer engaged in the trading of securities, R3 does not engage in agency cross transactions.

Item 13 - Review of Accounts

Reviews: Client accounts are electronically updated each business day. Account holdings are monitored on an ongoing basis. All client accounts are reconciled on at least a quarterly basis. Client portfolios are reviewed in detail at least quarterly. In addition, accounts are reviewed in the event of changes to the Investment Management Advisor Agreement.

Reviewer: Accounts are reviewed by both R3 and Belle Haven. Accounts are reviewed for impact investment factors, investment allocation, holdings, performance and risk relative to appropriate benchmarks.

Reports: Clients receive trading confirmations and monthly statements from all firms having custody of client's liquid assets. Clients also receive periodic (generally quarterly) written reports and account valuations prepared by R3. Periodic reports evaluate holdings, asset allocation, investment returns and performance relative to appropriate benchmarks.

Item 14 - Client Referrals and Other Compensation

R3 is required to provide each client with information regarding any relationships where R3 compensates individuals for client referrals. R3 greatly appreciates referrals from satisfied clients and partners but does not directly or indirectly compensate anyone who is not our supervised person for those referrals.

Item 15 - Custody

Client Funds and Securities: R3 does not take physical possession or other custody of client funds or securities. Client funds and securities will be held with qualified custodians who send quarterly or more frequent account statements directly to the client. Clients are advised to carefully review such statements. R3 does have the ability to debit advisory fees directly from the client's account with qualified custodians.

Statements: Clients will receive account statements from their qualified custodians and periodic reports from R3. In these situations, the client is urged to compare those statements for accuracy and consistency and to utilize their primary advisor to assist the client with this process.

Item 16 - Investment Discretion

R3 manages accounts on a discretionary basis. Prior to granting R3 discretionary authority, the client will approve such authority in client's written Agreement with R3 and shall execute all appropriate authorizations with qualified custodians for such authority. A non-discretionary basis would require that R3 contact a client prior to implementing changes in their R3 managed account. R3 does not offer its services on a non-discretionary basis.

Item 17 - Voting Client Securities

R3 primarily invests in municipal securities which do not carry proxy voting rights. R3 does not vote proxies on behalf of clients.

Item 18 - Financial Information

R3 has no financial commitment that impairs its ability to meet our contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

R3 does not require or solicit prepayment of advisory fees more than six months in advance.