

# **TRANSACTION SERVICES AND CONSULTING PROGRAM**

**Rushmore Investment Advisors, Inc.**

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**This wrap fee program brochure provides information about the qualifications and business practices of Rushmore Investment Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (972) 599-9550 or [compliance@rushadv.com](mailto:compliance@rushadv.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Rushmore Investment Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**We refer to ourselves as a “registered investment advisor”. Registration does not imply a certain level of skill or training.**

**Dated: March 12, 2013**

## **Item 2 - Material Changes**

This is the first wrap fee program brochure prepared by Rushmore Investment Advisors, Inc. ("Rushmore"). As such, there are no material changes to report.

Should a material change occur after the date of this brochure, we will provide you with other interim disclosures about material changes as necessary. We will also ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year.

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

The Client will pay RIA quarterly for its services in advance in accordance with the following schedule. The initial fee payment will be payable on the date this Agreement is accepted by RIA and will be pro-rated from such date to the end of the then current calendar quarter. Thereafter each quarterly fee will be computed based on the value of the Account Assets on the last business day of the previous calendar quarter and will be payable on the first business day of the quarter. The investment advisory fee charged by Rushmore is as follows:

##### **Account Asset Value**

On the first \$1,000,000	1.00%
On the assets over \$1,000,000	.75%

In addition, each account is charged a separate fee that includes consulting fees charged by Rushmore regarding asset allocation, brokerage commissions, custodial and transaction fees. Those fees as are as follows:

##### **Account Asset Value**

On the first \$1,000,000	1.00%
On the assets over \$1,000,000	.40%

All of the fees are negotiable in certain circumstances. Rushmore retains between 60% and 85% of the Program's total fees as its portfolio management fee. Clients do not incur separate brokerage commissions.

Each Client authorizes quarterly fees calculated as described above to be debited to the Client's Account on the dates they are payable. The foregoing fees shall include all commissionable brokerage transaction services. It does not include transfer taxes, exchange fees, miscellaneous confirmation processing fees imposed by the broker dealer carrying clients account or other charges imposed by law and or regulators with respect to the execution of transactions in the Client's Account. In some cases Over The Counter transactions (OTC) conducted by the investment managers provide a credit to the Broker Dealer servicing your account. RIA may receive a benefit from these credits. These credits are not included in the foregoing fee and are considered di minimus. In addition, the client may also be paying additional management fees to unaffiliated advisers when they invest in ETS or mutual funds.

Minimum Annual Fee - Rushmore Investment Advisors employs an asset based pricing agreement with multiple custodians. Some custodians have an annual minimum fee that is described in the custodian's account documentation. Custodian billing practices differ.

For client's whose custodian directly debit the client's account for the custodian's portion of TSCP fees, RIA provides and includes a credit for such previously deducted fees and adjusts its quarterly billing for its TSCP fee.

Clients may be able to purchase services similar to those offered under the Program from other service providers either separately or as part of a similar wrap fee program. These services or programs may cost more or less than the Program, depending on the fees charged by such other service providers.

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

The Program is available to a wide variety of clients including: individuals, institutions, trusts, foundations, state & local retirement funds.

The minimum account size is \$50,000. Rushmore does not make any exceptions regarding minimum account size.

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

Rushmore serves as the investment manager for all of the portfolios in the wrap fee program. Since Rushmore does not have any performance-based fee arrangements with any client, Rushmore does not have any conflicts that arise from side-by-side management of accounts that pay performance fees.

Rushmore's investment strategy is based on the combination of our proprietary quantitative model and the broad skill set of our investment committee. Simply stated, our investment process harnesses the output of our quantitatively-rich model. Our model quickly gathers, analyzes, sorts, and synthesizes vast amounts of global equity data into a manageable list of equity candidates. These candidates are then validated through a fundamental review process and input from our investment committee. Companies identified possess earnings growth potential that has either not been recognized and/or is expected to continue to exceed earnings and revenues expectations for the foreseeable future. These companies typically respond with a predictable and measurable period of outperformance prior to Wall Street analysts recognizing the evolving earnings trend.

The net effect is a portfolio that we believe will exceed a comparable index/benchmark over a full market cycle of 3-5 years. Our investment committee is responsible for all stock selection and portfolio construction within the confines of the investment process. Only stock candidates identified within the investment process can be included in our portfolios.

Rushmore's investment style performs best under market conditions that reflect a consistent up, down or flat trend, with the highest percentage of relative excess returns occurring in accelerating markets. In cases of market inflection or change in market leadership, the performance of our portfolios will tend to track or lag behind the

benchmark as our model requires time to see confirmation of a trend. Risk is mitigated by adhering to risk controls within the investment process.

Our Investment process does not use leverage nor do we employ options in our standard portfolio strategies. On occasion, we will engage in covered call writing, put protection, and/or the use of leverage, to accommodate specific client requests. For such services an additional fee is charged on a case-by-case basis. We are not engaged in the sale of insurance or annuities, commodity or futures transactions.

We research and employ a vast number of sources in our portfolio management activities. Aside from periodicals and subscription services we examine annual reports, corporate press releases, filings on the SEC Edgar site, and participate in corporate conference calls.

While our research is thorough, clients must be prepared for the risk of loss. All investments in securities risk the loss of capital.

We have identified four principal types of risk: 1) Risk that the stock market declines or the price of individual securities decline while the true long term value of the company may be unchanged or possibly even higher, 2) Our analysis has been faulty, 3) External events may negatively affect the value of a specific company and 4) Fraud, in which case no amount of analysis could have been sufficient.

#### *Proxy Voting*

As a general practice, and unless specifically agreed to otherwise in writing, Rushmore is delegated the authority and responsibility to vote proxies on behalf of our clients through the execution of our investment advisory agreement. We believe that proxy voting is an integral part of our investment management process, and accordingly this process is conducted with the same degree of prudence and professionalism accorded any fiduciary or other obligation of an investment advisor. If authority has been granted to Rushmore to vote proxies on a client's behalf, clients are not able to direct our vote in a particular solicitation. At any time however, the authority granted to us may be rescinded via written request.

Rushmore has adopted Proxy Voting Policies and Procedures pursuant to SEC Rule 206(4)-6 that we believe are reasonably designed to ensure that proxies are voted in the best interest of our clients. To manage this process, we have retained the services of Institutional Shareholder Services (ISS) as a voting delegate. ISS has developed domestic and global Voting Guidelines designed to advance the interest of individual shareholders through the proxy voting process. Rushmore's policy is to vote in accordance with the recommendations of the applicable domestic or global ISS Voting Guidelines in affect at the time of voting.

In the event that a proxy related conflict of interest arises between Rushmore and a client, we will rely upon the ISS Policies, Procedures and Practices Regarding Potential Conflicts of Interest for a resolution. In any event, it is the desire of Rushmore to ensure that all proxies are voted in the best interest of the client.

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

Since Rushmore is the sole investment manager for the wrap fee program, client information is not provided to any other manager.

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

Clients may contact Rushmore at any time to discuss their accounts and investments.

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

#### *Disciplinary Information*

Neither Rushmore nor its management members have any disciplinary matters to disclose.

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

Rushmore is a Registered Investment Advisor with no affiliated broker-dealer, futures commission merchant, commodity pool operator or commodity trading advisor.

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

Rushmore has adopted a Code of Ethics ("Code") pursuant to SEC Rule 204A-1, which requires each of our employees to comply with all applicable federal and state laws and regulations. In recognition of the trust and confidence placed in us by our clients, our Code is based on the principal and belief that the Client's interests are paramount. To that end, our Code requires that each employee must place the Client interest before his/her own and must not place one Client's interest before another. Employees are required to avoid any action that results in a conflict of interest (real or perceived) with the firm and its clients. Our Code prohibits outside business activities without the consent of the Chief Compliance Officer. Employees are prohibited from trading on the basis of material non-public information and are prohibited from accepting extravagant gifts or entertainment from our business relationships. A copy of our Code of Ethics is available upon request.

Rushmore and our representatives do not recommend to clients, nor buy or sell for client accounts, any securities in which we have a material financial interest.

A potential conflict of interest would arise if Rushmore's employees were to own and trade for their own accounts the same securities that we recommend and buy or sell on our client's behalf. To resolve any such potential conflict of interest, we have instituted an employee trading policy that restricts our employees' trading activities. Our employees are allowed to have their accounts professionally managed in one of our portfolios or by an independent 3<sup>rd</sup> party, or they may alternatively trade only mutual funds or ETF's on their own behalf. Employees are also prohibited from excessive

personal trading. In the event that an employee has an account managed in one of our portfolio offerings, such account would be traded alongside our client's accounts and receive no favorable treatment. This policy ensures that under no circumstances would our employees be trading against or in conflict with our clients.

#### *Client referrals and Other Compensation*

Rushmore does not accept nor provide gifts or awards in any form to referring brokers, firms, agents or individuals.

In certain circumstances, Rushmore may compensate third parties for client referrals. These arrangements are commonly referred to as "Solicitors Agreements." Compensation under these arrangements shall be a percentage of the collected management fees for the referred client accounts. In these cases, the client will be notified of such arrangement, including the amount of fee to be directed to the referring party. In the event solicitors are utilized, we will ensure that the referring entity and/or individual are appropriately licensed, and that the referral arrangement is conducted in full compliance with applicable state and federal regulations. Presently, we have 4 legacy solicitor agreements in force, details of which are below.

Rushmore manages accounts which originated as referrals from Charles Schwab & Co., Inc. ("Schwab") through RIA's participation in the Schwab Advisor Network® ("the Service"). Although Rushmore no longer actively participates in the Service, we continue to pay residual referral fees on those client accounts originated by the Service. Schwab is a broker/dealer independent of and unaffiliated with Rushmore. Schwab does not supervise Rushmore and has no responsibility for Rushmore's management of clients' portfolios or other advice and services.

Rushmore manages accounts that originated as referrals from TD Ameritrade, Inc. ("TD Ameritrade") through RIA's participation in the TD Ameritrade AdvisorDirect program (the "referral program"). Although Rushmore no longer actively participates in the referral program, we continue to pay residual referral fees on those client accounts originated by the referral program. TD Ameritrade is a broker/dealer independent of and unaffiliated with Rushmore. TD Ameritrade does not supervise Rushmore and has no responsibility for Rushmore's management of clients' portfolios or other advice or services.

Rushmore maintains legacy referral agreements with 3 independent brokers.

#### *Financial Information*

Rushmore does not require prepayment of fees 6 months or more in advance and no financial condition exists that would impair our ability to meet our contractual obligation to our clients. Rushmore has not been the subject of a bankruptcy petition at any time.