

## Item 1 – Cover Page

### **Rosenthal Advisory Services, LP**

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[www.RRP.com](http://www.RRP.com)

Date of Brochure: May 2018

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This brochure provides information about the qualifications and business practices of Rosenthal Advisory Services, LP (referred to as Rosenthal Advisory Services, or RAS throughout this brochure). If you have any questions about the contents of this brochure, please contact Burk Rosenthal at 817-336-2000 or [Burk@RRP.com](mailto:Burk@RRP.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 Rosenthal Advisory Services, LP is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for our name Rosenthal Advisory Services, LP or our firm CRD number **114533**.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

Since our last annual update was filed in February 2018, the following material change has been made to our disclosure brochure:

- In April 2018 the firm reached the level of assets under management where we are required to change our primary regulatory authority from the state of Texas to the U.S. Securities and Exchange Commission.
- In January 2018 the firm decided to cease working with all third-party money managers.
- In January 2018 the advisory firm ceased using the doing business as name of Rosenthal Retirement Planning.

We will continue to ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31, so you will receive the summary of material changes, if any, no later than April 30 each year. At that time, we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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#### **Item 4 – Advisory Business**

- Rosenthal Advisory Services, LP has been registered as an investment advisor since July 12, 1996. In April 2018, the firm applied to become registered with the U.S. Securities and Exchange Commission.
- Rosenthal Advisory Services, LP is a Limited Partnership formed under the laws of the State of Texas.
- William Burk Rosenthal is a Limited Partner and Chief Compliance Officer of Rosenthal Advisory Services, LP. Full details of his education and business background are provided at Item 19 of this Disclosure Brochure.
- The General Partner and control entity for Rosenthal Advisory Services, LP is Rosenthal Management Services LLC. The owner/member of Rosenthal Management Services LLC is the William Burk Rosenthal Living Trust U/T/D December 3, 2014 (William Burk Rosenthal, Trustee) (100%).

#### **General Description of Primary Advisory Services**

The following are descriptions of RAS's primary services. A detailed description of our fees is provided in *Item 5 – Fees and Compensation*.

**Asset Management Services** – RAS offers asset management services, which involves RAS providing you with continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment advisor of record on specified accounts (collectively, the "Account"). The Account consists only of separate account(s) held by qualified custodian(s) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objectives and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

**Financial Planning and Consulting Services** – RAS provides financial planning, investment consultations and portfolio review services that may include written financial plans. Topics covered in a financial plan or consultation can include but are not limited to: Retirement Planning; Tax Planning; Investment Planning; Estate Planning and Insurance Analyses. A written financial plan may be provided to the client. However, depending on the request and needs of a client, services may or may not include a written assessment or analysis of the client's financial situation.

Financial planning services are provided on a one-time basis; however, we encourage clients to have their financial situations and investment accounts subsequently reviewed on a regular basis.

**Estate Planning Services** - RAS provides estate planning services. Depending upon a client(s) situation, we address the need for establishing or updating important estate planning documents such as: wills; trusts; powers of attorney; etc. This will help to ultimately reduce obstacles that may arise absent the presence of these important documents. In this capacity, RAS will assist you in the data gathering process in order to help streamline the development and drafting of the appropriate estate planning documents by the attorney(s). Estate Planning services are always priced as a flat fee and any fees will be agreed upon by you and RAS in advance of services being performed. Any fees billed by the attorney will be separate from those of RAS. The fee will be determined based upon the level of need, such as the need for an overall estate plan or a simple update of one or more documents. RAS does not practice law and all documents will be drafted by licensed attorneys. Clients are under no obligation to utilize the services of RAS in this capacity.

**Limits Advice to Certain Types of Investments.**

RAS provides investment advice on the following types of investments:

- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Foreign Issues
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Real Estate Investment Trusts (REITs)

RAS does not provide advice on warrants, commercial paper, options contracts on securities or commodities, futures contracts on tangibles or intangibles, or interests in partnerships investing in real estate, oil and gas interests.

*(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)*

### **Participation in Wrap Fee Programs**

RAS offers asset management services, through our Asset Management Services Program, which is a wrap fee management program. In our wrap fee management program, the fee for advisory services (including portfolio management and transaction services) are provided for one fee. Whenever a fee is charged to a client for services described in this Wrap Fee Program Brochure, we will receive all or a portion of the fee charged.

### **Tailor Advisory Services to Individual Needs of Clients**

RAS's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

### **Client Assets Managed by RAS**

As of April 6, 2018, the amount of client's assets managed by RAS totaled \$141,226,552. All accounts are managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

In addition to the information provide in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements.

### **Asset Management Services**

We offer asset management services, including giving continuous investment advice and/or making investments for you based on your individual needs, goals and objectives. Our Asset Management services are offered through a WRAP Fee Program. We offer a customized and individualized investment program, and our representatives meet with you to determine your investment objectives, risk tolerances and appropriate asset mixes.

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed.

The asset management services continue in effect until terminated by either party (i.e., RAS or you) by providing written notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by RAS to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for our asset management services are negotiable based on the type of client, the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, the relationship of the client with the investment advisor representative, and the total amount of assets under management for the client.

For our asset management services, client will be charged the following annual fee based upon the amount of assets under management:

<u>Assets Under Management</u>		<u>Annual Fees</u>
Tier Min	Tier Max	
\$ 0	\$ 99,999.99	1.600%
\$ 100,000	\$ 249,999.99	1.500%
\$ 250,000	\$ 499,999.99	1.400%
\$ 500,000	\$ 749,999.99	1.200%
\$ 750,000	\$ 1,249,999.99	1.000%
\$ 1,250,000	\$ 1,999,999.99	0.800%
\$ 2,000,000	\$ 4,999,999.99	0.700%
\$ 5,000,000 and above		0.600%

Any variations to the above referenced fee schedule will be specified in your Asset Management Agreement.

RAS believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisors offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisors offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account or you can pay our firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, LPL Financial, LLC will handle all of the fee calculation and deduction processes. But, if you have multiple accounts within your household and want to take advantage of aggregated pricing ("householding"), you can sign a Customized Fee Billing Agreement, in which case RAS will calculate the fee and provide the amount to

LPL for billing purposes. In your client agreement you will authorize LPL as custodian to deduct the advisory fees from your account and pay the fees directly to RAS.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

In a WRAP fee asset management program brokerage commissions and/or transaction ticket fees charged by the qualified custodian are included with the asset management fee charged by RAS. RAS does not receive any portion of such commissions or fees from you or the qualified custodian. In addition, you may incur certain charges imposed by third parties other than RAS in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by RAS are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

In addition, under certain circumstances your account custodian (LPL Financial, LLC) may offer the option of charging execution fees based upon the level of assets maintained in the managed account (asset-based pricing) versus implementing a fee for each transaction executed. If asset-based pricing is provided as an option, we will conduct a cost/benefit analysis to determine which pricing method would be in the long-term best interest of our clients. Whether transaction-based pricing or asset-based pricing is in the best interest of an individual client may vary over the span of a client relationship in response to possible service provider contractual changes and/or overall market condition adjustments to our pricing structure.

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

Financial Planning and Consulting Services are provided as a part of the asset management services provided by RAS. No additional fees are charged for these services.

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

Item 6 is not applicable to this Disclosure Brochure because RAS does not charge or accept performance-based fees. Performance-based fees are fees based on a share of capital gains or capital appreciation of the assets held within a client's account.

### **Item 7 – Types of Clients**

RAS generally provides investment advice to the following types of clients:

- Individuals



- High-Net Worth Individuals
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

### **Minimum Investment Amounts Required**

RAS generally requires a minimum of \$500,000 in order to open an account. To reach this account minimum, clients can aggregate all household accounts. Exceptions may be granted to this minimum based upon the type of client, the complexity of the client's situation, the composition of the client's account, other advisory services provided and the relationship of the client and the investment advisor representative.

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

### **Methods of Analysis**

RAS uses the following methods of analysis in formulating investment advice:

Fundamental – This is a method of evaluating a security by 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 (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

There are risks involved in using any analysis method.

To conduct analysis, RAS gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

### **Investment Strategies**

RAS uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Tactical asset allocation. Allows for a range of percentages in each asset class (such as Stocks = 40-50%). The ranges establish minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

### **Use of Primary Method of Analysis or Strategy**

When reviewing client's portfolio's RAS's primary method of analysis is fundamental analysis. We primarily recommend Mutual Funds, Exchange Traded Funds and Variable Annuities.

### **Primarily Recommend One Type of Security**

We do not primarily recommend one type of security to clients. Instead, we recommend any product that may be suitable for each client relative to that client's specific circumstances and needs.

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on

strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

- **Fixed Income Risk.** When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk** – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

#### **Item 9 – Disciplinary Information**

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

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

RAS is **not** and does **not** have a related company that is a:

1. Broker/dealer, municipal securities dealer, government securities dealer or broker,
2. Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund),
3. Other investment advisor or financial planner,
4. Futures commission merchant, commodity pool operator, or commodity trading advisor,
5. Banking or thrift institution,
6. Accountant or accounting firm,
7. Lawyer or law firm,
8. Insurance company or agency,
9. Pension consultant,
10. Real estate broker or dealer, or
11. Sponsor or syndicator of limited partnerships.

#### **Relationship with LPL Financial, LLC, (LPL).**

Our representatives are also registered representatives of LPL Financial LLC., a securities broker-dealer. You may work with your investment advisor representative in his or her separate capacity as a registered representative of LPL Financial LLC.

As a result of this relationship, LPL Financial LLC. may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about clients of RAS, even if a client does not establish any account through LPL Financial LLC. If you would like a copy of the privacy policy of LPL Financial LLC., please contact your investment advisor representative.

When acting in his or her separate capacity as a registered representative, your investment advisor representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment advisor representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment advisor representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased. However, all financial advisors with Rosenthal Advisory Services with the exception of William Burk Rosenthal, receive no commissions, but rather receive salaried compensation.

You are under no obligation to use the services of our representatives in this separate capacity or to use LPL Financial LLC. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use LPL Financial LLC. Prior to effecting any such transactions, you are required to enter into a new account agreement with LPL Financial LLC. The commissions charged by LPL Financial LLC. may be higher or lower than those charged by other broker/dealers.

Approximately 45% of our associated person's time is devoted to activities as registered representatives of LPL.

### **Dually Registered as an Investment Advisor Representative**

The representatives of RAS may also be registered as investment advisor representatives with LPL Financial LLC. RAS and LPL Financial LLC. are not affiliated. Through LPL Financial LLC., the representatives provide asset management services as well as referrals to sub-advisors. They may earn advisory fees when providing these services through LPL Financial LLC. Therefore, you could receive advisory services from one individual acting as an investment advisor representative on behalf of two separate registered investment advisors. If the representatives of RAS provide asset management or referral services to you, you will be given the disclosure brochure of LPL Financial LLC. describing the services provided, fees charged and other information. You are encouraged to read and review the disclosure brochures for both RAS and LPL Financial LLC. and direct questions to your representative.

### **Insurance Agent**

You may work with your investment advisor representative in his or her separate capacity as an insurance agent. When acting in his or her separate capacity as an insurance agent, the investment advisor representative may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your investment advisor representative in his or her separate capacity as an insurance agent, may suggest that you implement recommendations of RAS by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment advisor representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no

obligation to implement any insurance or annuity transaction through your investment advisor representative.

Approximately 2% of our associated person's time is devoted to insurance activities. All financial advisors with Rosenthal Advisory Services with the exception of William Burk Rosenthal, receive no commissions, but rather receive salaried compensation

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics Summary**

Advisor and its associated persons may buy or sell securities that are also recommended to clients. In order to minimize this conflict of interest, securities recommended by Advisor are widely held and publicly traded. In addition, in accordance with its fiduciary duty to clients, Advisor and its associated persons will place client interests ahead of their own interests.

As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of its clients. Advisor and its associated persons have a fiduciary duty to all clients. Advisor has established a Code of Ethics which all associated persons must read. They must then execute an acknowledgment agreeing that they understand and agree to comply with Advisor's Code of Ethics. The fiduciary duty which Advisor, as well as its associated persons, has to clients is considered the core underlying principle for Advisor's Code of Ethics and represents the expected basis for all dealings associated persons have with clients. Advisor has the responsibility to make sure that the interests of clients are placed ahead of it or its associated persons' own investment interests. All associated persons will conduct business in an honest, ethical and fair manner. All associated persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the associated persons' duty of complete loyalty to their clients. This section is only intended to provide current clients and potential clients with a description of Advisor's Code of Ethics. If current clients or potential clients wish to review Advisor's Code of Ethics in its entirety, a copy may be requested from any of Advisor's associated persons and a copy will be provided promptly.

In addition to abiding by our Code of Ethics, some of our representatives are Certified Financial Planners™ (CFP®) and also abide by the Code of Ethics and Responsibility Code of the Certified Financial Planner™ Board of Standards, Inc. The Code of Ethics and Responsibility Code requires CFP® designees to not only comply with all applicable laws and regulations but to also act in an ethical and professionally responsible manner in all professional services and activities. The principles guiding CFP® designees are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)

- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from one of our representatives.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

#### **Participation or Interest in Client Transactions.**

Our associated persons may sell securities to clients for commissions in their separate capacities as securities agents with LPL. This situation could present a conflict of interest since the associated persons could receive fees and commissions if the client chooses to implement the recommendations of RAS through the associated persons in their separate capacities as securities agents. Clients are not obligated to implement any recommendation through our associated persons and are free to choose any broker/dealer they wish to implement the recommendations. Please note - all associate advisors with Rosenthal Advisory Services do not receive commissions but rather receive salaried compensation. As the lead advisor, William Burk Rosenthal does receive commissions.

### **Item 12 – Brokerage Practices**

Clients are under no obligation to act on the financial planning recommendations of RAS. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered.

#### ***Recommendation of LPL Financial***

RAS will generally require that clients establish a brokerage account with LPL Financial to maintain custody of clients' assets and to effect trades for their accounts. LPL Financial provides brokerage and custodial services to independent investment advisory firms, including RAS. For RAS's accounts custodied at LPL Financial, LPL Financial generally is compensated by clients through commissions, trails, or other transaction-based fees for trades that are executed through LPL Financial or that settle into

LPL Financial accounts. For IRA accounts, LPL Financial generally charges account maintenance fees. In addition, LPL Financial also charges clients miscellaneous fees and charges, such as account transfer fees.

While LPL Financial does not participate in, or influence the formulation of, the investment advice RAS provides, certain supervised persons of RAS are Dually Registered Persons. Dually Registered Persons are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through any broker-dealer or custodian that is not approved by LPL Financial. As a result, the use of other trading platforms must be approved not only by RAS, but also by LPL Financial.

Clients should also be aware that for accounts where LPL Financial serves as the custodian, RAS is limited to offering services and investment vehicles that are approved by LPL Financial, and may be prohibited from offering services and investment vehicles that may be available through other broker-dealers and custodians, some of which may be more suitable for a client's portfolio than the services and investment vehicles offered through LPL Financial.

Clients should understand that not all investment advisors recommend that clients custody their accounts and trade through specific broker-dealers.

Clients should also understand that LPL Financial is responsible under FINRA rules for supervising certain business activities of RAS and its Dually Registered Persons that are conducted through broker-dealers and custodians other than LPL Financial. LPL Financial charges a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a conflict of interest because RAS has a financial incentive to recommend that you maintain your account with LPL Financial rather than with another broker-dealer or custodian to avoid incurring the oversight fee.

### ***Benefits Received by RAS Personnel***

LPL Financial makes available to RAS various products and services designed to assist RAS in managing and administering client accounts. Many of these products and services may be used to service all or a substantial number of RAS's accounts, including accounts not held with LPL Financial. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and aggregation and allocation of trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of RAS's fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting.

LPL Financial also makes available to RAS other services intended to help RAS manage and further develop its business. Some of these services assist RAS to better monitor and service program accounts maintained at LPL Financial, however, many of these services benefit only RAS, for example, services that assist RAS in growing its business. These support services and/or products may be provided without cost, at a discount, and/or at a negotiated rate, and include practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by RAS in furtherance of the operation and development of its investment advisory business.

Where such services are provided by a third-party vendor, LPL Financial will either make a payment to RAS to cover the cost of such services, reimburse RAS for the cost associated with the services, or pay the third-party vendor directly on behalf of RAS.

The products and services described above are provided to RAS as part of its overall relationship with LPL Financial. While as a fiduciary RAS endeavors to act in its clients' best interests, the receipt of these benefits creates a conflict of interest because RAS's recommendation that client's custody their assets at LPL Financial is based in part on the benefit to RAS of the availability of the foregoing products and services and not solely on the nature, cost or quality of custody or brokerage services provided by LPL Financial. RAS's receipt of some of these benefits may be based on the amount of advisory assets custodied on the LPL Financial platform.

### **Directed Brokerage**

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, RAS may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, RAS has decided to require our clients to use broker/dealers and other qualified custodians determined by RAS.

### **Soft Dollar Benefits**

An investment advisor receives soft dollar benefits from a broker-dealer when the investment advisor receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

RAS does not have a soft dollar agreement with a broker-dealer or a third-party.

### **Handling Trade Errors**

RAS has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of RAS to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by RAS if the error is caused by RAS. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. RAS may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

RAS will never benefit or profit from trade errors.



### **Block Trading Policy**

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when RAS believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

RAS uses the pro rata allocation method for transaction allocation.

Under this procedure, pro rata trade allocation means an allocation of the trade at issue among applicable advisory clients in amounts that are proportional to the participating advisory client's intended investable assets. RAS will calculate the pro rata share of each transaction included in a block order and assigns the appropriate number of shares of each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which RAS or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

### **Agency Cross Transactions**

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Managed portfolios are reviewed on an ongoing basis. In addition to various drift alerts that may occur at any time, these model portfolios are also reviewed in detail on a quarterly basis for any factors that may lead to potential changes or updates. Individual account reviews are also conducted at least annually with the calendar as the main triggering factor. Account reviews are conducted by William Burk Rosenthal and/or the Associate Financial Advisor assigned to service the account(s) and are performed in accordance with your investment goals and objectives. Account reviews can also be performed at any time upon request.

### **Statements and Reports**

For our asset management services, clients are provided with transaction confirmation notices and regular quarterly account statements in writing directly from the qualified custodian.

Clients are encouraged to always compare any reports or statements provided by us, against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

**You are urged to compare the correspondence provided by LPL Financial, LLC and/or Rosenthal Advisory Services, LP against the account statements you receive directly from your account custodian.**

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

RAS does not directly or indirectly compensate any person for client referrals.

William (Burk) Rosenthal has been incented to join and remain affiliated with LPL Financial through the provision of Transition Assistance. LPL may also provide other compensation to RAS and/or William Burk Rosenthal, including but not limited to, bonus payments, repayable and forgivable loans, stock awards and other benefits.

The receipt of any such compensation may create a financial incentive for RAS to recommend LPL Financial as custodian for the assets in your advisory account. We encourage you to discuss any such conflicts of interest with RAS before making a decision to custody your assets at LPL Financial.

In addition, Rosenthal Advisory Services' associated persons, in their separate capacities as securities agents, may receive commissions from the execution of securities transactions. In addition, associated persons may receive 12b-1 fees (continuing trail commissions) from certain mutual fund companies as outlined in the fund's prospectus. 12b-1 fees come from fund assets, therefore, indirectly from client assets. The receipt of such fees could represent an incentive for the associated persons to recommend funds with 12b-1 fees over funds that have no fees or lower fees. As a result, there is a potential conflict of interest. Associated persons with the exception of William Burk Rosenthal do not receive commissions, but rather receive salaried compensation. Rosenthal Advisory Services does not receive 12b-1 fees on mutual fund holdings in advisory accounts.

Rosenthal Advisory Services' associated persons that are licensed as insurance agents may receive commissions and other incentive awards for the recommendation/sale of annuities and other insurance products. The receipt of this compensation may affect the judgment of Rosenthal Advisory Services' associated persons when recommending products to its clients. While Rosenthal Advisory Services' associated persons endeavor at all time to put the interest of the clients first as a part of Rosenthal Advisory Services' fiduciary duty, clients should be aware that the receipt of commission and additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations. Associated persons with the exception of William Burk Rosenthal do not receive commissions, but rather receive salaried compensation.

#### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

RAS is deemed to have custody of client funds and securities whenever RAS is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody RAS will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which RAS is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from RAS. When clients have questions about their account statements, they should contact RAS or the qualified custodian preparing the statement.

When fees are deducted from an account, LPL Financial, LLC will handle all of the fee calculation and deduction processes. But, if you have multiple accounts within your household and want to take advantage of aggregated pricing ("householding"), you can sign a Customized Fee Billing Agreement, in which case RAS will calculate the fee and provide the amount to LPL for billing purposes. In your client agreement you will authorize LPL as custodian to deduct the advisory fees from your account and pay the fees directly to RAS. Upon request, RAS will send you an itemized fee calculation, including the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

## Item 16 – Investment Discretion

When providing asset management services, RAS maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your account. You may also place reasonable limitations on the discretionary power

granted to RAS so long as the limitations are specifically set forth or included as an attachment to the client agreement.

### **Item 17 – Voting Client Securities**

We and our associated persons will not vote proxies on behalf of clients. Clients are instructed to read through the information provided with the proxy document and make a determination based on the information provided. However, in some instances, upon request from the client, the associated persons may provide clarifications of voting issues based on their understanding of the proxy materials. They may also conduct additional research on the issue(s) if they deem it necessary. However, clients will be solely responsible for all proxy voting decisions.

### **Item 18 – Financial Information**

This item is not applicable to this brochure. We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time (*Please refer to Information Required by Part 2B of Form ADV: Brochure Supplement for more information*).

## **CUSTOMER PRIVACY POLICY NOTICE**

We are committed to safeguarding the confidential information of our clients. We hold all personal information we receive in the strictest confidence. Our associated persons may also be securities agents and investment advisor representatives of LPL, a dually registered broker-dealer and investment advisor. We and LPL are not related entities. We may also have relationships with other nonaffiliated investment advisor firms, insurance companies, trust companies, custodians and other financial institution entities. Except as required or permitted by law, we do not share confidential information about clients with nonaffiliated third parties. In the unlikely event there were to be a change in this fundamental policy that would permit additional disclosures of client confidential information, we will provide written notice to our clients, and clients will be given an opportunity to direct us as to whether such disclosure is permissible.

*Customer Information Collected by Advisor.* We collect and develop personal information about clients, and some of that information is nonpublic personal information ("Customer Information"). The essential purpose for collecting Customer Information is to provide and service the financial products and services clients obtain from us. The categories of Customer Information collected by us depend upon the scope of the engagement with us and are generally described below. As an investment advisor, we collect and develop Customer Information about clients in order to provide investment advisory services. Customer Information we collect includes:

Information received from clients on financial inventories through consultation with our representatives. This Customer Information may include personal and household information such as income, spending habits, investment objectives, financial goals, statements of account, and other records concerning clients' financial condition and assets, together with information concerning employee benefits and retirement plan interests, wills, trusts, mortgages and tax returns.

- Information developed as part of financial plans and analyses.
- Information concerning investment account transactions.

**Data Security.** Advisor restricts access to Customer Information to those representatives and employees who need the information to perform their job responsibilities within the firm. We maintain agreements, as well as physical, electronic and procedural securities measures that comply with federal regulations to safeguard Customer Information.

**Use and Disclosure of Customer Information to Provide Customer Service for Client Accounts.** To administer, manage and service customer accounts, process transactions and provide related services for your accounts, it is necessary for us to provide access to Customer Information within the firm and to nonaffiliated companies such as LPL, other investment advisors, other broker-dealers, trust companies, custodians and insurance companies. We may also provide Customer Information outside of the firm as permitted by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas.

**Former Clients.** Should a client choose to no longer do business with the firm, we will continue to operate in accordance with the principles stated in the Privacy Notice.

**Requirements of Federal Law.** In November of 1999, Congress enacted the Gramm-Leach-Bliley Act ("GLBA"). The GLBA requires certain financial institutions, including broker-dealers and investment advisors, to protect the privacy of Customer Information. To the extent a financial institution discloses Customer Information to nonaffiliated third parties other than as permitted or required by law, customers must be given the opportunity and means to opt out (or prevent) such disclosure. Please note we do not disclose Customer Information to nonaffiliated third parties except as permitted or required by law (e. g., disclosures to service client accounts or to respond to subpoenas).