

# Roth Asset Management, Inc.

## Form ADV Part 2A Brochure

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This Form ADV Part 2A brochure provides information about the qualifications and business practices of Roth Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 206-780-5550 or [steve@rothasset.com](mailto:steve@rothasset.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 Roth Asset Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Roth Asset Management, Inc. is a registered investment advisor. Registration as an investment advisor does not require any certain level of skill or training.

### **Material Changes (Item 2)**

*This section of the brochure helps you quickly identify material changes from the last annual update.*

This version of Roth Asset Management, Inc. Form ADV Part 2 is in a new narrative format. Please review all parts of it, including any supplements. This new brochure describes important details about us, the services we provide, and includes information that was not in our previous brochure.

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## **Advisory Business (Item 4)**

*This section of the brochure tells you about our business, including ownership, and a description of the services we offer.*

Roth Asset Management, Inc. is referred to in this document as “Roth Asset Management”, “the Company”, “us”, “we”, or “our”. In this document we refer to current and prospective clients of Roth Asset Management as “you”, “client”, or “your”. Roth Asset Management was created in 2003 and is owned by Steven B. Roth.

### **Types of Advisory Services**

#### Investment Supervisory Services

Some clients enter into a written Investment Advisory Agreement, where Roth Asset Management and our investment adviser representatives provide asset management services on a continuous and ongoing basis guided by the individual needs of the client. Using the information provided by you, the investment advice provided to you is tailored to your individual situation. We regularly inquire about, and you are responsible for providing, information about your investment goals, time horizon, and risk tolerance. These investment supervisory services are generally not provided to all your holdings or net worth but rather only to assets specifically designated by you and agreed to by us as managed assets.

We may use the services of Third Party Advisors, other investment advisors with special expertise in a particular field or strategy. When Third Party Advisors are used, they will have the day-to-day account management responsibilities, while we oversee them on a periodic basis.

#### Consulting Services

Roth Asset Management may provide consulting services to accounts including but not limited to qualified retirement plans, foundations, and corporate accounts. The retirement plan services may include the formation of an investment policy statement, investment manager or fund review, manager search and selection, investment manager and fund performance monitoring, and employee education. The fee for these services is negotiated in advance and may be based upon the size of the plan, or complexity and scope of the engagement. We may provide the retirement plan with model portfolio construction and management services for an additional ongoing fee.

### **Types of Investments Used**

We consider many different types of securities when formulating the investment advice we give to you. If you come to us with existing investments, we evaluate them with respect to your financial goals, risk tolerance, and investment time horizon. Depending upon your situation, your account(s) managed by us may contain individual stocks, corporate and/or government bonds, municipal bonds, mutual funds, or exchange traded funds (“ETFs”). In some situations we may recommend that real estate be part of your investment portfolio.

## Tailored Services and Investment Restrictions

When we provide investment supervisory services we attempt to tailor your investment portfolio to your situation as you have described it to us. This is why it is so important that you let us know about changes to your financial situation, goals, or investment time horizon. You may impose restrictions on investing in certain securities or types of securities. You must clearly identify these restrictions in writing to us.

## Assets Under Management

As of December 31, 2013, Roth Asset Management manages approximately \$61,331,000 of client assets on a discretionary basis, \$511,441 on a non-discretionary basis and provides pension consulting services to employee pension plans holding approximately \$346,185,000 on a non-discretionary basis.

## Fees and Compensation (Item 5)

*This section of the brochure describes how we are compensated for the services we offer.*

### Compensation Methodology and Rates

#### Assets Under Management

Some clients are charged for our asset management services based on a percentage of the assets being managed. The following fee schedule is a sample of our fee schedule for investment supervisory services (the fee schedule below does not apply to Consulting Services). Your specific annual fee arrangement will be described in the written Investment Advisory Agreement entered into between Roth Asset Management and you. Investment advisory fees charged by us are negotiable at our sole discretion. All clients do not pay the same fee. A lower fee for a comparable service may be available from other sources.

Assets Under Management	Annual Management Fee
\$0 to \$1,000,000	0.75%
\$1,000,001 to \$3,000,000	0.60%
\$3,000,001 to \$5,000,000	0.50%
\$5,000,001 and above	0.40%

All fees on portfolios are calculated on a graduated basis, e.g., an account with a value of \$3,000,000 will pay an annual fee of 0.75% on the first \$1,000,000 and 0.60% on the asset value from \$1,000,001 to \$3,000,000.

In addition to the asset-based fees described immediately above, Roth Asset Management may charge a base administrative fee of five hundred dollars (\$500) per year on each account under their management or supervision. This administrative fee is charged on a quarterly basis in advance.

The annual fee for our services is billed quarterly, in advance, on or near the first day of each calendar quarter based on the value of the portfolio the first day of the calendar

quarter, and adjusted for any major cash flows. If the management agreement does not span the entire quarterly billing period, the fee will be pro-rated based on the number of days the account is open during the billing period. Your account custodian will send client statements, at least quarterly, showing all disbursements for the account including the amount of the advisory fee, if deducted directly from the account. It is the shared responsibility of Roth Asset Management and you to verify the accuracy of the fee calculation as the account custodian will not determine whether the fee has been properly calculated. See Item 12 – Brokerage Practices in this brochure for more information about your account custodian(s).

You may terminate the Investment Advisory Agreement without fee or penalty by providing written notice to Roth Asset Management within five (5) business days from the execution of the agreement. Thereafter, either party may terminate the Investment Advisory Agreement by providing written notice. Any unearned fees collected in advance of services being performed will be returned to you on a *pro rata* basis.

#### Fixed Fees

You may enter into a Consulting Services Agreement or an Investment Advisory Agreement where the fee for services is determined through negotiations and agreement between you and Roth Asset Management. Fixed fees are not necessarily based upon the value of assets managed or time expended providing services. Fixed fees are normally agreed to for one year, then renegotiated and agreed to for future periods. If you are paying a fixed fee you may pay a fee higher or lower than one based upon the value of assets managed. In the event a fixed fee engagement is terminated, unearned fees will be returned to you on a pro rata basis.

#### Hourly Fees

We may perform services for you where the price of the service is based upon the amount of time to complete the service times an hourly rate. The rate per hour depends upon the level of complexity of the service and experience and expertise of the personnel used to do the work. This negotiable rate would normally not exceed \$300 per hour. The tasks and services to be performed are described in an engagement letter that is signed by you and Roth Asset Management that also includes the hourly rate, an estimate of time to complete the project, and the procedure for refund or partial billing if the engagement is terminated before completion.

#### Third Party Advisor Fees

We have entered into agreements with various third party advisors. We offer clients various types of programs or strategies provided by these third party advisors. We may select and change a particular third party advisor's service or program for a portion of, or your entire portfolio without your consent. The third party advisor provides the investment advice regarding the portfolio under their management. We provide investment advice regarding the selection and replacement of third party advisors.

Each third party advisor provides differing levels of service to clients. The fees you will pay depend upon the size and complexity of your investment portfolio and the services

provided. You will pay a fee to the Third Party Advisor that is separate from and in addition to any fee that you pay to us.

#### Valuation of Publicly Traded Securities

Publicly traded securities in your account(s) managed by us are held at the custodian that we might recommend but is ultimately chosen by you. We use the securities valuation provided by the independent qualified custodian for reporting and billing purposes. Publicly traded securities are usually valued as of the end of business on the last trading day of the calendar quarter.

#### **How Clients Pay Advisory Fees**

Fees for investment advisory services are generally deducted directly from your account but upon mutual agreement may be paid by check. You must provide your qualified account custodian with written authorization to have fees deducted from the account and paid to Roth Asset Management.

Fee arrangements paid to Roth Asset Management for Consulting Services will be specified in a Consulting Services Agreement.

#### **Other Types of Fees and Expenses**

In addition to the investment advisory fees you pay to us, you will pay transaction fees (commissions) to your custodian or broker-dealer for executing securities transactions and charges for special services elected by you or Roth Asset Management. These fees may include:

- periodic distribution fees
- electronic fund and wire transfer fees
- certificate delivery fees
- reorganization fees
- account transfer fees (outbound)
- returned check fees
- international security transfer fees
- overnight mail and check fees
- Rule 144 transfer fees
- transfer agent fees

This list is not meant to be all inclusive. Any fee on a special service incurred by the client will be fully disclosed. Please refer to Item 12 of this document for an explanation of our brokerage practices.

#### Investment Company Fees

Investment company funds (e.g., mutual funds or ETFs) that are held by you will bear their own internal transaction and execution costs, as well as directly compensate their investment managers along with internal administrative services. Some funds pay 12b-1

fees, distribution fees, and/or shareholder service fees to broker-dealers that offer investment company funds to their clients. These fees affect the net asset value of the fund shares and are indirectly borne by fund shareholders such as you.

Some fund companies have imposed a redemption fee. A redemption fee is another type of fee that some funds charge their shareholders when shares are sold or redeemed within a short period of time from the purchase of the fund shares. Although a redemption fee is deducted from redemption proceeds just like a deferred sales load, it is not considered to be a sales load. Unlike a sales load, which is generally used to compensate brokers, a redemption fee is typically used to defray fund costs associated with a shareholder's redemption and is paid directly to the fund, not to a broker. The SEC generally limits redemption fees to 2%. In most cases, the funds will use the "first-in, first-out" (FIFO) method to determine the holding period. Under this method, the date of the redemption will be compared with the earliest purchase date of shares held in the account. While it is not the general practice of Roth Asset Management to sell client's securities in a period that would generate a redemption fee we might do so if we believe the sale is in your best interests, or if fund shares must be redeemed to pay fees from the account.

A complete explanation of these charges is contained in the Prospectus and Statement of Additional Information for each investment company fund. You can get a prospectus through the investment company website, by telephone, or by mail.

### **Commission Based Compensation**

Our investment advisor representatives do not receive any commission based compensation while providing investment advisory services to you.

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

*This section of the brochure explains any performance-based fees we may charge you for and how they may be different from other clients' charges.*

Roth Asset Management does not charge fees that are based upon a share of capital gains or capital appreciation of client assets.

### **Side-By-Side Management**

We provide investment advisory services to other clients in addition to you. Not all clients receive the same investment advice, nor do they pay the same fee. We strive to act in the best interests of each of our clients at all times.

## **Types of Clients (Item 7)**

*This section of the brochure describes who we generally provide our services to.*



Roth Asset Management provides advisory services to a variety of types of clients including individuals, trusts, qualified retirement plans, and companies.

Roth Asset Management also provides advisory services to qualified retirement plans, foundations, corporate accounts, and health and welfare trusts. These services might include recommendations to the client which are then approved by the pension plan sponsor or other fiduciary representative of the client. In some cases we will serve as a discretionary advisor to the plan. You are encouraged to ask your plan sponsor what services we are providing your plan.

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

*This section of the brochure explains how we formulate our investment advice and manage client assets.*

### **Methods of Analysis**

As part of our analysis of investments, we set out to diversify our portfolios by asset class, investment style, market capitalization, and geography. We analyze an investment by examining its publically available financial statements or reports, its management, and analysis of independent research services. This analysis is followed by an active risk budgeting process. Various segments of portfolio will be invested with active managers who we have reasonable belief will outperform their relevant benchmark. Indexing, or passive management, is also utilized in those portfolio segments where we have reasonable belief that active managers do not offer the ability to outperform those indexes.

### **Investment Strategies**

As part of our investment strategy we attempt to adjust a portfolio's asset allocation to reflect current market conditions and client objectives. Our goal in using this strategy is to improve the risk-adjusted returns of an investment portfolio when compared with other investment strategies. We modify our asset allocation advice according to our opinion of the valuation of the markets in which our clients are invested consistent with our diversification goals. We attempt to adjust our asset allocation advice to over-weight or focus on a market or sector of the market that we feel will perform better than others. We strive to buy investments with the goal of holding them as long-term investments, but we might sell a particular investment if, in our opinion, it is no longer in your best interest to hold.

### **Risks**

#### General Risks to Investing

Investing is not without risk, and involves the risk of loss of principal which you should be prepared to bear. We use several strategies to try to reduce risk, including (i) diversifying a

portfolio across multiple asset classes and monitoring the portfolio and the markets for changes in fundamentals. Despite these strategies, historical evidence clearly shows that every asset class has experienced severe declines in value—sometimes sustained over many years—throughout several periods of time in history. In addition, each of our strategies to minimize risk may not achieve that goal as the benefits of diversification decline if asset classes become more correlated. As with any investment, you could lose all or part of your investments managed by Roth Asset Management, and your account's performance could trail that of other investments.

#### Asset Class Risk

Securities in your portfolio(s) or in underlying investments such as mutual funds may underperform in comparison to the general securities markets or other asset classes.

#### Management Risk

The performance of your account is subject to the risk that our investment management strategy may not produce the intended results.

#### Market Risk

Your account could lose money over short periods due to short-term market movements and over longer periods during market downturns. The value of a security may decline due to general market conditions, economic trends, or events that are not specifically related to the issuer of the security or to factors that affect a particular industry or industries. During a general downturn in the securities markets, multiple asset classes may be negatively affected.

#### Passive Investment Risk

Roth Asset Management may use a passive investment strategy that is not actively managed where we do not attempt to take defensive positions in declining markets.

#### Key Man Risk

We are a small firm with Steve Roth performing several critical services. This fact of course leads to "key man risk," or the risk that something could happen to Steve Roth that negatively affects your portfolio.

## **Disciplinary Information (Item 9)**

*This section of the brochure lists legal and disciplinary information for Roth Asset Management, its owners, and management team.*

Neither Roth Asset Management nor any of our owners or management team members has been involved in any civil or criminal investment-related events.

## **Other Financial Industry Activities and Affiliations (Item 10)**

*This section of the brochure describes other financial services industry affiliations we may have that could present a conflict of interest with you.*

Roth Asset Management does not have any material business affiliations within the financial services industry.

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

*This section of the brochure describes our code of ethics, adopted pursuant to SEC rule 204A-1, and how we deal with client and related person trading.*

### **Code of Ethics**

We have adopted a code of ethics designed to prevent and detect violations of securities rules by our employees and affiliated persons. Our controls in this area focus upon securities transactions made by our employees that have access to material information about the trading of Roth Asset Management. We will provide a copy of our code of ethics to clients or prospective clients upon request.

### **Material Financial Interest and Personal Trading**

From time-to-time the interests of the principals and employees of Roth Asset Management may coincide with yours and other clients. Individual securities may be bought, held, or sold by a principal or employee of Roth Asset Management that is also recommended to or held by you or another client. If potential insider information is inadvertently provided or learned by a principal or employee, it is our policy to strictly prohibit its use.

It is the policy of Roth Asset Management to permit the firm, its employees and investment advisor representatives ("IARs") to buy, sell, and hold the same securities that the IARs also recommend to clients. It is acknowledged and understood that we perform investment services for different types of clients with varying investment goals, risk profiles, and time horizons. As such, the investment advice offered to you may differ from other clients and investments made by our IARs. We have no obligation to recommend for purchase or sale a security that Roth Asset Management, its principals, affiliates, employees, or IARs may purchase, sell, or hold. When a decision is made to liquidate a security from all applicable accounts, priority will always be given to client orders before those of a related or associated person to Roth Asset Management. In some cases the trades of the clients and advisory personnel will be combined in a single block trade, and all trades will receive the average price. We have procedures for dealing with insider trading, employee-related accounts, "front running" and other issues that may present a potential conflict when buy/sell recommendations are made. These procedures include reviewing employee security transactions and holdings to eliminate, to the extent possible, the adverse effects of potential conflicts of interest on clients.

### **Brokerage Practices (Item 12)**

*This section of the brochure describes how we recommend broker-dealers for client transactions.*

## **Factors Considered When Recommending Broker-Dealers**

We may suggest or recommend that investment advisory clients use a particular qualified custodian and/or broker-dealer. When we make this recommendation, we consider:

- reasonableness of commissions and other costs of trading
- ability to facilitate trades
- access to client records
- computer trading support
- other operational considerations

These factors are reviewed from time to time to assure the best interests of our clients are upheld.

### Research and Other Benefits

For investment advisory service clients, we may recommend that clients establish brokerage accounts with a specific custodian, Fidelity Investments Institutional Services Company, Inc. ("Fidelity" or "the Custodian"), normally a registered broker-dealer, Member SIPC/NYSE, to maintain custody of clients' assets and to execute trades for your account(s). The Custodian provides us with access to its institutional trading and operations services, which are typically not available to retail investors. These services are offered to independent investment advisors at no charge in exchange for keeping a minimum amount of account assets at the Custodian. Fidelity's services include research, brokerage, and custody. The Custodian offers access to mutual funds and other investments that are available only to institutional investors or require a significantly higher minimum investment. The Custodian also makes other products and services available that benefit us but may not benefit our clients. Some of these other products and services help us manage and administer client accounts, and include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts)
- provide research, pricing information, and other market data
- facilitate payment of our fees from your account(s)
- help with back-office support, recordkeeping, and client reporting

These services may be used with all or a substantial number of clients' accounts, including accounts not maintained at the Custodian. We do not attempt to allocate the benefit to accounts proportionately to the accounts that generate the benefit.

Some of the products or services provided by the Custodian do not qualify for the safe harbor in section 28(e) of the Securities Exchange Act of 1934, including those services that do not aid in investment decision-making or trade execution. These business management and development services, in addition to those listed above, may include consulting, publications and presentations on practice management, information technology, business

succession, regulatory compliance, and marketing. In addition, Fidelity may use independent third parties to offer these services to Roth Asset Management. The Custodian may discount or waive fees it would otherwise charge for some of these business management and development services or pay all or a part of the fees of a third-party providing these services to us. Because we receive discounts, research, products, or services we may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research, products, or services, rather than on the client's interest in receiving most favorable execution. The Custodian or broker-dealer recommended by Roth Asset Management may charge commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for services and benefits.

#### Brokerage for Client Referrals

Roth Asset Management does not have any agreements in place where securities transactions are directed to particular broker-dealers in exchange for client referrals.

#### Directed Brokerage

If you direct Roth Asset Management to execute securities transaction at a broker-dealer other than one we use for our other clients you will forgo any benefit from savings on execution costs that we may have obtained through our negotiation of volume discounts or batched orders. In directing the use of a particular broker-dealer, it should be understood that we will not have authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. You may incur higher commissions, other transactions costs, greater spreads, or receive less favorable net prices, on transactions for your account than would otherwise be the case had you used a broker-dealer we prefer.

#### Aggregated Orders

When we decide to purchase or sell a specific security for multiple clients at the same time, we will consider aggregating, or combining the orders. This procedure will result in a single average price for all client transactions in the aggregated order. The account custodian charges for each transaction as if it were placed individually.

#### Allocation of Thinly Traded Securities

Roth Asset Management may allocate securities among accounts when enough of a particular security or securities cannot be purchased or sold on a given day at a desired price. In this event, we will allocate the shares actually purchased or sold on pro rata basis. We may remove small allocations from the process if we believe it would not be in the best interest of our client(s).

#### Trade Error Policy

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the broker-dealer which has custody of your account. If an investment gain results from the correcting trade, the gain will be placed in your account maintained at your custodian. If a loss occurs we will pay for the loss using our own funds. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

## **Review of Accounts (Item 13)**

*This section of the brochure describes how often client accounts are reviewed and by whom.*

### **Reviews**

Roth Asset Management reviews the securities held in its clients' investment supervisory accounts on a weekly basis to assure that the portfolio adheres to the agreed upon asset allocation guidelines we established with you. Mutual fund holdings will be reviewed monthly for style, performance, sector and capitalization characteristics. The reviews are conducted by Steven Roth. Reviews may be triggered by changes in a client's personal, tax, or financial status. Macroeconomic and company-specific events may also trigger reviews.

### **Reports**

Our investment advisory clients will receive monthly statements directly from your independent qualified account custodian (typically Fidelity). These account statements describe all activity in the clients' accounts including account holdings, transactions, and investment advisory fees deducted from the account. We also prepare and distribute written account summaries to our investment advisory clients quarterly and annually.

Our consulting services clients receive reports from us. The frequency and content of the reports is customized for each consulting client.

## **Client Referrals and Other Compensation (Item 14)**

*This section of the brochure discloses our arrangements with people who are compensated for referring us business.*

### **Referral Relationships**

Roth Asset Management has not entered into any agreements with third parties to give or receive referrals for compensation.

## **Custody (Item 15)**

*This section of the brochure encourages you to check the statements sent to you by your account custodian to ensure the accuracy of the fee calculation.*

You have authorized us to deduct periodic investment advisory fees directly from one or more of your accounts managed by Roth Asset Management. These deductions from your account are shown on the periodic statements sent by your qualified custodian (typically Fidelity) directly to you. You are encouraged to review these statements carefully and compare the amounts on the custodian statements with any statements we send and the fee schedule outlined in your Investment Advisory Agreement.

## **Investment Discretion (Item 16)**

*This section of the brochure discloses the power we have to make trades in your account.*

Our investment advisory clients grant Roth Asset Management a limited power of attorney to select, purchase, or sell securities without obtaining your specific consent within the account(s) you have under our management. The limited powers of attorney are granted in the written Investment Advisory Agreement entered into between us. There are no restrictions upon the securities that may be purchased, sold, or held in your account unless you provide these restrictions to us in writing.

Our consulting services clients are normally provided recommendations regarding changes to portfolio allocations and the plan sponsor or other fiduciary approves the recommendation before it is implemented.

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

*This section of the brochure explains our proxy voting policy and your ability to get proxy voting information from us.*

Roth Asset Management will not vote proxies for securities held in your investment account. Your account custodian or transfer agent will send proxy statements directly to you. If the investment account is for a pension or other employee benefit plan governed by ERISA, you direct us not to vote proxies for securities held in the account, because the right to vote such proxies is expressly reserved for you or your plan fiduciary not Roth Asset Management.

## **Financial Information (Item 18)**

*This section of the brochure is where investment advisors that collect more than \$1200 in fees per client and six months or more in advance would include a balance sheet.*

Roth Asset Management is not aware of any circumstance that is reasonably likely to impair our ability to meet contractual commitments to you or our other clients. We do not require pre-payment of investment advisory fees of greater than \$500 and more than six months in advance.

## **Privacy Statement**

*We, like other professionals who advise on personal financial matters, are required by federal law to inform our clients of their policies regarding the privacy of client information.*

In the course of providing our clients with certain advice, we may receive nonpublic personal financial information such as financial statements, account statements, and tax returns from our clients, their accountants and other representatives. All nonpublic

personal information that we receive regarding our clients or former clients is held in strict confidence in accordance with our professional obligations, and is not released to people outside Roth Asset Management, except with your consent, as required by law or to explain our actions to professional organizations that we are members of. We may share certain information with third parties who assist us in providing our services to you (such as administrative and client service functions) or marketing services, as permitted by law, subject to the obligation of these third parties not to use or disclose such information for any other purpose.

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and, in some cases to comply with professional guidelines. In order to guard your nonpublic personal information from unauthorized disclosure, we maintain physical, electronic, and procedural safeguards.