

**ITEM 1: COVER PAGE**



**FIRM BROCHURE**  
(Part 2A of Form ADV)

March 30, 2012

**Royal Palms Capital, LLC**

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Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Royal Palms Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at (310) 265-5939 and/or [khetzer@royalpalmcapital.com](mailto:khetzer@royalpalmcapital.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.

Royal Palms Capital, LLC is registered as an investment adviser with the state of California; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.

Additional information about Royal Palms Capital, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Royal Palms Capital, LLC’s CRD number is: 135304

## **ITEM 2: MATERIAL CHANGES**

Royal Palms Capital, LLC (“RPC”) has transitioned from SEC to California state registration since the previous annual amendment.

Because of the amount of new details provided within the brochure, Royal Palms Capital, LLC (“RPC”) encourages each client and prospective client to read this brochure carefully and to call us with any questions you may have. In particular, please note the following Items are either new additions to Form ADV Part 2 or contain additional information not found in prior versions of the brochure:

**Item 4 – Advisory Business**

**Item 6 – Performance-Based Fees and Side-by-Side Management**

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

**Item 9 – Disciplinary Information**

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

**Item 15 – Custody**

RPC will ensure that clients receive a summary of any material changes to this Brochure within 120 days of the close of RPC’s fiscal year. Additionally, as RPC experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover.

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## **ITEM 4: ADVISORY BUSINESS**

### **A. Description of Firm**

Royal Palms Capital, LLC ("RPC" or the "Firm") is a California-based investment management firm, founded in 2005. RPC provides customized investment supervisory and consulting services to individuals, high net worth clients, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. As discussed more fully below, RPC assists clients in investment management, financial planning and consultation. Some of the investment instruments RPC advises its clientele on include, among other things, equities, bonds, U.S. government securities, municipal securities, mutual funds, exchange traded funds ("ETFs"), and other investments.

RPC is currently registered with the Securities and Exchange Commission ("SEC") as an investment adviser. However, pursuant to recently enacted legislation, RPC is in the process of transitioning to register with the California Department of Corporations. RPC's principal place of business is located in Los Angeles County, California. RPC's principal owner is Kristin Hetzer.

### **B. Types of Advisory Services Offered**

RPC provides investment supervisory services and investment consulting services, each of which is described in further detail below.

#### **1. Investment Supervisory Services**

RPC offers investment supervisory services on a discretionary or non discretionary basis as agreed to with the client, managed by us, and through separate investments in equities, mutual funds, bonds, cash equivalents and other instruments. We primarily manage portfolios for individuals, trusts, retirement accounts (IRA's, pensions and profit sharing plans), corporations and other institutions. Account supervision is guided by the stated objectives of the client (i.e. maximum capital appreciation, growth, etc.), and all managed accounts will be maintained with an independent custodian.

Below are the guidelines that are followed when managing a client's portfolio:

- (a) Client investment objectives are identified by assessing the client's risk tolerance based upon their age, income, education, need for cash flows, investment goals, and emotional tolerance for volatility. The information provided by the client will be collected during client meetings, interviews and or questionnaires;
- (b) After analyzing a client's financial situation and formulating an investment policy statement, we implement the investment strategy through an optimal combination of investments;
- (c) Capital market conditions and client circumstances are monitored; and
- (d) Portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above variables.

## 2. Investment Consulting Services

RPC also provides investment consulting services on a non-discretionary basis that does not involve investment supervisory services. RPC's investment consulting services may include, but are not limited to: portfolio review, investment opportunity analysis, financial planning, estate plan analysis, third party manager performance review, and asset allocation review.

RPC's investment consulting process involves the collection, organization, and assessment of all relevant data including information concerning the client's long-term goals and objectives, risk tolerance, cash needs as well as identification of the client's financial concerns (including tax considerations). This allows RPC to develop a strategy for the successful management of income, assets, and liabilities in order to meet the client's overall financial goals.

In order to provide this service, RPC may require information relating to the clients' current financial position, including present and anticipated assets and liabilities, insurance policies, savings, investments, and anticipated retirement or other employee benefits. RPC then evaluates this information concurrent with the client's goals, objectives, time horizon, and risk tolerance to develop a comprehensive plan consisting of various alternatives for the client to consider. Once the recommendations are delivered, clients may have the option of utilizing RPC to implement those recommendations.

In addition, there can be no assurance that RPC's investment consulting services or any product recommendations are at the lowest available cost. Clients are free at all times to accept or reject any of RPC's recommendations provided under an investment consulting engagement. Moreover, if a client decides to implement any recommendations, the client may, but is under no obligation to, utilize RPC to implement those recommendations. Those clients who wish to engage RPC for implementation of the recommendations may be required to enter into a separate written agreement with the Firm. In accordance with the separate agreement, RPC will be paid a separate and additional fee based on account assets that are managed by RPC.

In offering financial planning, a conflict exists between the interests of the investment adviser and the interests of the client. The client is under no obligation to act upon the investment adviser's recommendation, and, if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser. This statement is required by California Code of Regulations, 10 CCR Section 260.235.2.

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

Prior to engaging RPC to provide any of the investment advisory services described above, the client will be required to enter into one or more written agreements with RPC setting forth the terms and conditions under which it will render its services. RPC will provide a Brochure and one or more Brochure Supplements to each client or prospective client prior to or contemporaneously with the execution of an investment management agreement. The advisory relationship will continue until terminated by the client or RPC in accordance with the provisions of these agreements.

#### **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. RPC does not participate in any wrap fee programs.

#### **E. Amount of Client Assets Managed**

As of January 1, 2012, the following represents the amount of client assets under management by RPC on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$ 57,551,804
Non-Discretionary	\$649,775
Total:	<b>\$58,201,579</b>

### **ITEM 5: FEES AND COMPENSATION**

RPC charges fees based on a percentage of assets under management, hourly charges, and fixed fees, depending on the particular types of advisory services to be provided. The specific fees charged by RPC for its advisory services will be set forth in each client's written agreement with RPC. Although RPC believes its advisory fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

#### **A. Fee Schedule**

##### **1. Investment Supervisory Services**

For investment supervisory services RPC's compensation is derived from a fee based upon a percentage of the client's assets under management. The compensation method is explained and agreed with the clients in advance before any services are rendered. The compensation for our services, which include developing and implementing an investment policy and objectives, formulating quantitatively driven asset allocation analysis and recommendation, monitoring a client's investment results is as follows:

Accounts below \$50,000.

Accounts below \$50,000 are subject to a minimum annualized fee of \$1000 or at a negotiated rate per quarter. The annual fee charged to clients will never exceed 3.00% of total assets under management.

RPC Managed Portfolios

(Portfolios containing any combination of stocks, bonds, and/or mutual funds)

Assets Under Management	Fee

The first \$250,000	1.375%
the next \$750,000	1.20%
the next \$3,000,000	1.00%
the next \$6,000,000	0.75%
Over \$10,000,000	0.50%

Fixed Income Only Portfolio, Mutual Funds Only Portfolio

Assets Under Management	Fee
The first \$10,000,000	0.50%
Over \$10,000,000	0.35%

The amount of the fee is negotiated on a case by case basis with the client, and is determined based upon a number of factors including the amount of work involved, the assets placed under management, and the attention needed to manage the account. Fees for clients are billed quarterly in advance of one fourth of the annual rate based on a percentage of the client's assets under management at the end of the calendar quarter. Investment advisory services begin with the effective date of the Agreement, which is the date the client signs the Investment Advisory Agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days remaining in the calendar quarter that the Agreement was effective. Fees will generally be deducted directly from the client's brokerage account pursuant to a written agreement. Multiple accounts that are part of the same relationship may be combined for purposes of fee calculation. The Investment Advisory Agreement may be terminated upon 30 days written notice by either party. The client is responsible to pay for services rendered until the termination of the agreement. Upon termination any unearned fees will be refunded to the client on a prorated basis. The client can cancel the Agreement without penalty within the first five days after signing of the Agreement.

Clients should be aware of their responsibility to verify the accuracy of the fee calculation submitted to the custodian by RPC, as the custodian will not determine whether the fee has been properly calculated. Lower fees for comparable services may be available from other sources.

## 2. Investment Consulting Services

Fees for investment consulting services are based on RPC's standard rate of \$350 per hour. Such fees shall be mutually agreed upon by the client and RPC and shall be due and payable when services are rendered. RPC does reserve the right to provide investment consulting services on a fixed fee basis in lieu of an hourly fee if it is more advantageous to the client. The fixed fee, not to exceed \$10,000, will be negotiated with the client prior to performing any service and will be based on RPC's then current hourly rate. Any fixed fee agreed to with the client shall be

invoiced. If the client is also an investment supervisory client, the fixed fee may be deducted directly from the client's account as agreed to with the client.

A client may cancel the investment consulting agreement and receive a full refund if RPC is notified within five business days after signing an Agreement. If cancellation occurs thereafter the client is responsible only for expenses incurred to that point. In such an event, an itemized invoice will be provided documenting the expenses that have been incurred.

#### **B. Clients Are Responsible For Third Party Fees**

Clients should understand that the advisory fees described in the sections above do not include certain charges imposed by third parties such as custodial fees, execution costs, mutual fund fees and expenses. Client assets may also be subject to transaction costs, retirement plan administration fees (if applicable), deferred sales charges on mutual funds initially deposited in the account, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Advisory fees charged by RPC are separate and distinct from fees and expenses charged by mutual funds, which may be recommend to clients. Client assets invested in mutual funds will be subject to certain fees and expenses imposed directly by mutual funds to their shareholders, which shall be described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the sponsor also imposes sales charges, a client may pay an initial or deferred sales or surrender charge.

Additionally, clients may incur brokerage commissions and other execution costs charged by the custodian or executing broker-dealer in connection with transactions for a client's account. Clients should further understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account and are exclusive of and in addition to the fees charged by RPC. Please refer to Item 12 of this Brochure entitled "Brokerage Practices" for additional important information about the brokerage and transactional practices of RPC.

These fees and expenses are separate from and in addition to the fees charged by RPC. Accordingly, clients should review the fees charged by custodians, brokers, and mutual funds in which the client's assets are invested, together with the fees charged by RPC, to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

#### **C. Outside Compensation For the Sale of Securities to Clients**

Neither RPC nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.



## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

RPC does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client). Consequently, RPC does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, RPC provides investment supervisory services for a fee based upon a percentage of assets under management. Notably, accounts that are managed in the same style (*e.g.*, moderately aggressive) may not be managed the same way due to the client's overall investment objective, discretion of the investment professional assigned to the account, asset size and account restrictions.

## **ITEM 7: TYPES OF CLIENTS**

### **A. Description**

RPC generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, corporations, and other business entities.

### **B. Conditions for Managing Accounts**

Generally, the minimum dollar value of assets required to set up an investment advisory account is \$100,000. However, this sum can be achieved by aggregating separate accounts of individual clients within the same household. The account minimum may be waived at the sole discretion of RPC. Other exceptions will apply to employees of RPC and their relatives, or relatives of existing clients. Please note that accounts with small asset balances may pay a higher annual fee than those normally charged by other investment advisors.

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. Methods of Analysis**

RPC's security analysis methods include fundamental and technical analysis. Fundamental analysis is a method of evaluating a security that entails attempting to measure its intrinsic value by examining its financial statements and health, its management and competitive advantages, and its competitors and markets. Technical analysis is a method of security analysis that attempts to forecast the direction of prices through the study of past market data, primarily price and volume, to identify patterns that can suggest future activity. The main sources of information RPC uses include financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

### **B. Investment Strategies**

The investment strategies used to implement any investment advice given to clients include long term purchases (securities held at least a year), short term purchases (securities sold within a year), trading (securities sold within 90 days), and short sales depending on the client's

investment objectives and current needs. RPC may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. For example, RPC may recommend specific securities to increase sector weighting and/or dividend potential, or may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. Additionally, RPC may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in the risk tolerance of the client, or any risk deemed unacceptable for the client's risk tolerance.

### **C. Risk of Loss**

Investing in securities involves a significant risk of loss which clients should be prepared to bear. RPC's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the client's account. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made. The primary risks involved in the securities recommended by RPC may include, among others:

- *Stock market risk*, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.
- *Issuer risk*, which is the risk that the value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- *Nondiversification risk*, which is the chance that an account's performance may be hurt disproportionately by the poor performance of relatively few stocks or even a single stock.
- *Interest rate risk*, which is the chance that bond prices overall will decline because of rising interest rates. This is closely related to *income risk*, which is the chance that the income from bonds or other debt instruments will decline because of falling interest rates.
- *Credit risk*, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline.
- *Call risk*, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. For mortgage-backed securities, this risk is known as *prepayment risk*.
- *Smaller company risk*, which is the risk that the value of securities issued by a smaller company may go up or down, sometimes rapidly and unpredictably as compared to more widely held securities, due to narrow markets and limited resources of smaller

companies. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.

- *Management risk*, which is the risk that the investment techniques and risk analyses applied by RPC will produce the desired results and that legislative, regulatory, or tax developments may affect the investment techniques available to RPC in connection with managing the account. There is no guarantee that a client's investment objectives will be achieved.

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk and consequently, the value of the client's account may at anytime be worth more or less than the amount invested.

## **ITEM 9: DISCIPLINARY INFORMATION**

1. NASD Case C02040049 found Advisor in violation of Rule 2110 for notifying the NASD of potential NASD violations by receiving advisor after liquidation of long held portfolio of municipal bonds and liquidation of deceased 20+ year client's pension. Kristin Hetzer was fined \$5,000 and suspended from associating with any NASD form for sixty days for not identifying herself as the source of the complaints against the receiving advisor.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. Financial Industry Activities**

RPC's principal executive officer is licensed as an insurance agent on behalf of multiple insurance companies. As a licensed insurance agent, the principal may receive commission based compensation for the sale of insurance related products.

Although some time may be spent on such insurance-related or other outside business activities, the majority of the principal's time is spent on the investment advisory services offered by RPC. Moreover, despite any involvement in outside business activities, all officers and employees of RPC will devote as much time to the business and affairs of RPC as they believe is necessary to deliver the investment supervisory and management services described herein.

From time to time, the principle will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. RCP always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of RCP in their capacity as an insurance agent.

All material conflicts of interest under Section 260.238 (k) of the California Corporations Code are disclosed regarding the investment adviser, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

### **B. Affiliations**

RPC is not affiliated with any of the insurance companies mentioned above. Nevertheless, a potential conflict of interest may exist to the extent that certain recommendations may result in a commission being paid to the representative by the insurance company should a client purchase any of that company's products. RPC will never receive commissions from the sale of insurance products. Clients should be aware that the receipt of additional compensation itself creates an inherent conflict of interest, and may affect the judgment of these individuals when making recommendations. RPC has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of RPC's fiduciary duty to clients, RPC and its representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients at the time of entering into an advisory agreement.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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

Because RPC's investment professionals and associated persons may transact in the same securities for their personal accounts as they may buy or sell for client accounts (as described below), it is important to mitigate potential conflicts of interest. Accordingly, RPC has adopted a Code of Ethics ("Code"). The Code establishes standards of conduct for RPC's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, conflicts of interest and confidentiality of client information.

RPC's Code of Ethics requires among other things, that employees:

- Act with integrity, competence, diligence, respect and in an ethical manner with the public, clients, prospective clients, employers, colleagues in the investment profession and other participants in the global capital markets.
- Place the integrity of the investment profession, the interest of the clients, and the interest of RPC above one's own personal interest;
- Adhere to the fundamental standard that RPC employees should not take inappropriate advantage of their position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with the Firm's Code of Ethics and fiduciary responsibilities to clients;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on the individual and the profession;
- Promote the integrity of, and uphold the rules governing capital markets;

- Maintain and improve professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the state securities laws.

RPC's Code also requires that certain of RPC's personnel report their personal securities transactions on at least a quarterly basis and provide RPC with a detailed summary (both initially upon commencement of employment and annually thereafter) of certain securities holdings over which such persons have a direct or indirect beneficial interest. The Code also requires pre-clearance for certain personal transactions. Unless specifically permitted in the Code, none of RPC's personnel may effect for themselves or for their immediate family any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of RPC's clients.

The Code also requires supervised persons to report any violations of the Code promptly to the Firm's Chief Compliance Officer ("CCO"). Each supervised person receives a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually, each supervised person must certify that he or she complied with the Code during that year.

A copy of RPC's Code of Ethics is available to any client or prospective client upon request by contacting the Chief Compliance Officer at (310) 265-5939.

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

It is RPC's policy not to enter into any principal transactions or agency cross transactions on behalf of client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

As previously mentioned, RPC's executive officers may also be licensed as insurance agents on behalf of multiple insurance companies. As licensed insurance agents, they may receive commission based compensation for the sale of insurance related products. The receipt of such compensation may act as an incentive to recommend such products to advisory clients, which produces a potential conflict of interest.

To mitigate such conflicts, RPC representatives are not permitted to make such recommendations unless it is in the best interests of the client and consistent with the client's overall investment objectives and financial circumstances. Moreover, RPC clients are under no obligation to purchase such products through any particular insurance company. Additionally, as part of RPC's fiduciary duty to clients, RPC and its associated persons will endeavor at all times to put the interests of the clients first, and at all times are required to adhere to the Firm's Code of Ethics.

## **C. Personal Trading**

RPC and its principals, agents, and employees (“Associated Persons”) may invest personally in securities of the same classes as are purchased for advisory client portfolios and may own securities of the issuers whose securities are subsequently purchased for clients. They may also buy or sell securities for their own accounts, based on personal investment considerations that they do not consider appropriate to buy or sell for clients. There are, however, many restrictions on such activities. RPC’s Code of Ethics contains certain requirements designed to address the conflicts that arise with regard to personal trading by RPC or its associated persons.

Because RPC’s Code would permit Associated Persons of RPC to invest in the same securities as clients, there is a possibility that the Associated Person could benefit from market activity by a client in a security held by that person. Employee trading is continually monitored under the Code, with an eye to reasonably prevent conflicts of interest between RPC and its clients. From time to time RPC and/or its access persons may take positions in the same securities (including mutual funds) that are recommended to clients. RPC and its Associated Persons may also buy or sell securities for their own accounts based on personal investment considerations, which RPC does not deem appropriate for clients.

It is RPC’s policy that the Firm and its Associated Persons must avoid serving their personal interests ahead of the interests of RPC clients. In recognition of the fact that situations may arise whereby individuals affiliated with RPC or its Associated Persons may buy or sell securities for their personal accounts identical or different than those recommended to clients, RPC has adopted policies and procedures to ensure that clients are not adversely affected by the personal trading activities of employees.

For example, Associated Persons are prohibited from purchasing or selling (either directly or indirectly) a security in a personal account if, at the time of the transaction, they have actual knowledge that the security: (i) is being considered for purchase or sale in a client account; or (ii) is actually being purchased or sold in a client account. The CCO maintains a “Model Portfolio” of securities that are being evaluated for possible purchase or sale in a client account, and is promptly updated by RPC’s Portfolio Manager for purchase/removal from client portfolios. The securities held in the Model Portfolio are compiled by the Portfolio Manager and include companies that RPC is evaluating through its due diligence process. Moreover, in an effort to avoid indications of or the appearance of “scalping,” “front-running” or similar conflicts of interest with respect to RPC clients, RPC has adopted “Blackout Periods” under which Associated Persons are prohibited from purchasing or selling any security listed in the Model Portfolio within a certain period of time (typically one business day) prior to or after a purchase or sale of the same or related security by an RPC client account. These requirements are not applicable to transactions in certain securities, including, among others: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

RPC requires that all individuals must act in accordance with all applicable state regulations governing registered investment advisory practices. Additionally, RPC's Code of Ethics contains Insider Trading Policies and Procedures that are reasonably designed to prevent the unlawful use of material non-public information by RPC or any of its Associated Persons. As noted above, employees of RPC are required to report their personal securities transactions to the CCO.

## **ITEM 12: BROKERAGE PRACTICES**

When RPC places orders for execution in client accounts, transactions are allocated to broker-dealers for execution in various markets at prices and commission rates that, based upon RPC's good faith judgment, it believes will be qualitatively in the best interest of the client. There are several factors which RPC considers when selecting or recommending broker-dealers (including those broker-dealer custodians) for client transactions. The following discussion summarizes the material aspects of RPC's practices in selecting broker-dealers to execute fully discretionary client transactions.

### **A. Selection Criteria**

In the course of providing our services, we will execute trades for our clients through broker-dealers that, based upon good faith judgment, will be in the best interest of the client. Our general guiding principle is to trade through broker-dealers who offer the best overall execution under the particular circumstance.

Absent an existing brokerage relationship, RPC typically recommends the institutional division of Charles Schwab & Co. ("Schwab") for its discounted rates, trade execution and custody services available to the client. Schwab provides RPC with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services are generally available to independent investment advisers on an unsolicited basis, at no charge to them when the adviser has an established relationship with Schwab and maintains a certain amount of its client assets in Schwab accounts. For accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

To ensure that brokerage firms recommended by RPC are conducting overall best qualitative execution, RPC will periodically evaluate the trading process and brokers utilized. With respect to execution, we consider a number of factors, including the actual handling of the order, the ability of the broker-dealer to settle the trade promptly and accurately, the financial standing of the broker-dealer, the ability of the broker-dealer to position stock to facilitate execution, our past experience with similar trades, and other factors which may be unique to a particular order. Based on these factors, we may trade through broker-dealers that charge fees that are higher than the lowest available fees.

In addition, broker-dealer fees may vary and be greater than those typical for similar investments if we determine that the research, execution and other services rendered by a particular broker merit greater than typical fees (see "Research and Other Soft Dollar Considerations" below).

Also, in certain instances we may execute over the counter securities transactions on an agency basis, which may result in advisory client incurring two transaction costs for a single trade: a commission paid to the executing broker-dealer plus the market maker's markup or mark-down. Thus, in addition to using brokers as "agents" and paying commissions, RPC may effect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers at prices that include compensation to the underwriters and dealers.

### 1. Best Execution

It is the policy and practice of RPC to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, RPC will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. RPC periodically evaluates the commissions charged and the services provided by the brokers utilized and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative custodians. RPC's evaluation will consider the full range of brokerage services offered, which may include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while RPC will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions. When RPC believes that more than one broker can offer the brokerage and execution services needed to obtain the best available price and most favorable execution, consideration may be given to selecting those brokers which also supply research services of assistance to RPC in fulfilling its investment advisory responsibilities. Thus, clients may be deemed to be paying for research and related services (i.e., "soft dollars") provided by the broker which are included in the commission rate.

### 2. Research and Other Soft Dollar Benefits

RPC may select a broker-dealer in recognition of the value of various services or products (beyond transaction execution) that such broker-dealer provides where, considering all relevant factors, it believes the broker-dealer can provide best execution. The commissions paid to such broker-dealer may be higher than what another, equally capable broker-dealer might charge. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with "soft dollars."

RPC may receive unsolicited research information and services from Schwab or other broker-dealers as part of a bundled package by the provider which RPC may or may not use. However,



RPC may utilize some of Schwab's research from time to time which it believes to be beneficial to its investment management decisions, and therefore, beneficial to its clients. This research is readily available to any investment adviser utilizing Schwab Institutional services.

The receipt of such services may benefit RPC because RPC does not have to produce or pay for the research or other products or services if such products and services are obtained by using client commissions. Consequently, these arrangements present potential conflicts of interest, including the incentive for RPC to select or recommend a broker-dealer based on RPC's interest in receiving research or other products or services, rather than on the clients' interest in receiving the most favorable execution. Additionally, RPC may have an incentive to effect more transactions than might otherwise be the case in order to obtain those benefits. The extent of any such conflict depends in large part on the nature and uses of the services and products acquired with soft dollars. The agreements between RPC and its clients generally authorize RPC to use client soft dollars for a wide range of purposes. Therefore, RPC feels it is important for clients to be aware of the issues surrounding soft dollars.

RPC may use soft dollars to acquire a variety of "research" and "brokerage" services and products for which a client would not otherwise be required to pay—even if the brokerage commissions paid are higher than the lowest available—if certain conditions and requirements are met. For these purposes, "research" means services or products used to provide lawful and appropriate assistance to RPC in making investment decisions for its clients. "Brokerage" services and products are those used to effect securities transactions for RPC's clients or to assist in effecting those transactions.

RPC may use soft dollars to acquire a variety of research and brokerage services and products from Schwab or another broker-dealer so long as RPC determines, in good faith, that the commissions paid are reasonable in light of the value of the products or services provided by the broker-dealer. Additionally, research purchased with soft dollars may be used by RPC in servicing any or all of RPC's clients, and may be used in connection with clients other than those who generated the brokerage, as permitted by the state. While RPC may not always obtain the lowest commission rate, RPC believes the rate is reasonable in relation to the value of the brokerage and research services provided.

The types of research RPC expects to acquire include, but are not limited to: reports or other information about particular companies or industries; economic surveys and analyses; recommendations as to specific securities; portfolio evaluation services; financial database software and services; computerized news, pricing and statistical services; analytical and other software used in investment decision making; and other products or services that may enhance RPC's investment decision making. Brokerage services and products (beyond typical execution services) that RPC may use include, but are not limited to: computer systems and facilities used for such things as communicating orders electronically to executing broker-dealers.

Schwab makes available software and technology to facilitate trade execution and access to client account data. In addition, RPC may purchase computer equipment, portfolio accounting software, and/or real-time computer data through Schwab or other independent companies.

RPC's recommendation that clients maintain their assets at Schwab may be based in part on the benefit to RPC of the availability of some of the foregoing products and services and not solely on the quality or cost of services provided by Schwab, which may create a potential conflict of interest that clients should be aware of.

### 3. Directed Brokerage

As noted above, in certain situations, clients may direct RPC to use a particular broker-dealer to execute some or all transactions for the client. In the event that a client directs RPC to use a particular broker or dealer, the client will negotiate terms and arrangements for the account with that broker-dealer, and RPC will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions for execution through other broker-dealers with orders for other accounts managed by RPC (as described below). Additionally, in directed brokerage situations, RPC will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, RPC may decline a client's request to direct brokerage if, in RPC's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

### **B. Order Aggregation and Allocation**

RPC may aggregate sale and purchase orders with other client accounts that have similar orders being made contemporaneously, if in RPC's judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices, lower trade execution costs, or a more advantageous net price. RPC may (but is not obligated to) combine or "batch" such orders to obtain best execution, to obtain more favorable commission rates, or to allocate equitably among RPC's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. The benefits, if any, obtained as a result of such aggregation are generally allocated pro rata among the accounts of the clients which participate in the aggregate transaction. Because of prevailing market conditions, it may not be possible to execute all shares of an aggregated trade, in which case RPC will allocate the trade among participating accounts in an equitable manner determined prior to execution of the trade.

Clients that restrict us to using a particular broker-dealer (or direct us to use a particular broker-dealer) for executing their transactions generally will be unable to participate in aggregate orders and will be precluded from receiving the benefits, if any, of an aggregation which other clients may receive. We will generally execute aggregate orders for non-directed clients before we execute orders for clients that direct brokerage. We may also execute trades for non directed clients through the same broker-dealer to which other clients' direct brokerage. There may be conflicts of interest over time devoted to managing any one account and the allocation of investment opportunities among all accounts managed by us. We will attempt to resolve all such conflicts in a manner that is generally fair to all of our clients. However, we are not obligated to acquire for any account any security that we or our Associated Persons may acquire for their own

accounts or for the accounts of any other client, if in our discretion it is not practical or desirable to acquire a position in such security.

### **C. Handling Trade Errors**

From time to time, RPC may make an error in submitting a trade order on your behalf. When this occurs, RPC 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 remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Schwab is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, RPC will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. Periodic Reviews**

While accounts are monitored on an ongoing basis, as a general matter, each account is reviewed by Kristin Hetzer, Chief Executive Officer, on a monthly basis. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the account and to determine if any adjustments need to be made. Matters which are reviewed include, but are not limited to, current market activity, macro or micro economic outlooks, review and analysis of individual issues, managers, portfolio composition, trading activity and performance comparisons any of which may trigger buy or sell recommendations as we deem appropriate.

### **B. Other Reviews and Triggering Factors**

In addition to the periodic reviews described above, reviews may be triggered by other factors such as changes in a client's financial circumstances, unusual cash disbursements by a client, changes in market conditions, business economic fluctuations, or global or political events. Clients are encouraged to notify RPC and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

### **C. Regular Reports**

RPC will provide clients with quarterly reports which address asset allocation, portfolio value and performance, and other related information. Additionally clients will continue to receive written brokerage statements and reports directly from the custodian on a monthly or quarterly basis. Clients are urged to compare the statements received from RPC to those received from the account custodian. In addition, clients may receive other supporting reports from mutual funds,

or other third parties based on their involvement with the account and their applicable internal reporting requirements.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### **A. Economic Benefits Received**

As discussed above, RPC generally recommends that clients use Schwab as their broker and custodian. While there is no direct link between the investment advice given to clients and RPC's recommendation to use Schwab as their custodian, certain benefits are received by RPC due to this arrangement. Schwab provides RPC with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services are generally available to independent investment advisors on an unsolicited basis, at no charge to them when the adviser has an established relationship with Schwab. Schwab's products and services that assist RPC in managing and administering clients' accounts include software and other technology that (i) provides access to client account data; (ii) facilitates trade execution and allocation of aggregate trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payments of fees from its clients accounts; and (v) assist with back office functions, record keeping and client reporting.

In addition, as discussed in Item 12, RPC may use soft dollars to acquire a variety of research and brokerage services and products from Schwab or other broker-dealers. The receipt of such products or services may be deemed to be the receipt of an economic benefit by RPC, and although customary, these arrangements may create potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client's interest in receiving most favorable execution. Please refer to Item 12 above which more fully describes these benefits and how RPC addresses the conflicts of interest.

Schwab also makes available other non-research products and services that benefit RPC but may not directly benefit its clients' accounts. Some of these other products and services assist RPC in managing and administering client's accounts. These include software and other technology that provide access to client account data, facilitate trade execution, pricing information and market data, assist with back-office support, recordkeeping, and client reporting. Many of these services generally may be used to service all or a substantial number of RPC's accounts, including accounts not maintained at Schwab. Schwab may also provide other services intended to help RPC manage and further develop its business enterprise. These services may include, among others: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefit providers, human capital consultants, and insurance providers. Schwab also makes available third party vendors, educational events, and occasionally business entertainment for RPC personnel. Schwab may discount or waive fees it would otherwise charge for these services, or pay all or a part of the fees of a third party providing these services to RPC.

### **B. Other Compensation**

RPC does not have any arrangements, oral or in writing, where it directly or indirectly compensates any person for client referrals. However, the Firm does have arrangements whereby it is paid cash by or receives economic benefits (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients. For example, as discussed in Item 10, certain of RPC's executive officers and associated persons may also be licensed as insurance agents on behalf of multiple insurance companies. As licensed insurance agents, they may receive commission based compensation for the sale of insurance related products. Please refer to Item 10 above for important information relating to the potential conflicts of interest presented by the receipt of such compensation.

## **ITEM 15: CUSTODY**

RPC is deemed to have custody of client funds because the Firm has the authority and ability to debit its fees directly from clients' accounts. All clients are required to establish custodial accounts with a qualified custodian of record. Generally, RPC recommends Schwab for custodial services, but clients are permitted to request another custodian. RPC may only implement its investment management recommendations after the client has arranged for and furnished RPC with all information and authorization regarding its accounts held at the designated qualified custodian. In addition, in most cases, a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by RPC. RPC's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Item 12 for additional important disclosure information relating to RPC's practices and relationships with custodians.

Clients will receive all required account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy. In cases where Advisor fees are directly deducted, Advisor is required to a.) Obtain client authorization, b.) Send a copy of the invoice to the client at the same time that the RPC directs invoice to the custodian for payment, c.) Disclose that the custodian will send quarterly invoices to the client wherein Advisor fees are itemized.

## **ITEM 16: INVESTMENT DISCRETION**

### **A. Discretionary Authority; Limitations**

Unless otherwise noted in the client's IPS or the terms of the investment advisory agreement, RPC has full discretionary authority over the client's portfolio, which includes the selection and amount of securities to be bought or sold for client accounts. RPC makes investment decisions without consultation with the client on which securities and quantities are to be bought and sold

for the account. However, RPC strives to manage all client accounts in accordance with their investment objectives and individual risk tolerance as set forth in each client's IPS. In some instances, RPC's discretionary authority in making these determinations may be limited by conditions imposed by clients in their investment guidelines or objectives provided to RPC. All such limitations, restrictions, and investment guidelines must be provided to RPC in writing.

## **B. Limited Power of Attorney**

Unless clients specifically request in writing that RPC manage all or part of their account on a non-discretionary basis, by signing RPC's advisory agreement, clients authorize RPC to exercise full discretionary authority with respect to all investment transactions involving the client's account. Pursuant to such agreement, RPC is granted full discretionary authority to effect investment transactions in the client's account in accordance with the client's stated investment guidelines, objectives, risk tolerance, investment timeline, and other applicable criteria set forth in each client's IPS. RPC will have full authority to enter into agreements and execute any documents required to effect transactions in the client's account and to give instructions to third parties in furtherance of such authority.

## **ITEM 17: VOTING CLIENT SECURITIES**

Among the services we provide, we may vote on proxies on behalf of clients. Our policy is to vote on proxies in the interest of maximizing shareholder value. To that end, RPC will vote in a way it believes consistent with its fiduciary duty, will cause the issue to increase to most or decline the least in value. Consideration will be given to both the short and long term implications of the proposal to be voted on when considering optimal vote.

We currently identify no conflict of interest between our clients' interest and our own within our proxy voting process. Nevertheless, if we determine that we are facing material conflict of interest in voting your proxy, our procedures provide for a Proxy Voting Committee to convene and to determine the appropriate vote. Decisions of the Committee must be unanimous. If a unanimous decision cannot be reached by the Committee, a competent third party will be engaged at our expense, who will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

Our complete proxy voting policy and procedures are memorialized in writing and are available for review. In addition, our complete proxy voting record is available to our clients and only to our clients. Please contact us if you have any questions or would like to review either of these documents.

In the event RPC does not exercise proxy voting authority over clients securities then the obligation to vote client proxies shall at all times rest with the client. Clients shall in no way be precluded from contacting us for advice or information about a particular proxy vote. However, we shall not be deemed to have proxy voting authority solely as a result of providing such advice to client. Should we inadvertently receive proxy information for a security held in a client's account over which RPC does not have proxy voting authority, then we will immediately forward such information in to the client, but will not take any further action with respect to the

voting of such proxy. Upon termination of a client's investment advisory agreement, we shall make a good faith and reasonable attempt to forward proxy information inadvertently received by us on behalf of the client to the forwarding address provided to us by the client.

## **ITEM 18: FINANCIAL INFORMATION**

RPC does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. RPC does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.

## **ITEM 19: REQUIREMENTS FOR STATE REGISTERED ADVISERS**

### **A. Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

RCP currently has only one management person/executive officer; Kristin Hetzer. Kristin Hetzer's education and business background can be found on the Supplemental ADV Part 2B form.

### **B. How Performance Based Fees are Calculated and Degree of Risk to Clients**

Kristin Hetzer's other business activities can be found on the Supplemental ADV Part 2B form

### **C. How Performance Based Fees are Calculated and Degree of Risk to Clients**

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

### **D. Material Disciplinary Disclosures for Management Persons of this Firm**

NASD Case 93-00674 arbitration case settled 2-17-1993. Experienced investor alleged unsuitable investments. Investor had directed portfolio and high yield securities and requested trades in question. Arbitration award was paid by Prudential Securities. The case was settled for \$ 136,128.00.

NASD Case 93-00100 arbitration case that was settled by the firm for \$5000. The client had invested in high yield bonds for a number of years. Prudential Securities paid this amount to the client for his loss on some of the junk bonds he had purchased.

### **E. Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

Neither RCP, nor its management persons, has any relationship or arrangement with issuers of securities.