

# Budros, Ruhlin & Roe, Inc.

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Budros, Ruhlin & Roe, Inc. (“Budros, Ruhlin & Roe”). If you have any questions about the contents of this brochure, please contact us at 614-481-6900. 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. Budros, Ruhlin & Roe is an investment adviser registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

Additional information about Budros, Ruhlin & Roe is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Material Changes

Budros, Ruhlin & Roe's most recent update to Part 2A of Form ADV was made in March, 2013. Since that time, Budros, Ruhlin & Roe amended its Form ADV to reflect the following material changes:

1. Budros, Ruhlin & Roe's current ownership structure has been amended as described in the Advisory Business section below.
2. The Client Referrals and Other Compensation section has been amended to reflect that Budros, Ruhlin & Roe may pay referral fees to solicitors in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940 and corresponding state law.

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## Advisory Business

Budros, Ruhlin & Roe is an independently owned, fee-only wealth management firm. It was founded in 1979 and currently a majority of its shares are owned by Peggy Ruhlin, Daniel Roe, John Schuman, and a minority of its shares are owned by four other employees. As of January 1, 2013 Budros, Ruhlin & Roe managed \$1,651,653,346 on a discretionary basis and \$83,182,943 on a non-discretionary basis. Budros, Ruhlin & Roe has two primary service offerings: 1) wealth management services and 2) investment management services.

Budros, Ruhlin & Roe's wealth management services combine customized financial planning services with the firm's investment management services and are typically offered to high-net-worth individuals and their associated trusts and estates. Budros, Ruhlin & Roe's financial

planning service counsels clients in the following areas: retirement planning, risk management (life, disability, long-term care, property & casualty) planning, estate planning, income tax planning, education planning and charitable planning, by assisting them in setting goals and developing strategies to achieve those goals.

Budros, Ruhlin & Roe's investment management services include working with each client to establish an appropriate investment risk/return profile. Clients typically choose from among seven (7) different portfolios ranging from a Balanced asset allocation to an Aggressive Growth allocation. Each portfolio is managed in accordance with a written investment policy statement, which can impose reasonable restrictions on Budros, Ruhlin & Roe's discretionary management of the portfolio's accounts.

Budros, Ruhlin & Roe generally manages investment assets consisting of: domestic and international stocks, corporate and municipal bonds, United States government securities, certificates of deposit, open-end mutual funds, separately managed accounts, exchange traded funds ("ETFs"), variable annuity and life insurance contracts, equity options and alternative investments. (See Investment Strategies)

## Fees and Compensation

Budros, Ruhlin & Roe has two separate fee schedules; one for each of its service offerings. One fee schedule is for wealth management services and another fee schedule is for investment management services. These two fee schedules do not offset one another.

Wealth management fees: The wealth management fee is based on all investment assets (including cash and cash equivalents) regardless of where custodied or held, including investment assets held within insurance products, non-qualified and qualified plans, trusts and other entities or vehicles. It is not based on "assets under management" as the fee applies to these investment assets whether or not Budros, Ruhlin & Roe manages the assets as part of the client's portfolio. The current wealth management fee schedule is as follows:

	<u>Quarterly Fee</u>	<u>Annual Fee</u>
First \$4 Million of investment assets	0.2125%	0.85%
Investment assets in excess of \$4 Million and up to \$8 Million	0.1500%	0.60%
Investment assets in excess of \$8 Million	0.0875%	0.35%

Wealth management clients are subject to a minimum quarterly fee of \$4,250.00.

Investment management fees: Unlike the wealth management fees, investment management fees are based on the client's assets under Budros, Ruhlin & Roe's management. The current investment management fee schedule is as follows:

<u>Quarterly Fee</u>	<u>Annual Fee</u>
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First \$1 Million of investment assets	0.1875%	0.75%
Investment assets in excess of \$1 Million and up to \$4 Million	0.1250%	0.50%
Investment assets in excess of \$4 Million	0.0625%	0.25%

Investment management clients are subject to a minimum quarterly fee of \$1,250.00.

For all services: In certain instances, depending on the client's needs and the services to be performed by Budros, Ruhlin & Roe, a different fee schedule may be negotiated with a client. Additionally, Budros, Ruhlin & Roe has "grandfathered" some wealth management clients under older fee schedules.

Budros, Ruhlin & Roe calculates fees quarterly or annually based on the asset values at the beginning of the quarterly or annual period and fees are payable in advance. However, fees are not required to be prepaid six (6) months or more in advance.

Upon entering a contract with Budros, Ruhlin & Roe, a client may rescind such contract within five (5) business days and receive a full refund of all fees paid. After five (5) business days, Budros, Ruhlin & Roe will calculate and refund the unearned fee on a pro-rata basis. Most clients authorize Budros, Ruhlin & Roe to deduct fees automatically from their investment accounts, but clients may request that Budros, Ruhlin & Roe allow invoices to be paid by check. If a client terminates its agreement with Budros, Ruhlin & Roe they will be entitled to receive a refund of any unearned fees which are calculated on a pro-rata basis.

The fee that Budros, Ruhlin & Roe charges is in addition to the management fee that the adviser of a mutual fund, separately managed account, exchange-traded fund or other sub-adviser arrangement may receive for managing such investments within the client's portfolio. In addition, clients will bear trading costs and any applicable custodial fees or administrative fees.

## **Performance Based Fees and Side-by-Side Management**

Budros, Ruhlin & Roe does not charge any performance based fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to Budros, Ruhlin & Roe.

## **Types of Clients**

Budros, Ruhlin & Roe primarily provides wealth management services to high-net-worth individuals and their associated trusts and estates. Budros, Ruhlin & Roe provides investment management services to high-net-worth individuals, trusts, estates, pension and profit sharing plans, foundations and endowments, business entities and other legal entities. Budros, Ruhlin & Roe's minimum account size for investment management services is generally \$500,000. Budros, Ruhlin & Roe may, in its discretion, accept accounts smaller than \$500,000. There is no minimum account size for wealth management services.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

The firm's investment committee is responsible for setting strategy for all client portfolios. The committee consists of firm Board of Directors James Budros, Peggy Ruhlin, Daniel Roe, and John Schuman, as well as the firm's Director of Research. The investment committee is led by the Chief Investment Officer and meets at least quarterly to discuss strategy, client portfolio performance, existing and prospective investments, and asset allocation for portfolios.

Budros, Ruhlin & Roe's investment process begins with the creation of an Investment Policy Statement for each client portfolio, is drafted with the input of the client, and is based on the client's spending policy, portfolio time horizon and risk tolerance. The asset allocation strategy currently includes the following asset classes: domestic equities, international equities, global fixed income, alternative investments, commodities and real estate. Investment vehicles within each asset class can include individual securities, open-end mutual funds, exchange traded mutual funds (ETFs), separately managed accounts, and limited partnerships.

Each asset class to be utilized in a portfolio will have a stated target allocation, but the strategy and investment policy statement will allow for some variation around the targeted allocation. This not only allows for day-to-day market volatility, but also for Budros, Ruhlin & Roe to express current views by overweighting and underweighting asset class allocations. Within each asset class, fundamental analysis is prepared and reviewed for all investment securities recommended for client portfolios. This analysis varies depending on the security in question.

For mutual funds, separately managed accounts, ETFs and limited partnerships, the analysis generally includes a review of:

- management team;
- historical risk and return characteristics;
- sector and security exposures;
- marketability and liquidity issues;
- fee structure; and
- any other factors considered relevant.

For stocks and bonds, where Budros, Ruhlin & Roe is making final purchase or sale decisions, the review may include:

- external research prepared by non-affiliated firms;
- the potential impact of that position on the return of the portfolio; and

- historical and expected performance and volatility.

Budros, Ruhlin & Roe attempts to educate clients on the risks associated with investments, and the need to have a relatively long time horizon when investing in “risk” assets. The firm also educates on the importance of constructing diversified portfolios that allow for investments in companies and governments across the globe.

Budros, Ruhlin & Roe utilizes strategies that can engage in short selling and/or option writing. The use of short selling and option writing poses additional risks that are discussed with any client who is considering the use of these investment vehicles.

Investing in securities involves risk of loss that clients should be prepared to bear.

## **Disciplinary Information**

Budros, Ruhlin & Roe and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client’s evaluation of the company or its personnel.

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

Budros, Ruhlin & Roe and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Budros, Ruhlin & Roe has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires Budros, Ruhlin & Roe and its employees to act in clients’ best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Budros, Ruhlin & Roe’s restrictions on personal securities trading apply to employees, as well as employees’ family members living in the same household. A copy of Budros, Ruhlin & Roe’s code of ethics is available upon request.

Budros, Ruhlin & Roe maintains a watch list of securities in which employees must obtain pre-clearance from the Chief Compliance Officer prior to executing personal security transactions in those securities. The Chief Compliance Officer does not grant pre-clearance where it would appear that an employee’s trading could disadvantage Budros, Ruhlin & Roe’s clients or have the appearance of insider trading.

## **Brokerage Practices**

Budros, Ruhlin & Roe generally recommends that clients arrange for their assets to be held with the Schwab Institutional division of Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer, member SIPC. Although Budros, Ruhlin & Roe may recommend that clients establish

accounts at Schwab, it is the client's decision to custody assets with Schwab. Budros, Ruhlin & Roe is independently owned and operated and not affiliated with Schwab.

For Budros, Ruhlin & Roe clients' accounts maintained in Schwab's custody, Schwab generally does not charge separately for custody, but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Budros, Ruhlin & Roe has managed client assets held at Schwab for many years and has found Schwab to offer good services at competitive prices.

#### Soft Dollar Benefits

Schwab also makes available to Budros, Ruhlin & Roe other products and services that benefit Budros, Ruhlin & Roe but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of Budros, Ruhlin & Roe's accounts, including accounts not maintained at Schwab.

Currently, Budros, Ruhlin & Roe's receipt of products and services from Schwab and other brokers is not tied to the level of commissions generated for such brokers, or the amount of client assets that are custodied at such brokers. If Budros, Ruhlin & Roe were to enter into such an arrangement with any broker, it will be fully disclosed to clients. Furthermore, Budros, Ruhlin & Roe does not believe that clients whose accounts are held by Schwab bear any additional costs in connection with Budros, Ruhlin & Roe's receipt of the products and services.

Schwab's products and services that assist Budros, Ruhlin & Roe in managing and administering clients' accounts include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution and allocate aggregate trade orders for multiple client accounts; provide research, pricing information and other market data; facilitate payment of Budros, Ruhlin & Roe's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting.

Schwab also makes available to Budros, Ruhlin & Roe other services intended to help Budros, Ruhlin & Roe manage and further develop its business enterprise. These services may include consulting, education events, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to Budros, Ruhlin & Roe by independent third-parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Budros, Ruhlin & Roe.

While as a fiduciary, Budros, Ruhlin & Roe endeavors to act in its clients' best interests, Budros, Ruhlin & Roe's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Budros, Ruhlin & Roe of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. Also, some of the products and services listed above benefit clients whose accounts are held by other custodians, which could create a conflict of interest between the clients at Schwab, who are indirectly paying

for the products and services, and the clients at other custodians who may benefit from the products and services.

#### The Selection of Trading Counterparties

Budros, Ruhlin & Roe can typically trade accounts held at Schwab using other broker/dealers. However, Schwab may charge clients trade-away fees that Budros, Ruhlin & Roe believes outweigh any benefits from trading stocks, mutual funds, or ETFs with other brokers. The availability and pricing of bonds varies more widely, so prior to placing a bond trade Budros, Ruhlin & Roe may solicit bids from several dealers and then execute the trade with the dealer that offers sufficient liquidity and the most favorable pricing.

For clients who elect to have their accounts held by firms other than Schwab, Budros, Ruhlin & Roe's approach is generally to trade stocks, mutual funds, and ETFs with the chosen custodian, and to trade bonds with the dealer that offers sufficient liquidity and the most favorable pricing.

Some clients' accounts are relatively small, in which case the custodian may not allow Budros, Ruhlin & Roe to trade through other firms. Other clients may specifically request that their accounts only be traded through a particular broker/dealer. Budros, Ruhlin & Roe trades these accounts through the firm chosen by the client, which limits Budros, Ruhlin & Roe's ability to seek best execution. Trading restrictions may result in materially higher trading costs and reduced returns.

#### Best Execution Reviews

Budros, Ruhlin & Roe has a fiduciary duty to seek best execution for client securities transactions. Best execution takes into account many factors in the execution of transactions other than simply cost. Budros, Ruhlin & Roe's investment committee evaluates the pricing and services offered by Schwab and other trading counterparties with those offered by other reputable firms. Budros, Ruhlin & Roe has sought to make a good-faith determination that Schwab and other chosen trading counterparties provide clients with good services at competitive prices. However, clients should be aware that this determination could have been influenced by Budros, Ruhlin & Roe's receipt of products and services from Schwab. Historically Budros, Ruhlin & Roe has concluded that Schwab is as good as, or better than, the other firms that have been considered. Budros, Ruhlin & Roe would notify its clients if it were to determine that another firm offered better pricing and services than Schwab. If a client directs Budros, Ruhlin & Roe to utilize a different broker, such direction may negatively impact the ability to obtain best execution for such client's securities transactions, as Budros, Ruhlin & Roe's ability to negotiate price, commissions and execution may be limited or eliminated.

#### Aggregated Trades

Budros, Ruhlin & Roe may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts it manages. In such event the average price of all securities purchased or sold in such transactions may be determined and a client may be charged or credited, as the case may be, the average transaction price. As a result, however, the price may be less favorable to the client than it would be if similar transactions were not being executed concurrently for other accounts. Budros, Ruhlin & Roe may also cause a client to buy or



sell securities directly from or to another client, if such cross-transaction is in the interest of both such clients.

#### Client Referrals

Budros, Ruhlin & Roe does not currently participate in any client referral programs with Schwab or any other custodian or broker/dealer.

### **Review of Accounts**

Client portfolios under Budros, Ruhlin & Roe's wealth management services are monitored on an ongoing basis by a Senior Financial Planner and the Chief Investment Officer (or another member of investment committee). Client portfolios under Budros, Ruhlin & Roe's investment management services are monitored on an ongoing basis by the Investment Management Specialist and the Chief Investment Officer (or another member of the investment committee). Each review is designed to determine if the client portfolio is in compliance with the investment policy statement, and that the asset allocation and investment selections for each asset class are as specified by the investment committee. Each client portfolio is reviewed on at least a quarterly basis. Reviews of client accounts will also be triggered if a client deposits or withdraws meaningful amounts to or from the portfolio, changes his or her investment objectives, or if the market, political, or economic environment changes materially.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. Budros, Ruhlin & Roe provides quarterly reports to supplement these custodial statements and will provide reports at other times upon a client's request. Clients should carefully review the custodian's statements and should compare these statements to the reports provided by Budros, Ruhlin & Roe.

Reports from Budros, Ruhlin & Roe, as well as other documents, are delivered to clients electronically through a secure client portal website called MyBRROffice ("MBO"). Each client has their own portal that is accessed by the client pursuant to a client username and a client selected password. All reports and document files during transport (either upload or download) across the internet and while stored on the site are encrypted for client security purposes. In addition, clients may upload document files to their MBO portal for delivery to Budros, Ruhlin & Roe or to store electronically. Clients may elect not to have a MBO portal in which case reports and documentation will be delivered to clients via encrypted email, fax or regular mail.

### **Client Referrals and Other Compensation**

If a client is introduced to Budros, Ruhlin & Roe by either an unaffiliated or an affiliated solicitor, Budros, Ruhlin & Roe *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Budros, Ruhlin & Roe's wealth management or investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Budros, Ruhlin & Roe by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Budros, Ruhlin & Roe's written ADV brochure with a copy of the written disclosure statement from the solicitor to the client disclosing

the terms of the solicitation arrangement between Budros, Ruhlin & Roe and the solicitor, including the compensation to be received by the solicitor from Budros, Ruhlin & Roe.

As described above, Budros, Ruhlin & Roe does not currently participate in any client referral programs with Schwab or any other custodian or broker/dealer. However, Budros, Ruhlin & Roe has participated in such programs in the past and is continuing to pay a portion of its advisory fees to Schwab for certain legacy accounts in connection with Schwab's referral of those clients to Budros, Ruhlin & Roe.

Other than the previously described products and services that Budros, Ruhlin & Roe receives from Schwab, Budros, Ruhlin & Roe does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

## **Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but Budros, Ruhlin & Roe can access many clients' accounts through its ability to debit advisory fees and/or assist with money transfer services. For these reasons, Budros, Ruhlin & Roe is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and clients are urged to compare these statements to any account information provided by Budros, Ruhlin & Roe. In addition, Budros, Ruhlin & Roe has engaged the services of an independent public accountant to conduct a surprise examination of the accounts for which it is deemed to have custody.

## **Investment Discretion**

Budros, Ruhlin & Roe has investment discretion over nearly all clients' accounts. Clients grant Budros, Ruhlin & Roe trading discretion through the execution of a limited power of attorney with the account custodian.

Clients can place reasonable restrictions on Budros, Ruhlin & Roe's investment discretion by noting such restrictions on the investment policy statement. For example, some clients have asked Budros, Ruhlin & Roe not to sell certain securities where the client has a particularly low tax basis or wishes to maintain an investment position.

## **Voting Client Securities**

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, Budros, Ruhlin & Roe has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Budros, Ruhlin & Roe receives will be treated in accordance with these policies and procedures.

Budros, Ruhlin & Roe considers the reputation, experience, and competence of a company's management and board of directors when it evaluates a prospective investment. In general, Budros, Ruhlin & Roe votes in favor of routine corporate matters, such as the re-approval of an auditor or a change of a legal entity's name. Budros, Ruhlin & Roe also generally votes in favor of compensation practices and other measures that are in line with industry norms, that allow companies to attract and retain key employees and directors, that reward long-term performance,

and that align the interests of management and shareholders. Budros, Ruhlin & Roe supplements its evaluation of client proxies with guidance from an independent corporate governance consulting firm.

Budros, Ruhlin & Roe has not identified any material conflicts of interest in connection with past proxy votes. Such a conflict could arise if, for example, a client was a senior executive with a publicly traded company and other clients held securities issued by that company. Absent specific client instructions, if Budros, Ruhlin & Roe identifies a material conflict of interest it will follow the voting recommendation of the independent corporate governance consulting firm that it has retained.

A copy of Budros, Ruhlin & Roe's proxy voting policies and procedures, as well as specific information about how Budros, Ruhlin & Roe has voted in the past, is available upon written request. Upon written request, clients can also take responsibility for voting their own proxies, or can give Budros, Ruhlin & Roe instructions about how to vote their respective shares.

## **Financial Information**

Budros, Ruhlin & Roe does not solicit fees of more than \$1,200 per client, six months or more in advance, has never filed for bankruptcy, and is not aware of any financial condition that is expected to affect its ability to manage client accounts.