



Ross, Sinclair and Associates, LLC

700 Walnut Street, Suite 600

Cincinnati, OH 45202

513.381.3939

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

March 28, 2016

This Brochure provides information about the qualifications and business practices of Ross, Sinclair & Associates, LLC ["RSA"]. If you have any questions about the contents of this Brochure, please contact us at 513.381.3939. 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.

RSA is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about RSA also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

March 28, 2016



## Item 2 – Material Changes

The last annual update of RSA’s Brochure occurred on March 16, 2015. Following is a summary of material changes since that annual update. The below listed changes generally relate to RSA’s acquisition of ClientFirst Financial Strategies, Inc. (“ClientFirst”) which was completed on January 27<sup>th</sup>, 2016.

*Item 4 – Advisory Business*- Included information regarding the Envestnet Manager Selection Platform. Also, information is included regarding Financial Planning Services and Services Provided to Retirement Plans, which are two services that were previously made available through ClientFirst. The Envestnet Manager Selection Platform is made available through the unaffiliated advisor Envestnet Asset Management, Inc. and this platform makes available to clients the advisory services of other non-affiliated investment management firms.

*Item 5 – Fees and Compensation* – Revised the fee schedule to encompass fees applicable to the programs and services that were previously made available through ClientFirst.

*Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss* – Included information regarding Fundamental, Technical, Cyclical, Asset Allocation, Mutual Fund and/or ETF and Third Party Money Manager analysis that may now be utilized by RSA after the ClientFirst acquisition. In addition, information was included regarding investment strategies that may be utilized by RSA after the ClientFirst acquisition, such as long-term purchases, short-term purchases, margin transactions and option writing.

*Item 14 – Client Referrals and Other Compensation* - After the ClientFirst acquisition RSA may pay referral fees to solicitors. Therefore, information was included regarding the possible utilization of solicitors. In addition, information was included regarding re-allowance fees that may be received through Western International Securities, Inc. and referral fees that may be received from unaffiliated insurance agents.

*Item 15 – Custody* - Included information regarding the limited types of accounts for which RSA may be determined to have custody. Specifically, individual client assets maintained at 401(k), pension and other employee benefit plan administrators and custodians.

*Item 17 – Voting Client Securities* – After the ClientFirst acquisition RSA may vote proxies for a limited number of clients. Therefore, information was included regarding the proxy voting policies and procedures of RSA.

March 28, 2016

Currently, our Brochure may be requested by contacting Andy Warning, Chief Compliance Officer at 513.381.3939 or [awarning@rsanet.com](mailto:awarning@rsanet.com).

Additional information about RSA is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with RSA who are registered, or are required to be registered, as investment adviser representatives of RSA.

March 28, 2016

## Item 3 -Table of Contents

Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iv
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	5
Item 6 – Performance-Based Fees and Side-By-Side Management .....	8
Item 7 – Types of Clients.....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9 – Disciplinary Information .....	13
Item 10 – Other Financial Industry Activities and Affiliations .....	14
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	15
Item 12 – Brokerage Practices .....	16
Item 13 – Review of Accounts.....	19
Item 14 – Client Referrals and Other Compensation.....	19
Item 15 – Custody .....	20
Item 16 – Investment Discretion .....	20
Item 17 – Voting Client Securities.....	21
Item 18 – Financial Information.....	21

March 28, 2016

## **Item 4 – Advisory Business**

### **Firm Description and Principal Owners**

Ross, Sinclair and Associates, LLC (RSA) is an Ohio limited liability company formed on November 16, 2004. RSA has been providing advisory services [since that time] [since (insert date)]. RSA has been registered with the Securities and Exchange Commission (SEC) as an investment adviser since September 2013.

Murray Sinclair, Jr. is RSA's principal owner (>25% ownership interest). Mr. Sinclair maintains his ownership interest in RSA through his ownership interest in the corporate entity Ross, Sinclair & Associates, Inc.

### **Types of Advisory Services**

#### **Wealth Management Services**

RSA provides services including but not limited to portfolio management, investment strategy, consulting, and asset review for compensation. RSA may perform financial planning, estate planning, and insurance reviews to better understand a client's investment needs and objectives.

RSA will manage advisory accounts on either a discretionary or non-discretionary basis. At the time of agreement execution, the account will be deemed as either discretionary or non-discretionary as mutually agreed upon by the client and RSA.

Upon commencement of the advisory agreement, account supervision is guided by the stated objectives of the client. Generally, client objectives are delineated as per Exhibit A pertaining to Investment Guidelines as set forth in the Investment Advisory Agreement entered into by the client and RSA. However, depending upon the client relationship RSA may receive and document client objectives in a different manner. As part of the services rendered, RSA may consult with a client on financial matters outside of the account managed by RSA. These services are separate from our services.

While each individual client's portfolio is managed in a unique manner, in seeking to achieve a client's stated objectives RSA's investment strategy is based upon risk management, asset allocation, and macroeconomic data. RSA may construct a portfolio based upon individual fixed income instruments, equities, preferred stocks, reverse convertibles, options, and other instruments deemed necessary to construct the desired portfolio. RSA may also

March 28, 2016

select money managers, mutual funds, ETF's, and other instruments to construct a diversified portfolio to meet each client's stated objectives.

Clients have the ability to choose a custodian different from who RSA may recommend. Clients also have the option to purchase investment products that RSA recommends through other brokers or agents that RSA is not affiliated with.

Clients may at any time impose reasonable restrictions on RSA's services, but restrictions must be delivered to RSA in writing, and must be signed by the client.

In those instances where RSA may provide advisory services for client assets maintained within a client's 401(k) or similar employer sponsored plan and/or insurance products, RSA's investment recommendations may be limited to those investment options available within the employer sponsored plan and/or the insurance product.

### **Manager Selection PPlatform**

RSA also offers advisory services to clients through the manager selection platform made available through the unaffiliated adviser Envestnet Asset Management, Inc. ("Envestnet").

RSA reviews each client's investment objectives, financial circumstances and risk tolerance levels and assist the client in selecting one or more independent money managers available through the Envestnet platform. Client accounts are thereafter managed on a discretionary basis by the individual money managers.

RSA personnel periodically review each client's account and may recommend a particular portfolio manager, or the replacement of one portfolio manager with another, based upon such factors as the performance of the manager and the progress achieved toward meeting a client's stated investment objectives or changes in the client's investment objectives, risk tolerance levels or, perhaps, investment philosophy. RSA may also provide consulting services regarding the reallocation of client assets among portfolio managers or among available styles. RSA personnel may assist the client in identifying tax strategies to be followed by a respective portfolio manager, although RSA cannot guarantee that the portfolio manager will follow the suggested tax strategy.

Clients who utilize these services should read the Brochure(s) of the independent managers selected and of the platform provider.

### **Financial Planning Services**

March 28, 2016

RSA may provide personal financial planning services, on a limited basis, on estate planning, retirement planning and tax matters. Based upon each client's needs, RSA may gather information concerning the client's current financial condition, tax status, future goals, returns objectives and risk tolerance. Thereafter, as may be requested by the client, RSA will prepare a report which provides the client with a detailed plan designed to assist the client in achieving their financial goals and objectives. In addition, upon a client's request RSA may review the recommendations contained in the plan with the client's attorney, accountant, insurance agent and/or stockbroker. Clients are under no obligation to implement any of the recommendations provided in their financial plan. However, should a client decide to proceed with the implementation of the investment recommendations then the client have RSA implement those recommendations or utilize the services of any other investment adviser or broker/dealer of their choice.

RSA may also provide administrative and research services at the request of a client.

RSA cannot provide any guarantees or promises that a client's financial goals and objectives will be met. Also, RSA does not provide legal, accounting and tax advice. RSA seeks to work with the legal, accounting and/or tax advisor(s) of the client.

### **Services Provided to Retirement Plans**

RSA offers consulting and investment advisory services for employer-sponsored retirement plans ("Plans") that are designed to assist plan sponsors of employee benefit plans ("Sponsor(s)"). RSA may also assist Sponsors with enrollment and/or providing investment education to plan participants and beneficiaries.

### **Advisory Services**

When providing investment advisory services for Plans, RSA serves in a non-discretionary capacity as defined by section 3(21) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In providing non-discretionary investment advisory services, RSA will solely be making recommendations to the Sponsor/appropriate Plan fiduciary and the Sponsor/appropriate Plan fiduciary retains full discretionary authority or control over assets of the Plan.

### **Review of IPS and Plan Investment Alternatives**

RSA may review with the Sponsor and/or appropriate Plan fiduciary, the investment objectives, risk tolerance and goals of the Plan. If the Plan does not have an investment policy statement ("IPS"), RSA may recommend investment policies to

March 28, 2016

assist the Plan fiduciary in establishing an appropriate IPS. If the Plan has an existing IPS, RSA may review the IPS for consistency with the Plan objectives. If it appears that the IPS does not represent the objectives of the Plan, RSA may recommend to the Plan fiduciary revisions to the IPS.

#### Monitoring and Recommendations Regarding the Plan Investment Alternatives

Based on the Plan's IPS or other guidelines established by the Plan, RSA may review the designated investment alternatives ("DIAs") available to the Plan and may make recommendations to assist the Plan fiduciary in selecting the DIAs to be offered to Plan participants. Once the Plan fiduciary selects the DIAs, RSA may provide reports, information and recommendations, on a quarterly basis or upon reasonable request, to assist the Plan fiduciary in fulfilling the Plan fiduciary's duty to monitor the Plan's DIAs.

#### Monitoring and Recommendations Regarding Qualified Default Investment Alternative(s)

Based on the Plan's IPS or other guidelines established by the Plan, RSA may review the investment options available to the Plan and will make recommendations to assist the Plan Fiduciary in selecting the Plan's qualified default investment alternative(s) ("QDIA(s)") for Plan participants that fail to direct the investment of their accounts. Once the Plan fiduciary selects the QDIAs, RSA may provide reports, information and recommendations, on a quarterly or upon reasonably requested basis, to assist the Plan fiduciary in fulfilling its duty to monitor the QDIAs.

#### Investment Reporting and Analysis

RSA may provide the Plan fiduciary with investment performance reports and related information that the Plan fiduciary may consider in the management and evaluation of the Plan's investments in accordance with the Plan's IPS and the Plan fiduciary's duty to monitor the investments of the Plan. The Plan fiduciary retains decision-making authority to select, remove, and/or replace Plan investments.

#### Employee Enrollment and Investment Education

In addition to the investment advisory services described above, RSA may provide certain educational and enrollment assistance for a Plan client. RSA may conduct periodic group enrollment and education meetings with employees and educational meetings with Plan participants and beneficiaries. RSA may provide information and

March 28, 2016



materials that inform a participant or beneficiary about the benefits of Plan participation, the benefits of increasing Plan contributions, the impact of preretirement withdrawals on retirement income, the terms of the Plan, or the operation of the Plan. RSA may also provide educational information concerning the Plan's DIAs, e.g. general asset classes, investment objectives and philosophies, risk and return characteristics, historical return information, and/or related prospectuses of the Plan's DIAs.

RSA may also provide information and materials that inform a participant or beneficiary about: (i) general financial and investment concepts, such as risk and return, diversification, dollar cost averaging, compounded return, and tax deferred investment; (ii) historical differences in rates of return between different asset classes (e.g., equities, bonds, or cash) based on standard market indices; (iii) effects of inflation; (iv) estimating future retirement income needs; (v) determining investment time horizons ; and (vi) assessing risk tolerance. The information and materials described above relate to the Plan and Plan participation, without reference to the appropriateness of any individual DIA for a particular participant or beneficiary under the Plan, or are general financial and investment information that have no direct relationship to the Plan's DIAs. The information is provided for educational purposes only and does not constitute investment advice.

## **Client Obligations**

In performing its services, RSA is not required to verify any information received from a client or from a client's other professionals, and is expressly authorized to rely upon the information so provided. In addition, each client for which RSA provides ongoing advisory services is advised that it remains his/her/its responsibility to promptly notify RSA if there is ever a change in his/her/its financial situation or investment objectives.

## **Assets Under Management**

As of February 27, 2016, RSA managed approximately \$407,652,829 in assets included within 792 portfolio accounts. Approximately \$232,282,915 is managed on a discretionary basis and \$175,369,914 on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Wealth Management Services, Manager Selection Services and Services Provided to Retirement Plans**

March 28, 2016

## **Fee Schedule**

For Wealth Management Services, Manager Selection Services and Services Provided to Retirement Plans, RSA bases its annual investment management fee upon a percentage of the market value of the assets under management. Following are the annual fee percentage fees for these services:

### **Annual Fees (percentage of assets under management)**

<b><i>Household Assets Under Management</i></b>	<b><i>Investment Supervisory Services Balanced / Equity</i></b>	<b><i>Investment Supervisory Services Mutual funds</i></b>	<b><i>Investment Supervisory Services Bonds</i></b>	<b><i>Asset Allocation Services Annuities and 401(k)</i></b>	<b><i>Manager Selection Programs</i></b>
Up to \$100,000	1.75% - 2.00%	1.75% - 2.00%	.50% - .75%	1.00% - 1.50%	
\$100,000 - \$350,000	1.00% - 1.75%	1.25% - 1.75%	.375% - .50%	.50% - 1.00%	
Over \$350,000	.25% - 1.00%	.50% - 1.25%	.125% - .375%	.25% -.50%	
May vary by manager					.70% - 1.00%

Fees may not exceed 2.5% of assets under management (AUM). Please refer to the advisory agreement for the specific fee percentage rate.

## **Fee Determination and Fee Payment**

The fees listed above are charged quarterly in advance or in arrears, depending upon the specific agreement between the client and RSA. The fee amounts are calculated on the last trading day of the quarter, utilizing the asset values as provided by the qualified custodian(s) for the client account(s). Depending upon the agreement between RSA and the client, such advisory fees may be deducted from the client's custodial account or paid by the client pursuant to the provision of an invoice by RSA.

RSA will refund all pre-paid and un-earned advisory fees upon the closing of a client account. Refunds will be provided promptly, but in no event later than sixty (60) days after closing of such account and the transfer of the assets in that account to a custodial account for which RSA does not provide advisory services. Any unearned, unpaid fees will be due and payable upon the closing of a client account.

## **Account Set-Up Fees**

In certain complex cases RSA may perform an initial analysis and account set-up for which RSA will charge on an hourly basis at a rate of up to \$300 per hour, billed in quarter-hour

increments. Hourly fees are payable, upon invoicing, at the end of the calendar quarter in which the services were provided.

### **Manager Selection Services – Additional Fees**

In addition to the advisory fees charged by RSA, clients who participate in the Envestnet Manager Selection Platform are also subject to the advisory fees, charges and other expenses incurred due as part of that program. These additional fees and expenses may include the advisory fees charged by Envestnet and/or the various separate account managers.

### **Financial Planning Services**

Financial Planning clients are charged on an hourly basis at a rate of \$300 per hour, billed in quarter-hour increments. Hourly fees are payable, upon invoicing, at the end of the calendar quarter in which such services were provided.

Fees for administrative and research services are charged on an hourly basis, which may range between fifty dollars (\$50.00) and three-hundred dollars (\$300.00) per hour, charged in quarter-hour increments, depending on the nature and complexity of the service requested and the individual performing the services. In addition to the hourly fees set out above, incidental costs and expenses associated with providing such administrative and research services are also passed through to clients at the actual cost incurred by Adviser. Such costs may consist of, for example, postage and express delivery costs; travel related expenses; and, actual costs charged to Adviser by third-parties that provide information/documents requested by client.

### **Negotiability of Fees**

RSA, in its sole discretion, may reduce its investment management and other fees based upon certain factors, such as anticipated future earning capacity, anticipated future assets and dollar amount of assets to be managed, related accounts, account composition, negotiations with the client and other considerations.

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

### **Other Fees and Expenses**

The advisory fees charged by RSA do not include additional charges such as custodian fees and mutual fees and expenses. (See below for information regarding RSA and some of its personnel serving as registered representatives of a broker/dealer and/or as licensed insurance agents). Client assets may also be subject to transaction costs, retirement plan administration fees (if applicable), deferred sales charges on mutual funds initially deposited into the client account,

March 28, 2016

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.

Client assets investment in mutual funds will be subject to certain fees and expenses imposed directly by mutual funds to their shareholders, which are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund sponsor also imposes sales charges, a client may pay initial or deferred sales or surrender charges. Clients may also incur brokerage commissions and other execution costs charged by the custodian or executing broker/dealer in connection with transactions for a client's accounts. Please refer to Item 12 of this Brochure entitled "Brokerage Practices" for additional important information about the brokerage and transactional practices of RSA.

### **Compensation for Sales of Securities or Other Investment Products**

In addition to being an investment adviser registered with the SEC, RSA also is a registered broker/dealer, member FINRA and SIPC. Advisory personnel of RSA may also serve as broker/dealer registered representatives of RSA. Also, advisory personnel of RSA may also serve as licensed insurance agents in their individual capacities. In engaging in these activities, RSA and RSA personnel may receive usual and customary commissions for the sale of securities and insurance products. This may present a conflict of interest and may give RSA and/or RSA personnel an incentive to recommend investment products based on compensation received, rather than on a client's needs. Clients have the option to purchase investment products, that RSA may recommend, through other broker/dealers or insurance agents not affiliated with RSA. Please see Item 10 below for more detailed information regarding these arrangements, along with the conflicts surrounding such and the steps RSA has in place to mitigate these conflicts.

Clients of RSA may trade "no load" mutual funds as part of their portfolio. No load mutual funds usually have certain trading constraints, can be bought and sold without paying a ticket charge or trading commission. The trading constraints usually consist of a minimum order and a minimum holding period. If the client holds for less than the minimum holding period a fee roughly equivalent to the total cost of a buy and sell commission is charged to the client.

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

RSA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7 – Types of Clients

RSA currently provides portfolio management services to individuals, high net worth individuals, qualified retirement plans (pension, profit sharing, SEP IRA, defined benefit), charitable organizations, banking institutions and other registered investments advisor's through sub-advisory agreements.

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

### Methods of Analysis

RSA offers investment strategies customized to the individual client's needs. While each individual client's portfolio is managed in a unique manner in seeking to achieve the client's objectives, RSA's investment strategy is based upon risk management, asset allocation, and macroeconomic data.

RSA will construct a portfolio based upon individual fixed income instruments, equities, preferred stocks, reverse convertibles, options, and other instruments deemed necessary to construct the desired portfolio. RSA may also select money managers, mutual funds, ETF's, and other instruments in seeking to construct a diversified portfolio to meet each client's stated objectives.

In constructing client portfolios and/or providing investment advisory services, RSA may use the following methods of analysis.

**Fundamental Analysis.** RSA attempts to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, the financial condition and management of the company itself) to determine if the company is undervalued (indicating it may be a good time to buy) or overvalued (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the company.

**Technical Analysis.** RSA seeks to analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed

March 28, 2016

or financially unsound company may underperform regardless of market movement.

***Cyclical Analysis.*** In this type of technical analysis, RSA seeks to measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

***Asset Allocation.*** Rather than focusing primarily on securities selection, RSA attempts to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. We will periodically review the client's goals and tolerance for risk with the client. We may alter the allocation over time as market and economic conditions warrant. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

***Mutual Fund and/or ETF Analysis.*** RSA may look at the experience and track record of the manager of a mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. RSA may also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other fund(s) in the client's portfolio. RSA may also monitor funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as RSA does not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Third-Party Money Manager Analysis.*** RSA may examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. RSA may monitor the manager's underlying holdings, strategies, concentrations and leverage as part of the firm's overall periodic risk assessment. Additionally, as part of our due-diligence process, RSA may survey the manager's compliance and business enterprise risks. A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as RSA does not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may

deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for clients. Moreover, as RSA does not control the manager's daily business and compliance operations, RSA may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

RSA utilizes many sources of information including Bloomberg, financial newspapers, and research materials prepared by 3<sup>rd</sup> parties, SEC filings, and company press releases.

### **Investment Strategies**

RSA may use the following strategies in managing client accounts, provided that such strategies are appropriate to the client's needs and consistent with the individual client's needs.

**Long-term purchases.** RSA typically purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when RSA believes the securities to be currently undervalued, and/or RSA is seeking exposure to a particular asset class over time, regardless of the current projection for this class. A risk in a long-term purchase strategy is that by holding the security for this length of time, RSA may not take advantage of short-term gains that could be profitable to a client. Moreover, if RSA's predictions are incorrect, a security may decline sharply in value before the decision to sell.

**Short-term purchases.** Less frequently, RSA may purchase securities with the idea of selling them within a relatively short time (typically a year or less). RSA may do this in an attempt to take advantage of conditions that RSA believes will soon result in a price swing in the securities purchased. A short-term purchase strategy poses risks should the anticipated price swing not materialize; the client is then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy, and will likely result in less favorable tax treatment of short-term capital gains.

**Margin transactions.** For clients that choose to set up a margin account, RSA can purchase stocks for a client's portfolio with money borrowed from their brokerage account. This allows for the purchase of more stock than would be possible with just available cash, and allows RSA to purchase stock without selling other holdings. However, this strategy is used infrequently, largely due to the following outlined risks. In volatile markets, a risk of margin trading is security prices can fall very quickly. If the value of the securities in the account minus what is owed to the broker falls below a certain level, the broker will issue a "margin call", and the client will be required to sell the position or add more cash to the account. In some circumstances, the client may lose more money than was originally invested. This

strategy is only utilized upon the written instructions of the client.

**Option writing.** Infrequently, RSA may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. We may use options to speculate on the possibility of a sharp price swing. We may also use options to "hedge" a purchase of the underlying security; in other words, we will use an option sale to limit the potential upside and downside of a security we have purchased for the client's portfolio. Typically RSA will use "covered calls", in which RSA sells an option on a security the client owns. In this strategy, a client receives a premium for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price. A risk of covered calls is the option buyer does not have to exercise the option, so that if RSA desires to sell the stock prior to the end of the option agreement, RSA will be required to buy the option back from the market, for a possible loss. This strategy is only utilized upon the written instructions of the client.

## **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. 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. Investment Products offered through RSA are not FDIC Insured, offer no Bank Guarantee, and May lose value. Our investment approach seeks to constantly keep the risk of loss in mind.

In addition to various risks discussed above, clients of RSA may also face the following investment risks:

**Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.



**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

**Currency Risk:** International investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

## Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or a prospective client's evaluation of RSA's advisory business or the integrity of RSA's management.

### FINRA

9/2009- RSA paid a fine of \$7,500 for late reporting of purchases and sales in municipal securities.

5/2007- RSA paid a fine of \$7,500 for reporting order events (ROES) that it was required to report to the audit trail system (OATS) on numerous business days.

6/2014- RSA paid a fine of \$22,000 for pricing of agency securities.

### SEC

9/2015- RSA participated in the Municipalities Continuing Disclosure Cooperation Initiative where a fine was paid of \$220,000 for conducting inadequate due diligence in determining the

March 28, 2016

accuracy of representations made in official statements issued in connection with bond offerings for which RSA was the underwriter.

State of Kentucky

5/2013- RSA paid a fine of \$4,500 for conducting investment advisory business without registration.

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

As referenced above in Item 5, RSA is also a broker-dealer registered with the SEC, member FINRA and SIPC. Various RSA personnel and executive officers serve as registered representatives of RSA and such registered representatives may earn commissions on any principal trades affected for advisory clients of RSA. RSA, its principal executive officers and other employees of RSA may from time to time, receive 12b-1 distribution fees from investment companies in connection with the placement of client funds into investment companies. Furthermore, as registered representatives RSA personnel may offer securities and receive normal and customary fees and commissions as a result of these transactions. In addition, various RSA personnel are also licensed to sell life insurance and variable annuities and may earn commissions and trailers from those sales.

Clients should be aware that the ability to act as a registered representative of a broker-dealer, as well as the receipt the additional compensation detailed above, creates an inherent conflict of interest which may impair the objectivity of RSA and RSA personnel making advisory and other recommendations. As part of RSA's fiduciary duty to clients, RSA and its representatives endeavor at all times to put the interests of 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. Furthermore, to address such possible conflicts of interests, RSA takes the following steps:

- Disclose to clients the existence of all material conflicts of interest, including the potential for RSA and its employees to earn compensation from advisory clients in addition to RSA's advisory fees;
- Disclose to Financial Planning clients that they are not obligated to purchase recommended investment products from RSA or RSA personnel;
- Collect, maintain and document client background information, including the client's financial goals, objectives and risk tolerance;
- Appropriate RSA personnel conduct periodic reviews of client accounts in seeking to

March 28, 2016

verify that recommendations made to a client are suitable to the client's needs and circumstances;

- Require that RSA personnel seek prior approval of any outside employment activity so that RSA may ensure that any conflicts of interests in such activities are properly addressed; and
- Educate RSA personnel regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

### **Code of Ethics Summary**

RSA has adopted a Code of Ethics ("Code") which establishes standards of conduct for RSA personnel and includes general requirements that such personnel comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading and conflicts of interest. The Code contains written policies designed to prevent the unlawful use of material non-public information by RSA or any RSA personnel. The Code also requires that certain RSA personnel (called "Access Persons") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

The Code also requires RSA personnel to report any violations of the Code promptly to RSA's Chief Compliance Officer. RSA personnel receive a copy of the Code and any amendments to it and must acknowledge in writing having received the materials. Annually RSA personnel must certify that they have complied with the Code during that year.

RSA will provide a copy of its Code to any client or prospective client upon request by contacting Andy Warning, Chief Compliance Officer at 513.381.3939 or [awarning@rsanet.com](mailto:awarning@rsanet.com).

### **Principal Transactions**

RSA may, from time to time, engage in principal transactions with a client. In any such instance, the client shall execute a written, revocable consent, prospectively authorizing RSA directly or indirectly as principal, for its own account, to sell any security to or buy any security from, the client's account. Prior to the execution of each principal transaction, RSA will (i) disclose to the client, orally or in writing, the capacity in which RSA is acting; and (ii) obtain consent from the client, orally or in writing, for RSA to act as principal for its own account with respect to the

March 28, 2016

transaction. RSA will send a written confirmation at or before the completion of each transaction that includes, in addition to the information required under Rule 10b-10 under the Securities Exchange Act of 1934 (the "Exchange Act"), disclosure of the capacity in which RSA acted and a statement that RSA informed the client that RSA may act in a principal capacity and that the client authorized the transaction. The client will receive from RSA on an annual basis a written report listing all principal transactions in the client's account and the date and price of such transactions.

### **RSA Personnel Trading and Disclosure**

RSA or RSA personnel may buy or sell for their personal account(s) securities or investment products identical to those recommended to or already owned by clients. Alternatively, RSA may cause clients to buy a security in which RSA or RSA personnel have an ownership position. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interest of the client. Nevertheless, such practices present potential conflicts of interest. So as to mitigate these conflicts of interest, the Code sets forth certain standards of professional and business conduct regarding the personal trading activities of Access Persons. Following is a summary of procedures relating to the purchase and/or sales of securities held within personal accounts.

- The Code requires quarterly reporting by Access Persons of all personal securities transactions with the exception of certain exempt transactions and securities (such as government securities, open end mutual funds and money market funds). Appropriate personnel of RSA review this reporting to ensure Access Person trading practices are in compliance with the requirements of the Code.
- Upon hire, and annually thereafter, all Access Persons are required to provide reporting detailing their personal securities holdings, with the exception of those types of securities referenced above.
- Access Persons may not participate in private placements and initial public offerings without pre-approval by the appropriate RSA personnel.

## **Item 12 – Brokerage Practices**

### **Selection Criteria**

RSA generally recommends that clients utilize Pershing LLC or TD Ameritrade as the custodian/broker-dealer for their account. Factors considered by RSA in recommending Pershing LLC or TD Ameritrade are based on, but not limited to, the reasonableness of transaction fees, product availability, quality of executions research and other services available to both the client and RSA.

RSA may receive certain services from Pershing LLC and/or TD Ameritrade. RSA does not have any formal or informal arrangements or commitments to obtain any research or research related products or services on a soft-dollar basis. However, due [to the broker-dealers custodial relationship] with Pershing LLC and/or TD Ameritrade, RSA does receive services that assist RSA in managing and administering clients' accounts. These services may include software and other technology that (i) provide access to client data; (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its client accounts; and (v) assist RSA Portfolio Operations with back-office functions, recordkeeping and client reporting.

RSA's receipt of these services raises a potential conflict of interest. In providing these certain services to RSA, Pershing LLC and TD Ameritrade most likely consider the amount and profitability to Pershing LLC and TD Ameritrade or the assets in, and trades placed for, RSA's advisory and brokerage clients maintained with Pershing LLC and TD Ameritrade. In order to continue to receive these additional services, RSA may have an incentive to recommend to its advisory clients that the assets under management by RSA be held in custody with Pershing LLC or TD Ameritrade and to place transactions for client accounts with Pershing LLC or TD Ameritrade. RSA's receipt of additional services does not diminish its duty to act in the best interests of its clients, including the obligation to seek best execution for client accounts.

Custody and brokerage services for Plan clients and the Envestnet platform are not subject to selection or recommendation by RSA. In addition, for those clients referenced in Item 15 where RSA provides advisory services for assets held at various Plan administration and other platforms, custody and brokerage services are not subject to selection or recommendation by RSA.

### **Brokerage for Client Referrals**

RSA does not receive client referrals from broker-dealers.

### **Directed Brokerage Arrangements**

March 28, 2016

RSA generally does not accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer.) However, in any instance where a client instructs RSA, and RSA accepts such instruction, to trade at a particular broker-dealer other than Pershing LLC or TD Ameritrade, this may result in greater transaction expenses and/or the client may receive less favorable trade execution, or create a further conflict of interest.

### **Trade Aggregation**

Transactions for each client will be effected independently unless RSA decides to purchase or sell the same securities for several clients at approximately the same time. RSA may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among RSA’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. In instances where RSA does not bunch client transactions, client accounts may not obtain the benefits relating to pricing, transaction and other costs listed above.

When RSA does bunch client orders, RSA will determine which accounts will participate in the purchase or sale of a security based on the account's investment objectives, investment guidelines and other relevant factors. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client on any given day. If the full amount of the aggregated order is not filled, the partially executed order will be allocated on a pro-rata basis based on the size of the original allocation, subject to adjustments for rounding, odd lots and certain other allocation considerations, such as (i) the extent to which the order specifies a priority allocation to one or more accounts; (ii) the extent to which an allocation would be too small to justify processing or custodial charges associated with the transaction; (iii) the extent to which an account may be under-invested or over-invested with respect to a particular security, industry or sector in comparison to other accounts in the order; (iv) the availability of, or need for cash, (v) the extent to which the transaction costs to the account would be excessive in relation to the value of the security received, and (vi) unless the pro-rata allocation results in an amount too small to be material to the account.

### **Trade Error Policy**

Trading errors shall be corrected promptly upon discovery. Upon discovery of a trading error, the trading error must be reported to the appropriate trading desk or portfolio manager. The nature of the error will be discussed along with any monetary liability and proposed course of resolution/remedy. The Chief Compliance Officer will review all trade errors.

March 28, 2016

If an error is identified and corrected and the correction of the trading error results in a gain or loss, the Adviser will take the resulting gain or loss. The customer will receive the correct trade price but will not share in the gain or loss of the trade.

## **Item 13 – Review of Accounts**

A clients' respective Investment Advisor Representative will perform periodic reviews of client accounts. In addition, review may also be performed by other management personnel of RSA. Annual reviews with clients will be offered. More frequent reviews may be requested by clients or triggered by changes in variables such as the stock market, bond market, political or economic circumstances, or changes in the client's individual circumstances.

Clients will receive transaction confirmations and monthly, (quarterly if no monthly activity occurs) statements from the qualified custodian of their account. Clients may receive quarterly reports upon request. In addition, certain clients are provided with a monthly statement by RSA. Clients are urged to carefully review all custodial account statements and compare them to the statements and reports that may be provided by RSA.

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

### **Client Referrals**

RSA may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Any Solicitor utilized by RSA is required to provide a prospective client with a copy of this Brochure and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with RSA;
- the fact that the Solicitor is being paid a referral fee;
- the terms of the compensation arrangement between RSA and the Solicitor and
- whether the fee paid to RSA by the client will be increased above RSA's normal fees in order to compensate the Solicitor.

As a matter of RSA practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

March 28, 2016

In addition, as previously discussed in Item 4 RSA acts as a solicitor for Western and will only recommend managers available in programs offered through Western. As a matter of practice, the advisory fees paid to Western by the client are not increased as a result of our referral.

## **Other Compensation**

### **Economic Benefits from Non-Clients in Connection with Giving Advice to Clients**

Various RSA personnel have an oral agreement with certain independent insurance agents (“Agents”) under which such persons receive a referral fee equal to half of the commission amount paid by clients, and received by the Agents, in connection with a client's purchase of insurance products through the Agents. This fee is received in connection with our recommendation of the Agents' services to our clients. As such, a potential conflict of interest exists by virtue of this arrangement because such RSA personnel receive a referral fee from the Agents if RSA clients purchase insurance products from them as a result of a referral. We will only use our discretionary trading authority when doing so is in the best interest of the client.

## **Other Matters**

RSA may pay for investment research and asset allocation models that RSA uses in connection with providing investment advisory services to clients. RSA purchases the research and allocation models from money management firms, at variable rates, as negotiated between RSA and each of the firms.

## **Item 15 – Custody**

For various accounts the client has authorized RSA to have its advisory fee debited by the custodian on a monthly or quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. RSA may also provide a written periodic report summarizing account activity and performance.

**Note:** To the extent that RSA provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by RSA with



the account statements received from the account custodian. The account custodian does not verify the accuracy of RSA's advisory fee calculation.

For a limited number of clients RSA executes advisory services for assets maintained at the various types of service providers/custodians such as 401k, pension and other employee benefit plan administrators/custodians. Due to the nature of these custodians/providers who hold these assets, clients provide to RSA information necessary for RSA to gain access to the client's account for the execution of advisory services. The access provided by clients for these limited accounts may be considered to provide RSA with "custody" of these assets, as defined by applicable regulations. RSA ensures that it abides by any required regulatory requirements applicable to this limited number of client accounts and assets. Also, for any of these clients the above listed service providers/custodians provide the client with periodic account statements. It is recommended that clients carefully review these account statements and compare these to any received from RSA.

## **Item 16 – Investment Discretion**

RSA may receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Prior to assuming discretionary authority over a client's account, the client is required to execute a RSA approved investment advisory agreement granting such discretionary authority to RSA.

When selecting securities and determining amounts, RSA observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to RSA in writing. Each client assumes the responsibility for information RSA of changes to any restrictions or to the clients overall investment objectives.

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

RSA may vote proxies for certain advisory clients if that responsibility is specifically accepted by RSA in the advisory agreement between RSA and the client. Regardless, a client always has the right to vote their own proxies. A client can exercise this right by instructing RSA in writing to not vote proxies in the client's account. In addition, where RSA has proxy voting authority but a client desires to direct RSA on how to vote a particular proxy, clients should contact [Pat Ryan at RSA 3033 Kettering Boulevard, Suite 326 Dayton, OH 45439 or call (937) 293-5500.]

RSA will vote proxies in the best interests of clients and in accordance with RSA's established policies and procedures. RSA will retain all proxy voting books and records for at least five years, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by RSA that was material to making a decision how to vote proxies, and a copy of each written client request for information on how RSA voted proxies. If RSA has a conflict of interest in voting a particular action, RSA will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of RSA's complete proxy voting policies and procedures by contacting [Pat Ryan at RSA 3033 Kettering Boulevard, Suite 326 Dayton, OH 45439 or calling (937) 293-5500.] Clients may request, in writing, information on how proxies for his/her shares were voted.

RSA will neither advise nor act on behalf of a client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, RSA will make commercially reasonable efforts to forward such notices in a timely manner.

Clients may, at their election, choose to receive proxies related to their own accounts, in which case RSA may consult with clients as requested.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about RSA's financial condition. RSA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

6264898.2

March 28, 2016