

Part 2A of Form ADV: Firm Brochure

Rachor Investment Advisory Services, LLC

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This brochure provides information about the qualifications and business practices of Rachor Investment Advisory Services, LLC ("Rachor"). If you have any questions about the contents of this brochure, please contact us at 810-732-7777 or helpme@rias.net. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Rachor Investment Advisory Services, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105495.

ITEM 2: MATERIAL CHANGES

Under the Amendments to the Form ADV we may provide you with this summary of Material Changes detailing any material changes that we made to our March 22, 2021 Brochure since the last annual update March 24, 2020, in lieu of sending a full copy of our Brochure to all our clients. We will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year.

Item 4 Advisory Business

- As of December 31st 2020, Rachor no longer recommends Buckingham Strategic Partners (formerly Loring Ward) to our clients nor do we utilize their administrative services.
- As part of Rachor's services to qualified plans, we offer to act as a fiduciary as defined in Sections 3(21)(A) and 3(38) of ERISA. If we act as a 3(38) investment manager, the plan fiduciary gives us discretionary authority to manage the plan's assets.

Item 18: Financial Information

Rachor Investment Advisory Services, LLC applied for and received a loan in the principal amount of \$191,500 under the Paycheck Protection Program (PPP) authorized pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Consistent with the CARES Act and related rules, we applied the PPP loan proceeds to our qualifying expenses and we have received confirmation from our lender that the entire amount of our PPP loan has been forgiven in accordance with its terms, and we have no further obligations under that loan.

Additional Information

To request a copy of our Brochure, please contact us at 810-732-7777 or helpme@rias.net.

Additional information about Rachor Investment Advisory Services, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105495. The SEC's web site also provides information about any persons affiliated with us who are registered, or are required to be registered, as one of our investment adviser representatives of us.

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ITEM 4: ADVISORY BUSINESS

Rachor Investment Advisory Services, LLC (referred to in this Brochure as "Rachor," "us," "we," or "our") is a federally registered investment adviser located in Flint, Michigan. Rachor through its predecessors began conducting business in 1984. We are currently wholly owned by RIAS Holding Company Incorporated; whose sole shareholder is Tod G. Fisher

Our Advisory Services

Rachor offers personalized discretionary and nondiscretionary investment advisory services to clients based on the client's individual investment goals, financial objectives and risk tolerance. As explained in more detail below, our Diversified Strategy is offered on a discretionary basis while the Concentrated Strategy is offered on a nondiscretionary basis through third party private money managers.

We meet with each client before any assets are invested to develop, with the client, the asset allocation referred to as the investment style, for each of the client's account(s). We also educate our clients with regard to the long-term nature of the Diversified and Concentrated Strategies (the "Strategies"). After consultation with our client, the assets are invested in accordance with the agreed upon investment style. Client requests for restrictions on investing in certain securities or types of securities will be considered on a case-by-case basis, although it is anticipated that such restrictions would inhibit Rachor's ability to implement either Strategy.

We act under the general fiduciary standard of care applicable to a registered investment adviser. In doing so, we will act with the same care, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims and will otherwise comply with the duties imposed upon a fiduciary under applicable laws.

Diversified Strategy

- Our investment advisory service includes ongoing supervisory and management services of the client assets and trading securities, primarily mutual funds on a discretionary basis, which means that we determine the securities to buy and sell for the client's account without obtaining specific consent prior to each transaction.

Concentrated Strategy offered through Private Money Managers

- For certain clients, the investment advisory services include conducting due diligence upon and recommending, on a non-discretionary basis, third-party managers to manage parts of such clients' portfolios. Such Private Money Managers are typically dually registered as investment advisers and broker-dealers.

Advisory Services for Qualified Plans

- We also provide investment advisory services to qualified retirement plans which are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). As part of our services to qualified plans, we may act as a fiduciary as defined in Sections 3(21)(A) and 3(38) of ERISA. If we act as a 3(38) investment manager, the plan fiduciary gives us discretionary authority to manage the plan’s assets. This means that the plan fiduciary shifts its fiduciary responsibility to us for the selection of the plan’s investments. If the client engages us as a 3(21) advisor, we will make recommendations, but it is ultimately up to the plan fiduciary to decide whether and how to act. As a 3(21) advisor, we will not have discretion to invest and reinvest plan assets without the plan fiduciary’s prior consent. Thus, as a 3(21) advisor, we will share responsibility for the selection of investments. Rachor recommends and/or utilizes no load institutional mutual funds to construct the core investment menu.
- Rachor also meets with plan participants, (i) in a group setting for an annual education presentation to discuss investment risks, returns, and portfolio allocation and/or (ii) individually with regard to financial planning matters.

Assets Under Management

As of 12/31/2020, we managed \$191,853,983 in client assets on a discretionary basis and \$2,630,213 in client assets on a non-discretionary basis. In addition, we have \$327,519,453 client assets under advisement.

ITEM 5: FEES AND COMPENSATION

Diversified and Concentrated Strategy Fees

Rachor establishes the specific manner in which we charge our fees in the written investment advisory agreement signed with us prior to beginning our relationship with the client. Rachor standard fee schedule for assets invested in the Diversified and Concentrated Strategies is as follows:

<u>Assets Under Management</u>	<u>Quarterly Charge</u>	<u>Total Annual Charge</u>
On the first \$2,500,000	0.2500%	1.0000%
On the next \$2,500,000	0.1250%	0.5000%
On the next \$2,500,000	0.0625%	0.2500%
On the next \$2,500,000	0.0313%	0.1250%
On the next \$2,500,000	0.0156%	0.0625%
On the next \$2,500,000	0.0078%	0.0313%
On the next \$2,500,000	0.0039%	0.0157%
On the next \$2,500,000	0.0020%	0.0079%
On the next \$2,500,000 and greater	0.0010%	0.0040%

- Our charges are billed, in advance, at the beginning of each calendar quarter based upon the value of the client's account at the end of the previous quarter. If the investment advisory agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis. Such pro-rata adjustments are not made when a client adds or withdraws assets to/from their account.
- Clients authorize Rachor in the investment advisory agreement to bill our fees to the custodian of his or her account and grants the custodian permission to directly debit our fees from the account.
- Rachor will provide notice for management charges to each client, the notice will be in the form of an invoice. The information is provided to the custodian and the client at the same time. If the client provides us such authorization, the client will receive periodic statements from the custodian showing each fee deduction from his or her account.

Advisory Services for Qualified Plans

- Rachor charges as a flat annual fee of 0.75% (quarterly 0.1875%), payable quarterly, in advance, based on asset values reported by the custodian as of the end of the prior billing period (without adjustment for anticipated withdrawals by plan participants or other anticipated or scheduled transfers or distributions of assets), which will be due the following business day. These fees are typically deducted from the accounts of the underlying plan participants.
- In the event that a Plan Participant also hires Rachor to provide investment advisory services in relation to non-Retirement Plan assets, Rachor will take their Retirement Plan assets into account when determining advisory fee break points.

Additional Information

We retain the discretion to negotiate alternative fees on a client-by-client basis. The specific annual fee schedule is identified in the investment advisory agreement between Rachor and each client. We may change our fees at any time and we always have the right to amend our fees to be lower than the fees set forth above. Any changes will become effective after we provide the client with 30 days' prior written notice, unless the client terminates our agreement.

A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination any prepaid, unearned charges will be promptly refunded. Rachor will refund the client a pro-rata portion of the charges, calculated to the date of termination. With the exception of any advisory fees due and owing upon termination, Rachor will not be entitled to any additional termination charge or termination fee. Termination of our agreement shall not affect liabilities or obligations

incurred or arising from transactions initiated under our agreement prior to the termination date, such as the purchase of investments by us for the client's account. After the termination date, Rachor will have no further duties or obligations to the client under our agreement.

Additional Fees and Expenses

In addition to Rachor's investment advisory fees, clients invested in the Diversified and Concentrated Strategies will incur the following additional costs of third-party professionals engaged to assist Rachor in helping the client achieve their investment objectives. These services may include accounting, legal, tax or actuarial services.

Diversified Strategy Fees

- In addition to Rachor's investment advisory fees, clients will incur custodial fees in connection with assets invested in the Diversified Strategy which include certain mutual fund fees and expenses which are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Consequently, for any type of fund investment, it is important to understand that the client is directly and indirectly paying two levels of advisory fees and expenses: one layer of fees and expenses at the fund level and one layer of advisory fees to us.
- Rachor generally invests in no load institutional mutual funds managed by Dimensional Fund Advisors ("DFA"). DFA only offers its services through certain investment advisers, including Rachor. DFA has specialized limited distribution and may not be transferable to other custodians which may result in recognition of taxable income should the client sell his or her DFA Funds.
- While clients could invest in other mutual funds directly, without our services, in such cases, a client would not receive the services provided by our firm which are designed, among other things to assist the client in determining which mutual fund or funds are most appropriate to the client's financial condition and objectives.
- For brokerage commissions for certain trades made pursuant to the Diversified Strategy please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Concentrated Strategy offered through Private Money Managers Fees

- For assets invested in accordance with the Concentrated Strategy, the fees of the Private Money Managers recommended by Rachor, together with any custodian, brokerage and other expenses such as an "activity assessment fee" incurred in connection with their services are more fully described in the Part 2A of each Private Money Managers' Form ADV which the client

receives before or at the time the Private Money Manager is engaged by the client.

- If a non-retirement account is invested in the Concentrated Strategy, the Private Money Manager will typically charge the client a commission based fee, which is charged on each transaction entered into which is taken out of the client's account at the time of the trade. Such commissions are approximately range from 1.5% to 2% of the trade value per transaction. Non-retirement accounts also pay the broker a transaction fee on a sliding scale of up to five cents per share.
- Historically, the turnover in the accounts managed by the Private Money Managers has been high and the annual commissions charged by such Private Money Managers has typically ranged from 3% to 6% (sometimes significantly higher) of the average account balance. Further, to the extent a Private Money Manager uses leverage or sells securities short, clients will pay interest on margin loan balances, while interest will not be paid on cash balances maintained in escrow to repurchase short position securities. Both the commissions charged, and the turnover of the portfolios managed by Private Money Managers are expected to continue to be high.
- If a retirement account is invested in the Concentrated Strategy, the Private Money Manager will typically charge a fee based on a percentage of assets under management. The charges, which range from 2.25% to 3% annually, are billed and taken out of the client's account on a monthly basis.

Advisory Services for Qualified Plans

- In addition to Rachor's fees, retirement plans are also required to pay any custodian, brokerage, third party administration, and other expenses incurred in connection with their services.

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

Rachor Investment Advisory Services, LLC does not charge performance-based fees.

ITEM 7: TYPES OF CLIENTS

Rachor Investment Advisory Services, LLC offers advisory services to the following types of clients:

- High net worth individuals, Individuals (other than high net worth individuals), and Trusts
- Qualified Retirement Plans (i.e., 401(k), pension, etc.)

- Charitable organizations
- Corporations or other businesses not listed above

Minimum Account Requirements

We do not require a minimum account size. However, some Private Money Managers and some mutual funds may have a minimum or maximum account or investment size. The recommended, but not required, minimum per client combined accounts size is \$100,000. With some exceptions, Rachor recommends that a client invests a minimum of \$50,000 when opening accounts to be managed by Private Money Managers.

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

Methods of Analysis

The investment advisory services include: (1) making asset allocation recommendations and trading mutual funds and other securities on a discretionary basis to implement such recommendations as part of a Diversified Strategy; and (2) for certain clients, conducting due diligence upon and recommending Private Money Managers to manage parts of such clients' portfolios as part of a Concentrated Strategy.

Investment Strategies

Diversified Strategy and Advisory Services for Qualified Plans

- Rachor invests client assets in mutual funds advised by Dimensional Fund Advisors "DFA". DFA provides resources such as educational events, ability to access to academic research, and marketing support. None of the service provided by DFA is dependent on investing a specified amount of client assets in their funds.
- For these services, Rachor's advice is based on an analysis of the past performance, risk factors and fund expenses of the recommended mutual funds, as well as an analysis of the recommended funds' weighting of factors such as small cap vs large cap, value vs growth, profitability, and momentum.

Concentrated Strategy offered through Private Money Managers

- In the case of the Concentrated Strategy, Rachor's advice is based on an analysis of Private Money Managers' past performance, risk factors, the lack of commonly held positions between Private Money Managers, the number of positions held over time in managed portfolios, and (when applicable) the amount of leverage historically employed.

Risk of Loss

All investing involves a risk of loss that clients should be prepared to bear.

Diversified Strategy and Advisory Services for Qualified Plans

- In the case of the Diversified Strategy and Qualified Plans, securities are purchased with the idea of holding them in a client's account for a year or longer. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, the values of securities may decline sharply in value before any decision to sell (if at all) is made.

Concentrated Strategy through Private Money Managers

- In the case of the Concentrated Strategy, Rachor will not have a role in the management of accounts managed by Private Money Managers and it will likely not have the opportunity to evaluate in advance the specific decisions made by such managers. As a result, the rates of return to clients will primarily depend upon the choice of investments and other investment and management decisions of Private Money Managers, and returns could be adversely affected by the unfavorable performance of such managers. Rachor depends on third-party managers to develop the appropriate systems and procedures to control investment and operational risks, either of which could cause client accounts to suffer financial losses. Clients should refer to Part 2A of each Private Money Managers' Form ADV for a description of the risks pertaining to that manager's strategy or strategies, however, common risks associated with such strategies include:
- *Long-term purchases.* Certain Private Money Managers purchase securities with the idea of holding them in the client's account for a year or longer. Typically, this strategy is employed when:
 - The manager considers securities to be currently undervalued, and/or
 - The manager is seeking exposure to a particular asset class over time, regardless of the current projection for the class.

A risk in a long-term purchase strategy is that by holding a security for this length of time, the manager may not take advantage of short-term gains that could be profitable to a client. Moreover, if predictions are incorrect, a security may decline sharply in value before a decision to sell is made.

- *Margin transactions.* Certain Private Money Managers will purchase stocks for client portfolios with money borrowed from a broker-dealer. This allows the client to purchase more stock than they would be able to with their available cash and/or without selling other holdings. A risk in margin trading is that, in

volatile markets, securities prices can fall very quickly. If the value of the securities in a client account minus what the client owes the broker-dealer falls below a certain level, the broker will issue a “margin call”, and the client will be required to sell its position in the security purchased on margin or add more cash to their account. In some circumstances, clients may lose more money than they originally invested.

- *Short sales.* Certain Private Money Managers may employ short sales. Shares of a stock are borrowed for the portfolio from someone who owns the stock on a promise to return the shares at a future date. Those borrowed shares are then sold. On a future date, the same stock is bought, and the shares are returned to the original owner. Short selling may be engaged in expectation that the stock will go down in price after the shares are borrowed and sold. If the manager is correct and the stock price has gone down since the shares were borrowed from the original owner, the client account realizes the profit. Alternatively, a manager may use short positions to reduce the risk of certain long positions. Short selling results in some unique risks:
 - Losses can be infinite. A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if a manager shorts 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, the client would lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits the client’s potential upside.
 - Short squeezes can wring out profits. As stock prices increase, short seller losses may also increase as short sellers rush to buy the stock to cover their positions. This increase in demand, may in turn further drive prices up, increasing client losses.
 - Even if a manager is correct in determining that the price of a stock will decline, the client runs the risk of incorrectly determining when the decline will take place, i.e., they could be right too soon. Although a company may be overvalued, it could conceivably take some time for the price to come down; during which the client is vulnerable to interest payments to the stock lender, margin calls, and investment losses.
 - History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock. There is therefore a risk that inflation could cause investment losses, even if the manager was correct in their assessment about the company issuing the stock.
- *Option writing.* Options may be used as an investment strategy in the accounts managed by certain Private Money Managers. 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. The two types of options are calls and puts. A call gives the holder the right to buy an asset at a certain price within a specific period of time. A call is likely to be bought if it is anticipated that the stock will increase substantially before the option expires. A put gives the holder the right to sell an asset at a certain price within a specific period of time. A put is likely to be bought if it is anticipated that the price of the stock will fall before the option expires. Purchasing put and call options, as well as writing such options, are highly specialized activities and entail greater than ordinary investment risks.

ITEM 9: DISCIPLINARY INFORMATION

Rachor is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Rachor is licensed in the State of Michigan as a public accounting firm. Tod G. Fisher, Rachor's CEO, is licensed in the State of Michigan as a Certified Public Accountant ("C.P.A."). Michigan law requires that any business owned 50% or more by a C.P.A. (including via attribution) that provides accounting services be licensed as a public accounting firm. Rachor only provides limited accounting services including tax planning and some tax preparation. Rachor does not provide attestation (audit, review, compilation) services. Rachor does not charge fees for accounting services. As described under Item 5 "Fees and Compensation", Rachor only earns fees from providing investment advisory services.

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

Rachor has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Rachor and its personnel owe a duty of loyalty, fairness and good faith towards its clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code. We endeavor to follow not just the letter of the law, but the spirit of the law.

Our Code of Ethics includes policies and procedures for the review of employee accounts quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's employees. Among other things,

our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our Code also provides for oversight, enforcement and recordkeeping provisions.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to helpme@rias.net, or by calling us at 810-732-7777.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Rachor's employees may buy or sell for their personal accounts securities identical to those that we buy and sell for our clients pursuant to the Diversified Strategy. In addition, such trades may take place at or about the same time as client transactions. Although this could represent a potential conflict of interest to our clients, with rare exception, client accounts for which Rachor has investment discretion are typically invested in mutual funds for which net asset values are set by the mutual fund at the end of each trading day. Therefore, there is limited scope for employees to take advantage of client trading by trading in their personal accounts.

Tod Fisher, Rachor's CEO, is a board member of certain family foundations. This includes the Rachor Family Foundation, Ltd. Where he serves with five other board members. As a board member, he participates in making certain investment decisions on behalf of the foundations. This includes deciding to hire certain Private Money Managers recommended to other Rachor clients on behalf of the foundations. We do not believe this activity presents any conflicts of interest to our clients based on the nature of the investments in question. Further, to the extent the foundations invest in the same securities and/or at or about the same time as other clients, it will either be in the capacity as Rachor's client (pursuant to Rachor's investment discretion) or such transaction will typically relate to a mutual fund for which net asset values are set by the mutual fund at the end of each trading day. Therefore, there would be limited scope for the foundations to take advantage of client trading by trading ahead of or behind client accounts.

ITEM 12: BROKERAGE PRACTICES

With regard to client assets invested in accordance with the Diversified Strategy, Rachor generally will direct all client trades to that client's chosen custodian. Such custodians are typically also registered broker-dealers. Rachor believes that trade away fees and/or other costs may negate any savings that could be received by using a different broker.

Generally, Rachor suggests that clients select a discount broker to act as custodian. Rachor currently recommends TD Ameritrade Institutional Services, a division of TD Ameritrade, Inc., ("TD Ameritrade") to clients. TD Ameritrade became a part of Schwab when Schwab's acquisition of TD Ameritrade closed in October 2020.

Rachor's recommendation is based on the historical service levels provided to our clients and the relatively low cost at which they are able to perform their services. In suggesting broker-dealer/custodians to our clients, we consider all of the services provided to our clients by the broker-dealer/custodian. Comparable brokerage services may be available elsewhere for more or less cost to the client.

Rachor may have access to research from TD Ameritrade which we consider to be immaterial to our business. Research is not provided in connection with Rachor's clients' securities transactions or contingent upon forthcoming securities transactions. We believe that access to these items is available to all institutional managers or customers. As stated above, we primarily suggest TD Ameritrade Institutional Services, Inc. because their charges are reasonable and the services levels provided to our clients have historically been good.

The client including qualified plans subject to ERISA, are under no obligation to engage the services of any recommended broker-dealer/custodian and the client is free to select his or her own broker-dealer/custodian. The client will be responsible for negotiating commission rates with the chosen broker or custodian in such circumstances. Clients should be aware that directed brokerage arrangements generally hinder the ability of an investment adviser to obtain the best price and execution, and therefore, clients may pay higher transaction costs than available elsewhere.

Aggregation of Orders

Investment advisers may aggregate the purchase or sale of securities for various client accounts for their administrative convenience and, in some transactions, to obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately. We offer personalized investment management services and as a matter of policy and practice, Rachor does not generally block client trades. Consequently, certain client trades may be executed before others, at a different price. Additionally, our clients may not receive volume discounts available to advisers who block client trades. With rare exception, clients for which Rachor has discretion (i.e., Diversified Strategy and Qualified Plans are invested in mutual funds, where all clients buy and sell at net asset values set by the mutual fund at the end of each trading day. Therefore, blocked trades are neither an opportunity nor an impediment.

ITEM 13: REVIEW OF ACCOUNTS

Our advisers review all client accounts at least annually. Accounts are reviewed in the context of each client's stated investment style. Additional reviews may be triggered by material changes in the client's individual circumstances.

Clients are provided with activity and securities holdings reports for each of their accounts, on at least a quarterly basis, from their account custodian. In addition, Rachor provides a monthly report for each of the Strategies the client is invested in. The report includes the market value and the performance for each of the client's accounts.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Rachor does not engage solicitors or pay related or non-related persons for referring clients to Rachor.

Rachor does not accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Rachor's compensation comes from clients only.

ITEM 15: CUSTODY

Rachor does not custody client funds or securities, but requires they be held by a qualified third-party custodian. We previously disclosed in "Item 5: Fees and Compensation" section of this Brochure that our firm debits advisory fees directly from client accounts. If a client provides us with this authorization, we are deemed to have constructive custody of the client's account. We are also deemed to have custody when a client establishes a letter of instruction or other asset transfer authorization arrangement with their qualified custodian, authorizing us to disburse funds to one or more third parties specifically designated by the client. In addition, if a client and/or client trust retains an officer or employee of Rachor as trustee and/or durable power of attorney, we are deemed to have custody.

Each client's custodian is advised of the amount of the charges to be deducted from that client's account. On at least a quarterly basis, each custodian is required to send to the client a statement showing all transactions within each account during the reporting period. Because the custodian does not calculate the amount of the charges to be deducted, it is important for clients to carefully review their fee invoice to verify the accuracy of the calculation.

In addition to the periodic statements that clients receive directly from their custodians, as described above in "Item 13: Review of Accounts", Rachor sends monthly statements directly to its clients. Rachor urges its clients to carefully compare the information provided on all of these statements to ensure that all account transactions, holdings and values are correct and current. Clients should contact Rachor directly if they believe that there may be an error in their fee calculation or inconsistencies with the custodian's statements.

In the event that a client and/or client trust has retained or retains an officer or employee of Rachor as trustee and/or durable power of attorney, and Rachor acts as

investment advisor to the client and/or client trust, the trust beneficiary(ies) or trust grantor(s) will receive statements directly from the account custodian or brokerage firm.

ITEM 16: INVESTMENT DISCRETION

When clients hire Rachor to provide discretionary investment advisory services, Rachor places trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Rachor's discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give Rachor discretionary authority when they sign a discretionary advisory agreement with the firm and may limit this authority by giving Rachor written instructions. Clients may also change/amend such limitations by once again providing Rachor with written instructions.

ITEM 17: VOTING CLIENT SECURITIES

As a matter of firm policy, Rachor does not vote proxies on behalf of clients. Therefore, although Rachor may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Rachor does not offer any consulting assistance regarding proxy issues to clients.

ITEM 18: FINANCIAL INFORMATION

Rachor has never been the subject of a bankruptcy proceeding, does not solicit fees of \$1,200 or more six months or more in advance, nor do we have any financial commitments that would impair our ability to meet contractual or fiduciary commitments to you.