

# **River Capital Advisors, LC**

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**March 19, 2021**

## **FORM ADV PART 2A BROCHURE**

This Brochure provides information about the qualifications and business practices of River Capital Advisors, LC. If the client has any questions about the contents of this Brochure, please contact RCA at (904) 398-2075 or [ESchmitzer@sdnllp.com](mailto:ESchmitzer@sdnllp.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

River Capital Advisors, LC is an investment advisory firm registered with the appropriate regulatory authority. Registration does not imply a certain level of skill or training. Additional information about River Capital Advisors, LC also is available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov).

## **Item 2 Summary of Material Changes**

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify the client and provide them with a description of the material changes.

Since the filing of our last annual updating amendment dated March 3, 2020, RCA has the following material change to report:

- As of March 1, 2021, Schwab no longer charges an Institutional Intelligent Portfolios platform fee to advisors who custody assets with Schwab, regardless of assets under management. Items 4 and 12 of the ADV Part 2A have been amended accordingly.
- RCA now offers financial planning services. Please refer to Item 4, Item 5 and Item 13 for additional information on this new service.

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## Item 4 Advisory Business

### General Information

River Capital Advisors, LC ("RCA") was formed in 1998 and provides wealth management services including portfolio management and general consulting services to its clients. The clients of RCA are primarily high net worth individuals, corporations, trusts, estates and charitable organizations.

Smoak, Davis & Nixon, LLP is the principal owner of RCA. Please see **Brochure Supplements, Exhibit A**, for more information on individuals who formulate investment advice and have direct contact with clients.

### SERVICES OFFERED

At the outset of each client relationship, RCA spends time with the client, asking questions, discussing the client's investment experience and financial circumstances, and reviewing options for the client. Based on its reviews, RCA generally develops with each client:

- a financial outline for the client based on the client's financial circumstances and goals, time horizon, cash flow needs, tax position and the client's risk tolerance level (the "Financial Profile" or "Profile"); and
- the client's investment objectives and guidelines (the "Investment Plan" or "Plan").

The Financial Profile is a reflection of the client's current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments RCA will make or recommend on behalf of the client to meet those goals. The Profile and the Plan are discussed regularly with each client, but are not necessarily written documents. RCA works primarily on a discretionary basis with clients; however, RCA also provides non-discretionary consulting on a limited basis.

Where RCA provides general consulting services, RCA will work with the client to prepare an appropriate summary of the specific project(s) to the extent necessary or advisable under the circumstances.

With respect to any account for which RCA meets the definition of a fiduciary under Department of Labor rules, RCA acknowledges that both RCA and its Related Persons are acting as fiduciaries. Additional disclosure may be found elsewhere in this Brochure or in the written agreement between RCA and Client.

### Portfolio Management

As described above, at the beginning of a client relationship, RCA meets with the client, gathers information and performs research and analysis as necessary to develop the client's Investment Plan. The Investment Plan will be updated from time to time when requested by the client, or when determined to be necessary or advisable by RCA based on updates to the client's financial or other circumstances.

To implement the client's Investment Plan, RCA will manage the client's investment portfolio on either a discretionary basis or a non-discretionary basis. As a discretionary investment adviser, RCA will have the authority to supervise and direct the portfolio without prior consultation with the client. Under a non-discretionary arrangement, clients must be contacted prior to the execution of any trade in the account(s) under management. This can result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected

account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Notwithstanding the foregoing, clients may impose certain written restrictions on RCA in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of RCA.

### **Separate Account Managers**

From time to time, when suitable and in accordance with the Investment Plan for a client, RCA may recommend the use of Separate Account Managers, each a "Manager". In cases where RCA recommends the use of one or more Managers to manage all or a portion of a client's portfolio, RCA will assist the client in the selection of the Manager(s) most appropriate for the client. The Manager(s) will be granted discretionary trading authority to provide investment supervisory services for the portfolio, but RCA retains the authority to terminate the Manager's relationship or to add new Managers without specific client consent. With respect to assets managed by a Manager, RCA's role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the Manager(s), and to assist the client in understanding the investments of the portfolio. Fees paid to such Manager(s) are separate from and in addition to the fee assessed by RCA.

### **Charles Schwab & Co., Inc. Institutional Intelligent Portfolios Program**

RCA offers an automated investment program (the "Program") through which clients are invested in a range of investment strategies RCA has constructed and manage, each consisting of a portfolio of exchange-traded funds ("Funds") and a cash allocation. Clients may instruct RCA to exclude up to three Funds from the client's portfolio. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co"). RCA uses the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of CS&Co., to operate the Program. RCA is independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co., or their affiliates (together, "Schwab"). RCA, and not Schwab, is the client's investment advisor and primary point of contact with respect to the Program. RCA is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. RCA has contracted with SPT to provide RCA with the Platform, which consists of technology and related trading and account management services for the Program. The Platform enables RCA to make the Program available to the client online and includes a system that automates certain key parts of RCA's investment process (the "System"). The System includes an online questionnaire that can help RCA determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. The client should note that, if RCA uses the online questionnaire, RCA will recommend a portfolio via the System in response to the client's answers to the online questionnaire.

The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but RCA then makes the final decision and select a portfolio based on all the information RCA has about the client. The System also includes an automated investment engine through which RCA manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects).

RCA charges clients a fee for services as described below under Item 5 Fees and Compensation. RCA's fees are not set or supervised by Schwab. The client does not pay brokerage commissions or any other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that RCA selects to buy and hold in the client's brokerage account; (iii) fees received by Schwab from third-party ETFs that participate in the Schwab ETF OneSource™ program and mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab may receive from the market centers where it routes ETF trade orders for execution. RCA reviews, research and provide recommendations to the client for the client's employer retirement plan at no additional cost. The client makes the changes to their employer retirement plan. RCA includes one detailed review of the portfolio per year as well as access to RCA's financial planners when the client needs them to ask general questions and get their recommendations on retirement, insurance, and estate planning. The client will also have access to RCA's financial planning website.

### **General Consulting**

In addition to the foregoing services, RCA may provide general consulting services to clients. These services are generally provided on a project basis, and usually include, without limitation, cash flow planning for certain events such as education expenses or retirement, estate planning analysis, income tax planning analysis and review of a client's insurance portfolio, as well as other matters specific to the client as and when requested by the client and agreed to by RCA. The scope and fees for consulting services will be negotiated with each client at the time of engagement for the applicable project.

### **Financial Planning**

RCA offers financial planning services which typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad-based financial planning to consultative or single subject planning. If the client retains RCA for financial planning services, RCA will meet with the client to gather information about their financial circumstances and objectives. RCA may also use financial planning software to determine the client's current financial position and to define and quantify their long-term goals and objectives. Once RCA specifies those long-term objectives (both financial and non-financial), RCA will develop shorter-term, targeted objectives. Once RCA reviews and analyze the information the client provides to RCA and the data derived from the financial planning software, RCA will deliver a written plan to the client, designed to help the client achieve their stated financial goals and objectives.

Financial plans are based on your financial situation at the time RCA presents the plan to the client, and on the financial information the client provides to RCA. The client must promptly notify RCA if their financial situation, goals, objectives, or needs change.

The client is under no obligation to act on RCA's financial planning recommendations. Should the client choose to act on any of RCA's recommendations, the client is not obligated to implement the financial plan through any of RCA's other investment advisory services. Moreover, the client may act on RCA's recommendations by placing securities transactions with any brokerage firm.

### **Assets Under Management**

As of December 31, 2020, RCA provides continuous management services for \$175,300,052 in client assets on a discretionary basis, and \$55,073,616 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **General Fee Information**

Fees paid to RCA are exclusive of all custodial and transaction costs paid to the client's custodian, brokers or other third party consultants. Please see Item 12 - Brokerage Practices for additional information. Fees paid to RCA are also separate and distinct from the fees and expenses charged by mutual funds, ETFs (exchange traded funds) or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). The client should review all fees charged by funds, brokers, RCA and others to fully understand the total amount of fees paid by the client for investment and financial related services.

### **Portfolio Management Fees**

The annual fee schedule, based on a percentage of assets under management, is as follows:

On the first \$250,000	1.25%
On the next \$1,750,000	1.00%
On the next \$2,000,000	0.70%
Over \$4,000,000	0.50%

The minimum portfolio value is generally set at \$500,000. The minimum annual fee for any account is \$5,000. RCA may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where RCA deems it appropriate under the circumstances.

Portfolio management fees are generally payable quarterly, in advance. If management begins after the start of a quarter, fees will be prorated accordingly. With client authorization and unless other arrangements are made, fees are normally debited directly from client account(s).

Either RCA or the client may terminate their Investment Management Agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to RCA from the client will be invoiced or deducted from the client's account prior to termination.

### **Manager Fees**

In instances where the services of a Manager are utilized, Manager Fees will be charged in addition to RCA's fee.

### **Schwab Intelligent Portfolios Program**

As described in Item 4 Advisory Business, the client does not pay fees to SPT or brokerage commissions or other fees to CS&Co. as part of the Program. Schwab does receive other revenues, including (i) the profit earned by Charles Schwab Bank, a Schwab affiliate, on the allocation to the Schwab Intelligent Portfolios Sweep Program described in the Schwab Intelligent Portfolios Sweep

Program Disclosure Statement; (ii) investment advisory and/or administrative service fees (or unitary fees) received by Charles Schwab Investment Management, Inc., a Schwab affiliate, from Schwab ETFs™ Schwab Funds® and Laudus Funds® that RCA selects to buy and hold in the client's brokerage account; (iii) fees received by Schwab from third-party ETFs that participate in the Schwab ETF OneSource™ program and mutual funds in the Schwab Mutual Fund Marketplace® (including certain Schwab Funds and Laudus Funds) in the client's brokerage account for services Schwab provides; and (iv) remuneration Schwab may receive from the market centers where it routes ETF trade orders for execution. Brokerage arrangements are further described below in Item 12 Brokerage Practices.

### **General Consulting Fees**

In some circumstances, the client may prefer to be charged an hourly or fixed rate for services provided. The hourly fees charged range from \$125 - \$375 per hour depending on the scope and complexity of the engagement. Fixed fees may be arranged, and are negotiated depending on the nature and scope of the engagement. Hourly rates are not negotiable, and both hourly and fixed charges are invoiced monthly in arrears.

### **Financial Planning Fees**

RCA charges an hourly fee of \$125-375 for financial planning services, which is negotiable depending on the scope and complexity of the plan, the client's situation and financial objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, RCA will notify the client and request that the client approves the additional fee.

RCA also offers advice on single subject financial planning/general consulting services at the same hourly rate.

RCA will not require prepayment of a fee more than six months in advance and in excess of \$1,200.

At RCA's discretion, RCA may offset the financial planning fees to the extent the client implement the financial plan through RCA's Portfolio Management Service.

RCA may terminate the financial planning agreement at any time, subject to any written notice requirements in the agreement. If the client has pre-paid financial planning fees that RCA has not yet earned, the client will receive a prorated refund of those fees. If financial planning fees are payable in arrears, the client will be responsible for a prorated fee based on services performed prior to termination of the financial planning agreement.

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

RCA does not have any performance-based fee arrangements. "Side-by-Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because RCA has no performance-based fee accounts, it has no side-by-side management.



## Item 7 Types of Clients

RCA serves individuals, high net worth individuals, corporations, trusts, estates and charitable organizations. With some exceptions, the minimum portfolio value eligible for conventional investment advisory services is \$500,000, and the annual minimum fee charged is \$5,000. Under certain circumstances and in its sole discretion, RCA may negotiate such minimums.

### **Schwab Intelligent Portfolios Program**

Clients eligible to enroll in the Program include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open an account in the Program is \$100,000.

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

### **Methods of Analysis**

In accordance with the Investment Plan, RCA utilizes shares of no-load (or load waived) mutual funds, ETFs, Sub-Advisers, individual stocks, bonds, and CDs for client accounts. From time to time and as appropriate, RCA may recommend investment in alternative investments.

Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, without limitation, past performance, fee structure, portfolio manager tenure, philosophy, process, culture, fund sponsor, overall ratings for safety and returns, and other factors.

In selecting individual stocks for an account, RCA generally concentrates on traditional bottom-up fundamental research and analysis including, without limitation, the following factors:

- Financial strength ratios;
- Price-to-earnings ratios;
- Price to cash flow (free cash flow yield)
- Consistency of financial results
- Dividend yields; and
- Growth rate-to-price earnings ratios

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. RCA will generally evaluate and select individual bonds or bond funds based on a number of factors including, without limitation, rating, yield and duration.

### **Investment Strategies**

RCA's strategic approach is to invest each portfolio in accordance with the Plan that has been developed specifically for each client. The Plan takes into account the client's risk tolerance (ability and willingness to accept volatility), time horizon, cash flow needs (short term and long term) and other individual factors. When implementing the Plan, assets are allocated among various asset classes and rebalanced periodically as needed. In implementing the Plan the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances.

**Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

**Short Sales** - a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

**Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

**Options Trading/Writing** - a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

### **Risk of Loss**

While RCA seeks to diversify clients' investment portfolios across various asset classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risks.* While RCA manages client investment portfolios, or recommends one or more Managers, based on RCA's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that RCA or a Manager allocates client assets to individual securities and/or asset classes that are adversely affected by unanticipated market movements, and the risk that RCA's specific investment choices could underperform their relevant indexes.

*Risks of Investments in Managers, Sub-Advisers, Mutual Funds, ETFs and Other Investment Pools.* As described above, RCA may invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Risks Related to Alternative Investment Vehicles.* The value of client portfolios will be based in part on the value of alternative investment vehicles in which they are invested, the success of each of which will depend heavily upon the efforts of their respective Managers. When the investment objectives and strategies of a Manager are out of favor in the market or a Manager makes unsuccessful investment decisions, the alternative investment vehicles managed by the Manager may lose money. A client account may lose a substantial percentage of its value if the investment objectives and strategies of many or most of the alternative investment vehicles in which it is invested are out of favor at the same time, or many or most of the Managers make unsuccessful investment decisions at the same time.

*Equity Market Risks.* RCA will invest portions of client assets directly into equity investments, using individual stocks or pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* RCA will invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risks.* RCA will invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

## **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 evaluation of RCA or the integrity of RCA's management. RCA has no disciplinary events to report.

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

Smoak, Davis & Nixon, LLP, a public accounting firm, owns 100% of the Class A voting shares and none of the Class B non voting share of RCA. If the client requires accounting services, RCA will recommend that the client use the services of RCA's affiliate. RCA's advisory services are separate and distinct from the compensation paid to RCA's affiliate for their services. This affiliated firm is otherwise regulated by the professional organizations to which it belongs and must comply with the rules of those organizations. These rules may prohibit paying or receiving referral fees to or from investment advisers that are not members of the same organization.

Referral arrangements with an affiliated entity present a conflict of interest for RCA because RCA may have a direct or indirect financial incentive to recommend an affiliated firm's services. While RCA believes that compensation charged by an affiliated firm is competitive, such compensation may be higher than fees charged by other firms providing the same or similar services. The client is under no obligation to use the services of any firm RCA recommends, whether affiliated or otherwise, and may obtain comparable services and/or lower fees through other firms.

RCA is a member of DPL Financial Partners, LLC ("DPL"), a third-party provider of a platform of insurance consultancy services to registered investment advisers to assist with their clients that have a current or future need for insurance products. For a fixed annual membership fee, DPL provides RCA with insurance consulting services and a platform through which its licensed insurance agents, who are also registered representatives of The Leaders Group, Inc., an unaffiliated registered broker-dealer and FINRA member, offers a variety of services related to fee-based insurance products. These services include, among others, providing RCA with analyses of their current methodology for evaluating client insurance needs, educating and acting as a resource to RCA regarding insurance products owned by RCA's clients or that RCA's clients are considering purchasing, and providing RCA with access to and product marketing support regarding fee-based products that insurers have agreed to offer to RCA's clients through DPL's platform. For providing platform services to RCA, DPL receives service fees from the insurers that offer their fee-based products through the platform. These service fees are based on the insurance premiums received by the insurers. RCA does not offer or sell insurance products, nor is RCA compensated if the client purchases insurance products through the DPL platform. In addition, RCA is not affiliated with DPL or The Leaders Group in any way other than membership in the DPL program. RCA may manage any of the client's insurance holdings through RCA's portfolio management service and will receive compensation as described in Item 5 for RCA's services.

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

### **Code of Ethics and Personal Trading**

RCA has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. RCA's Code has several goals. First, the Code is designed to assist RCA in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, RCA owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with RCA (managers, officers and employees) to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for RCA's associated persons. Under the Code's Professional Standards, RCA expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, RCA associated persons are not to take inappropriate advantage of their positions in relation to RCA clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, RCA's associated persons may invest in the same securities recommended to clients. Under its Code, RCA has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

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

Because associated persons may invest in the same securities as those purchased in client accounts, RCA has established a policy requiring its associated persons to pre-clear transactions in some types of securities with the Chief Compliance Officer. The goal of this policy is to avoid any conflicts of interest that arise in these situations. Some types of securities, such as CDs, treasury obligations and open-end mutual funds are exempt from this pre-clearance requirement. However, in the event of other identified potential trading conflicts of interest, RCA's goal is to place client interests first.

Consistent with the foregoing, RCA maintains policies regarding participation in initial public offerings ("IPOs") and private placements to comply with applicable laws and avoid conflicts with client transactions. If a RCA associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

Finally, if associated persons trade with client accounts (i.e., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with RCA's written policy.

## **Item 12 Brokerage Practices**

### **Best Execution and Benefits of Brokerage Selection**

When given discretion to select the brokerage firm that will execute orders in client accounts, RCA seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, RCA may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of RCA's clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

RCA recommends that clients establish brokerage accounts with Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, member SIPC, as the qualified custodian to maintain custody of clients' assets. RCA will also effect trades for client accounts at Schwab, or may in some instances, consistent with RCA's duty of best execution and specific agreement with each client, elect to execute trades elsewhere. Although RCA may recommend that clients establish accounts at Schwab, it is ultimately the client's decision to custody assets with Schwab. RCA is independently owned and operated and is not affiliated with Schwab.

Schwab Advisor Services provides RCA with access to its institutional trading, custody, reporting and related services, which are typically not available to Schwab retail investors. Schwab also make available various support services. Some of those services help RCA manage or administer its clients' accounts while others help RCA manage and grow its business. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them. These services are not soft dollar arrangements, but are part of the institutional platform offered by Schwab. Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For RCA client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into

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

Schwab's products and services that assist RCA in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide pricing and other market data; (iv) facilitate payment of RCA's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting. Schwab Advisor Services also offers other services intended to help RCA manage and further develop its business enterprise. These services may include: (i) technology, compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to RCA. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to RCA.

Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of RCA personnel. In evaluating whether to recommend that clients custody their assets at Schwab, RCA may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Schwab Intelligent Portfolios Program**

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of, CS&Co., a broker dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use CS&Co. as custodian/broker to enroll in the Program, the client decides whether to do so and open RCA's account with CS&Co. by entering into a brokerage account agreement directly with CS&Co. RCA does not open the account for the client. If the client does not wish to place the client's assets with CS&Co., then RCA cannot manage the client's account through the Program. CS&Co. may aggregate purchase and sale orders for Funds across accounts enrolled in the Program, including both accounts for RCA's clients and accounts for clients of other independent investment advisory firms using the Platform.

Schwab Advisor Services™ (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like RCA. Through Schwab Advisor Services, CS&Co. provides RCA and RCA clients, both those enrolled in the Program and RCA's clients not enrolled in the Program, with access to its institutional brokerage services trading, custody, reporting, and related services many of which are not typically available to CS&Co. retail customers. CS&Co. also makes available various support services. Some of those services help RCA manage or administer the client's accounts, while others help manage and grow RCA's business. CS&Co.'s support services described below are generally available on an unsolicited basis (RCA does not have to request them) and at no charge to RCA. The availability to RCA of CS&Co.'s products and services is not based on RCA giving particular investment advice, such as buying particular securities for clients. Here is a more detailed description of CS&Co.'s support services:

CS&Co.'s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which RCA might not otherwise have access or that would require a significantly higher minimum initial investment by clients. CS&Co.'s services described in this paragraph generally benefit the client and the client's account.

CS&Co. also makes available to RCA other products and services that benefit RCA but may not directly benefit the client or its account. These products and services assist RCA in managing and administering clients' accounts. They include investment research, both Schwab's own and that of third parties. RCA may use this research to service all or some substantial number of clients' accounts, including accounts not maintained at CS&Co. In addition to investment research, CS&Co. also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of fees from clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

CS&Co. also offers other services intended to help RCA manage and further develop business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

CS&Co. may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to RCA. CS&Co. may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. CS&Co. may also provide RCA with other benefits such as occasional business entertainment of personnel.

The availability of services from CS&Co. benefits RCA because RCA does not have to produce or purchase them. RCA does not have to pay for these services, and they are not contingent upon RCA committing any specific amount of business to CS&Co. in trading commissions or assets in custody. In light of RCA arrangements with Schwab, RCA may have an incentive to recommend that clients maintain their accounts with CS&Co. based on RCA interest in receiving Schwab's services that benefit RCA's business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. RCA believes, however, that selection of CS&Co. as custodian and broker is in the best interests of clients. It is primarily supported by the scope, quality, and price of CS&Co.'s services and not Schwab's services that benefit only RCA. RCA has adopted policies and procedures designed to ensure that use of Schwab's services is appropriate for each of clients.

### **Directed Brokerage**

With the exception of clients seeking to enroll in the Schwab Intelligent Portfolios Program, Clients may direct RCA to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should

consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangement that RCA has with Schwab is designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, the fact that a client chooses to use the brokerage and/or custodial services of these alternative service providers can in fact result in a certain degree of delay in executing trades for their account(s) and otherwise adversely affect management of their account(s).

By directing RCA to use a specific broker or dealer, clients who are subject to ERISA confirm and agree with RCA that they have the authority to make the direction, that there are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

### **Aggregated Trade Policy**

RCA typically directs trading in individual client accounts as and when trades are appropriate based on the client's Investment Plan, without regard to activity in other client accounts. However, from time to time, RCA may aggregate trades together for multiple client accounts, most often when these accounts are being directed to sell the same securities. If such an aggregated trade is not completely filled, RCA will allocate shares received (in an aggregated purchase) or sold (in an aggregated sale) across participating accounts on a pro rata or other fair basis; provided, however, that any participating accounts that are owned by RCA or its officers, directors, or employees will be excluded first.

### ***Schwab Intelligent Portfolios Program***

Neither RCA nor the Client may give Schwab trading instructions on accounts enrolled in the Program. SWIA, acting as RCA's agent, implements RCA's investment advice via the Program's automated investment engine and communicates required trades to Schwab. SWIA may aggregate purchase and sale orders for ETFs across accounts enrolled in the Program, including both accounts for RCA's clients and accounts for clients of other independent investment advisory firms using the Program. Information about Schwab's trade order management process is included in the Program Brochure under the captions "ETF Trade Execution" and "Brokerage Practices."

## **Item 13 Review of Accounts**

Managed portfolios are reviewed at least quarterly, but may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by RCA. These factors generally include but are not limited to, the following: change in general client circumstances (marriage, divorce, retirement); or economic, political or market conditions. Edward P. Schmitzer, President and Chief Compliance Officer of RCA, and Rob Simon, Vice President and Partner of RCA, both review accounts.

Account custodians are responsible for providing monthly or quarterly account statements directly to clients which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide to clients prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. In addition, RCA



provides at least an annual report for each managed portfolio. This written report normally includes a summary of portfolio holdings and performance results. Additional reports are available at the request of the client.

#### *Schwab Intelligent Portfolios Program*

The Program website provides clients with access to their account information on a continuing basis. Clients may obtain real-time portfolio reports which include their account status and holdings. RCA will also issue periodic information on the website and/or via email to inform clients about portfolio performance and other investment and administrative matters. Clients are provided with transaction confirmation notices and regular summary account statements directly from Schwab. Clients should compare the account statements they receive from Schwab with those they may obtain from the Program website.

Edward P. Schmitzer, President and Chief Compliance Officer of RCA, and Rob Simon, Vice President and Partner of RCA will review financial plans as needed. These reviews are provided as part of the contracted services. RCA does not assess additional fees for financial plan reviews. Generally, RCA will contact the client periodically to determine whether any updates may be needed based on changes in the client's circumstances. Changed circumstances may include, but are not limited to marriage, divorce, birth, death, inheritance, lawsuit, retirement, job loss and/or disability, among others. RCA recommends meeting with the client at least annually to review and update the client's plan if needed. Additional reviews will be conducted upon the client's request. Written updates to the financial plan may be provided in conjunction with the review. Updates to the client's financial plan may be subject to RCA's then current hourly rate, which the client must approve in writing and in advance of the update. If the client implement financial planning advice, the client will receive trade confirmations and monthly or quarterly statements from relevant custodians.

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

RCA receives an economic benefit from Schwab in the form of the support products and services it makes available. These products and services, how they benefit RCA, and the related conflicts of interest are described above under Item 12 Brokerage Practices. The availability to RCA of Schwab's products and services is not based on RCA giving particular investment advice, such as buying particular securities for clients.

RCA may, from time to time, pay employees, officers or others persons in similar capacity in RCA or its affiliate(s) a bonus or other compensation based at least in part on referrals to the firm.

In addition, RCA is a member of the WiserAdvisor - Paladin Registry, an association of pre-screened, five-star rated financial professionals (See [www.paladinregistry.com](http://www.paladinregistry.com) for ratings criteria.). Investors use Registry services to learn about financial advisors, to learn how to avoid bad financial advice, to learn how to select quality advisors, to search for new or replacement advisors, and to view documentation for Registry advisors' credentials, ethics, and business practices. The Registry also matches RCA's profile with investors who use its search and documentation services. RCA pays a per lead fee and fixed monthly fees to Paladin to be a member of the Registry. Paladin uses membership fees to create visibility for the Registry on the Internet and in the media, develop relationships with third parties (Partners), and provide free public services to investors.

## Item 15 Custody

As paying agent of RCA, the client's independent custodian will directly debit the client's account(s) for the payment of their advisory fees. This ability to deduct RCA's advisory fees from the client's accounts causes RCA to exercise limited custody over the client's funds or securities. RCA does not have physical custody of any of the client's funds and/or securities. The client's funds and securities will be held with a bank, broker-dealer, or other qualified custodian. The client will receive account statements from the qualified custodian(s) holding their funds and securities at least quarterly. The account statements from the client's custodian(s) will indicate the amount of our advisory fees deducted from their account(s) each billing period. The client should carefully review account statements for accuracy.

### Asset Transfer Authority

RCA or persons associated with the firm may effect third party asset transfers for client accounts without client written consent per transaction for client accounts. An adviser with authority to conduct third party asset transfers has access to the client's assets, and therefore has custody of the clients' assets in any related accounts.

## Item 16 Investment Discretion

As described in **Item 4 - Advisory Business**, RCA will accept clients on either a discretionary or non-discretionary basis. For *discretionary accounts*, a Limited Power of Attorney ("LPOA") is executed by the client, giving RCA the authority to carry out various activities in the account, generally including the following: trade execution; the ability to request checks on behalf of the client; and, the withdrawal of advisory fees directly from the account. RCA then directs investment of the client's portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with RCA and the requirements of the client's custodian.

For *non-discretionary accounts*, the client also generally executes an LPOA, which allows RCA to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the investment advisory agreement between RCA and the client, RCA does not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action. As with discretionary accounts, clients may limit the terms of the LPOA, subject to RCA's agreement with the client and the requirements of the client's custodian.

## Item 17 Voting Client Securities

RCA does not vote proxies related to securities held in client accounts, with the exception of a few legacy clients with existing arrangements. As a policy and in accordance with RCA's client agreement, RCA does not vote proxies for new clients. The custodian of the account will normally provide proxy materials directly to the client. Clients may contact RCA with questions relating to proxy procedures and proposals; however, RCA generally does not research particular proxy proposals.

RCA votes proxies in limited instances for a few legacy clients. RCA's goal is to vote proxies in the best interest of those client(s). A copy of our complete proxy voting policy, as well as records of proxies voted; are available to such clients upon request.

## Item 18 Financial Information

RCA does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore has no disclosure required for this item.