



ROSENBLUM • SILVERMAN • SUTTON

INVESTMENT COUNSEL



Item 1 – COVER PAGE

## FORM ADV PART 2A\* and PART 2B BROCHURE SUPPLEMENT

March 2023

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\*This brochure provides information about the qualifications and business practices of Rosenblum Silverman Sutton, S.F., Inc. If you have any questions about the contents of this brochure, please contact the Firm's Principal and Chief Compliance Officer, Phyllis R. Sutton at telephone 415-771-4500. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any state authority.

This Brochure provides information upon which a prospective client may determine whether or not to hire our Firm. You are encouraged to review this Brochure and Supplements regarding the Firm's associates for information on the qualifications of the Firm and its employees. The use of the term "registered investment adviser" and description of Rosenblum Silverman Sutton, S.F., Inc. and/or our associates as "registered" does not imply a certain level of skill or training.

Additional information about Rosenblum Silverman Sutton, S.F., Inc. is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 - MATERIAL CHANGES FROM PRIOR FORM ADV 2A**

This updated Form ADV Part 2A contains the following changes from the prior version: This is a comprehensive update to the entire Form ADV Part 2.

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#### Item 4 - ADVISORY BUSINESS

Registration Status –	Registered with the SEC since 1983 <sup>1</sup>
Principal Owner –	Phyllis R. Sutton
Assets Under Management	Discretionary Assets – \$341,567,643
(As of December 31, 2022)	Non-discretionary Assets – \$0

#### INVESTMENT MANAGEMENT SERVICES

Rosenblum-Silverman-Sutton, S.F. Inc. ("RSS" or sometimes the "Firm" or "Advisor") is an independent investment advisor providing customized investment management services to individuals, families, high net-worth clients, retirement accounts, trusts, estates, charitable organizations, corporations and other types of business entities. Our investment management services include, among others, financial goal setting, risk assessment, strategic asset allocation and the selection and management of securities and investments. We offer our services on both a discretionary basis or, when requested by the client, on a non-discretionary basis.

Our investment solutions are tailored to each client's specific risk tolerance, time horizon, liquidity requirements, and resilience to market volatility. While we strive to create sustainable long term investment strategies, we review and adjust asset allocations and risk exposure as required by changes in market and client circumstances. The Firm's portfolio managers gather information about each client's individual financial condition and investment goals through personal consultations, questionnaires, and document review. On the basis of this information, the Firm designs an individualized investment plan based on a client's earning capacity, savings, investment history, tax issues, retirement horizon, education and legacy planning, and any other matters that a client deems important.

Depending upon the client's customized investment plan and personal preferences, we offer the following investment management services:

- Creation of an asset allocation strategy;
- Recommendation of specific securities for investment;
- Execution of securities transactions on behalf of clients through designated custodians and executing broker-dealers;
- Monitoring and rebalancing client account holdings;
- Quarterly performance reporting;

Our portfolio managers help each of the Firm's clients identify a strategic asset allocation that is consistent with the client's investment objectives and other criteria.

RSS has established a minimum account size requirement of \$500,000. Multiple accounts for the same client may be aggregated to reach this threshold. At the Firm's sole discretion, it may accept clients with smaller portfolios where it determines that the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Other factors considered in a decision to waive the minimum account size are the anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc. of the account.

A client may make additions to and withdrawals from the client's custodial account at any time, subject to the Firm's right to terminate an account if the amount of assets drops below our account

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<sup>1</sup>"Registration" means only that the Firm meets the minimum requirements for registration as an investment advisor and does not imply a certain level of skill or training or that the SEC or other regulator guarantees the quality of our services or recommends them.

size minimum. Clients may withdraw account assets with notice to the Firm, subject to the usual and customary securities settlement procedures. However, we design client portfolios as long-term investments and caution our clients that asset withdrawals may impair the achievement of the client's investment objectives.

Additions to an account may be in cash or securities provided that our portfolio managers may decline to accept particular securities into a client's account or may recommend that the security be liquidated if it is inconsistent with the Firm's investment strategy or the client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### **FINANCIAL PLANNING AND FINANCIAL CONSULTING SERVICES**

RSS provides comprehensive financial planning services on either an hourly fee or fixed fee basis. RSS's financial planning services may include a financial review and analysis of some or all of the following areas:

- Determining Financial Goals And Objectives
- Asset Allocation Review
- Retirement Plan Analysis
- Employee Stock Option Analysis
- Current Portfolio Review
- Education Funding Analysis
- Cash Flow Management Review
- Mortgage and Refinance Evaluation
- Charitable (or social capital) Planning
- Opinion on Current Investment Strategy/Advisors
- Other financial or investment analysis

The Firm's professionals also accept limited financial consulting engagements to conduct any of the listed reviews or analyses on an hourly fee basis.

The Firm may recommend its own investment management services or those of other professionals to implement investment recommendations. Financial planning/consultation only clients may act upon any of the recommendations made by RSS or not. Such clients retain absolute discretion over all such investment implementation decisions and are free to accept or reject any of the Firm's recommendations.

Unless provided in connection with the investment management services described above, clients engaging RSS to provide financial planning or consulting services will generally be required to enter into a separate written agreement with RSS setting forth the terms and conditions of the engagement and describing the scope of the services to be provided. Financial planning and consultation clients are not required to be investment management clients of the Firm.

### **Fiduciary Status**

When RSS provides investment advice to you regarding your investment accounts, including your retirement plan account or individual retirement account, we are fiduciaries within the meaning of certain federal laws such as the Employee Retirement Income Security Act and/or the Internal Revenue Code and the U.S. Securities and Exchange Commission, as applicable. These regulations require us to act in your best interest and not put our interest ahead of yours.

### **General Notices**

In performing its services, RSS is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is authorized to rely on such information as provided. Clients must promptly notify us of any change in their financial situation or

investment objectives that would necessitate a review or revision by our advisors of the client's portfolio and/or financial plan.

Clients are advised that a conflict of interest exists if the Firm recommends its own services and that recommendations that favor securities investments over other investments such as limited partnerships, real estate or insurance products may increase your total assets under management upon which we base our investment management fee.

#### **Advisor Does Not Provide Comprehensive Tax or Accounting Advice**

In providing investment management services, Advisor's decisions and recommendations may include the consideration of the possible alternative tax consequences incidental to such decisions and recommendations. However, the Firm does not undertake to provide comprehensive tax or accounting advice or counseling. Although we may prepare reports to assist our clients with the preparation of tax returns, such reports do not represent the advice or approval of tax professionals. We advise clients to consult a tax professional in order to determine the tax and accounting consequences of investments in their accounts.

#### **TERMINATION OF AGREEMENT**

Clients or the Firm may terminate the relationship upon written notice to other party. The Firm does not assess any fees related to termination but will be entitled to all management fees earned up to the date of termination. Any earned investment management fees owed to the Firm will be billed to the client, or where authorized, deducted from the client's account, on a pro rata basis determined on the amount of time expired in the billing period. Any unearned prepaid management fees will be refunded to the client. Any unearned prepaid financial planning or financial consultation fees will be refunded to the client. Any unpaid financial planning or consultation fees will be billed to the client for immediate payment or deducted from the client's retainer.

For new clients of the Firm, if a copy of this Form ADV Part 2A disclosure statement was not delivered to the client 48 hours or more before the client enters into a written advisory contract with Advisor, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. A contract is considered entered into when all parties to the contract have signed the contract. If the client terminates the contract on this basis, all fees paid by the client will be refunded however, any transaction costs imposed by an executing broker or custodian for establishing the custodial account or for trades occurring during those five days are non-refundable.

#### **Item 5 - FEES AND COMPENSATION**

##### **ADVISORY FEES**

For its investment management clients, RSS charges a fee based on a percentage of the market value of the investments held in each client's account. Assets in the account are included in the fee assessment unless specifically identified in writing for exclusion. Services provided for the above fees are for investment advice and quarterly reporting of asset holdings, valuations and performance reviews.

Unless otherwise negotiated between the Firm and the client, the annual fee is calculated according to the following standard fee schedule:

1.00% to 1.25%

The client's investment management fee to the Firm is determined in accordance with the above standard fee structure, with exceptions negotiated on a case-by-case basis at our discretion. Any deviations from the fee structure are based on a number of factors including the nature and length of the client relationship, the services requested, account composition, the amount of work involved,

the amount of assets placed under management and the attention needed to manage the account.

The Firm has established a minimum \$5,000 annual investment management fee per client relationship.

The annual management fee is prorated and billed every three months, in arrears. The management fee is computed on the last day of the billing period. Market value is determined by Client's Custodian, which in turn may rely on valuations provided by third-party sources it believes to be most accurate. For illiquid assets not subject to a readily obtainable market valuation, if any, Advisor will rely on Client's custodian, or other third parties such as Client's accountant, legal advisor, the issuer of the security or other outside appraiser to determine a valuation. Advisor will not be liable for the accuracy of any valuation obtained by such custodian or third parties.

If assets are deposited into or withdrawn from a client's account after the inception of a billing period and depending upon the timing or size of such withdrawal or deposit, the fee payable with respect to such assets may not necessarily be adjusted or prorated based on the number of days remaining in the billing period. Accounts initiated or terminated during a calendar month will be charged a prorated fee.

#### **Direct Withdrawal of Management Fees**

Clients customarily authorize RSS to deduct its quarterly investment advisory fee directly from their custodial account. This authorization is granted under the terms of the client's signed investment management agreement and the client's instructions to the custodian. It is the client's responsibility to verify the accuracy of the fee calculation, as the custodian will not determine whether the fee is properly calculated.

At the discretion of the Firm, clients may arrange to pay their fee directly to the Firm. Under this arrangement, payment is due upon client's receipt of our billing invoice.

#### **Use of Margin At Sole Discretion of Client**

RSS's investment strategy generally does not encourage clients to use margin account trading. Therefore, the decision as to whether to employ margin is left to the sole discretion of each client. To the extent that a client authorizes the use of margin, and margin is thereafter employed, the market value of the client's account and corresponding management fee payable to Advisor may be increased as any margin balance will not be offset against the value of assets purchased on margin when Advisor calculates its advisory fee.

In certain cases clients may request that RSS purchase, maintain, or consolidate preexisting or other securities positions in custodial accounts maintained with the Firm that are not consistent with the Firm's investment strategy. In such cases, RSS will not charge a management fee on such assets, with the specific understanding that these are non-managed assets for which the client is responsible for determining the suitability of maintaining such a position. The Firm will not sell such securities without specific instructions from the client.

#### **GENERAL FEE DISCLOSURE**

RSS sets its fees for its services based upon various objective and subjective factors. As a result, clients could pay divergent fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall investment advisory and/or consulting services to be rendered. As a result of these factors, the services to be provided by RSS to any particular client could be available from other advisers at lower fees, and similarly situated clients may pay diverse fees. All clients and prospective clients should be guided accordingly.

RSS receives no sales commissions on investment products purchased or sold for client accounts.

We do not provide clients advice as to the tax deductibility of our advisory fees. Clients are directed to consult a tax professional to determine the potential tax deductibility of the payment of advisory fees.

#### **CUSTODIAN AND BROKERAGE FEES**

Please see Item 12 below for an explanation of our brokerage practices. Clients incur certain charges imposed by their custodians and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients will incur charges by the executing broker-dealer in the form of brokerage commissions and transaction fees on the investment transactions entered into for their account(s). All of these charges, fees and commissions are in addition to Advisor's investment management fee.

#### **FUND DISCLOSURES**

Mutual funds, closed-end funds, exchange traded funds and alternative investment funds are investment vehicles and the investment strategies, objectives and types of securities held by such funds vary widely. In addition to the advisory fee charged by RSS, clients pay for the expenses and advisory fees charged by the funds in which their assets may be invested.

RSS generally invests its clients' assets in one or more of the above-referenced fund types. All such funds incur operational expenses in connection with the management of the fund. Investment funds pass some or all of these expenses through to the investors in the funds in the form of management fees. The management fees charged vary from fund to fund. In addition, funds charge investors other types of transaction fees, which also vary widely among funds. As a result, clients will still pay management fees and other fees and expenses as charged by each fund in which they are invested.

Clients are provided a copy of each fund prospectus for the funds in which they invest by their custodian or directly by the fund sponsor. As required by law, a prospectus represents the fund's complete disclosure of its management and fee structure.

Neither RSS, nor its principal or employees, accept compensation for the sale of securities or other investment products, including asset-based sales charges or fees from the sale of mutual funds. A client could invest in most securities directly, without the services of RSS. In that case, the client would not receive the advisory and administrative services provided by RSS which are designed, among other things, to assist the client in determining which investments are most appropriate given the client's financial circumstances and investment and retirement goals.

#### **BOND DISCLOSURE**

Clients whose assets are invested in bonds purchased directly from an underwriter or on the secondary market may pay a sales credit or sales concession on the trade (in lieu of a sales commission). The client's custodian may also impose a fee on the transaction.

## **Item 6 - PERFORMANCE-BASED FEES and SIDE-BY-SIDE MANAGEMENT**

RSS does not charge our clients performance-based fees based on a share of the capital gains of client assets and we do not manage any accounts that are charged such fees on a side-by-side basis.

## **Item 7 - TYPES OF CLIENTS**

Our clients include individuals and high net-worth individuals, trusts and estates, pension and profit-sharing plans, corporations and other business entities. We have established a \$500,000 minimum portfolio value, although multiple accounts for the same client may be aggregated to meet this minimum. This minimum may be waived in certain circumstances. Smaller accounts will be invested solely in mutual funds and ETFs.

As a result of the minimum account and minimum annual management fee requirements, RSS's services may not be appropriate for everyone. Particularly for smaller accounts, other investment advisors may provide somewhat similar services for lower compensation, although still others may charge more for similar services.

## **Item 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES, RISK OF LOSS**

### **METHODS OF ANALYSIS**

RSS monitors economic issues on a domestic and international basis to discern any changes which may affect levels of financial markets or their component sectors. Financial markets are studied to determine the relative behavior of one in comparison to another (for example, equities vs. fixed income), and their response to economic or corporate events. The goal of RSS' investment strategy is to identify broad economic trends, construct portfolios to provide exposure to the industries and sectors of the market which should benefit from these trends, and to emphasize high quality companies through strong fundamental research. RSS analyzes equities based on the fundamental operating conditions of the issuing companies, with particular emphasis on the consistency and acceleration of earnings growth, improvement in the rate of cash flow generation and return on equity, valuation (i.e., price-to-earnings) of the stock, balance sheet structure, as well as other factors such as strength of management, competitive advantages, new products, and industry consolidation. In performing these analyses, the Firm consults third-party research materials, company annual reports and other regulatory filings, and financial newspapers and periodicals.

Fixed income issues are analyzed according to their relative attractiveness along the yield curve, and by the ratings assigned to them by the rating agencies. Fixed income selection will be made accordingly.

### **INVESTMENT STRATEGY**

#### **Alternative Investments**

In addition to the above types of investments, the Firm is authorized to include what are known as "alternative investments" in the portfolios of its qualified clients for whom such investments are deemed suitable. These alternative investments may include, but are not limited to, venture capital limited partnerships, private equity, managed future funds, hedge funds and third-party funds of funds.

#### **Initial Public Offerings ("IPOs")**

While not a substantial part of its investment style, RSS does from time to time invest in initial public offerings ("IPO") on behalf of client accounts for which such investments are suitable. Some client accounts do not participate in IPOs at all or do not participate in certain volatile IPOs, either due to client instructions, risk tolerance, financial condition or investment objectives. When client accounts are determined to be eligible to participate in a purchase of an IPO, and there is an insufficient



number of shares of the IPO for all accounts eligible to participate in the trade, RSS uses a random basis to select participating accounts so that all eligible accounts are selected fairly.

## **INVESTMENT RISKS**

All securities investments carry risk, including the risk that an investor may lose a part or all of his or her initial investment. Risk refers to the uncertainty that the actual return the investor realizes could differ from the expected return. Risks may be systematic, referring to factors that affect the returns on all comparable investments and that affect the market as a whole. Systematic risks include market risk, inflation risk, interest rate risk, reinvestment rate risk, liquidity risk, purchasing power risk and exchange rate risk. Unsystematic risks depend on factors that are unique to the specific investment security. These risks include business risk and financial risk.

Here are some of the general risks associated with parts of our investment strategy:

### **Risks Common to All Investments**

**Natural & Unavoidable Events** - Global markets are interconnected, and events like hurricanes, floods, earthquakes, forest fires and similar natural disturbances, war, terrorism or threats of terrorism, civil disorder, public health crises, and similar "Act of God" events have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term and wide-spread effects on the world economies and markets generally. Investors may have exposure to countries and markets impacted by such events, which could result in material losses.

**Cybersecurity** - Successful foreign or domestic attack on a major financial institution or a core system or service used by many could quickly spread through the entire financial system causing disruption, instability and loss of market confidence. Transactions could fail as liquidity is trapped and companies and investors could lose access to deposits and payments. Under extreme scenarios, investors and depositors could demand their deposits or try to cancel accounts or other services causing a "run" on the financial system. Individual financial institutions such as broker-dealers, advisors, banks, trusts, etc., could be hacked and financial information used to acquire deposits.

### **Domestic and International Equities**

**Investment Style Risk.** The Advisor's judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security in which a client invests may prove to be incorrect and there is a no guarantee that the Advisor's judgment will always produce the intended results.

**Market Risk.** Securities traded on securities exchanges are subject to demand and supply conditions. Investors could receive less than the original investment amount when they sell a security if the demand for that security has fallen. Prices generally reflect investors' confidence in the economy, interest rates, and many other factors. Investors must be able to tolerate such price movements.

**Inflation.** Inflation is the loss of purchasing power that results from a general rise in prices. Portfolios may respond either positively or negatively to inflation, but the likelihood is that investors will experience a change in purchasing power that is less advantageous than suggested by nominal measures of return. For example, with inflation, a portfolio designed to distribute a 4% return as current income will experience a decline in purchasing power unless the portfolio strategy is adjusted to take inflation into account.

**Price Fluctuation.** Security prices do fluctuate (except for cash or cash equivalents) and clients must accept that risk associated with the fluctuations or change to a more appropriate investment portfolio in alignment with their risk tolerance.

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

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

**Reinvestment of Dividends.** We will reinvest interest, dividends and capital gains as appropriate to accumulate wealth based on factors such as ongoing cash needs and tax loss harvesting opportunities. This is an appropriate strategy for a portfolio designed for capital growth. However, the reinvested earnings could result in a lower or a higher rate of return than was initially projected.

**Sector Risks.** A client's portfolio may be over-weighted in certain market sectors; therefore any negative development affecting those sectors will have a greater impact on the client's investments.

**Income Risk.** Dividends may not be paid if a securities issuer reports an operating loss.

**Liquidity Risk.** Liquidity risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

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

**Mid-Cap and Small-Cap Risk.** Stocks of mid-cap and small-cap companies can exhibit greater risk than stocks of larger companies. Many of these companies are young and have a limited track record. Their securities may trade less frequently and in more limited volume than those of more mature companies. Mid-cap and small-cap companies also may lack the managerial, financial, or other resources necessary to implement their business plans or succeed in the face of competition or economic turmoil.

**Foreign Investing Risk.** Foreign investing involves risks not typically associated with U.S. investments. These risks include, among others, adverse fluctuations in foreign currency values as well as adverse political, social, and economic developments affecting a foreign country. In addition, foreign investing involves less publicly-available information, and more volatile or less-liquid securities markets. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws, and potential difficulties in enforcing contractual obligations. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulations may be inadequate or irregular. Owning foreign securities could cause the Fund's performance to fluctuate more than if it held only U.S. securities.

**Emerging Markets Risk.** Countries with emerging markets may have relatively unstable governments, social and legal systems that do not protect shareholders, economies based on only a few industries, and securities markets that trade a small number of issues. In addition, emerging securities markets may have different clearance and settlement procedures, which may be unable to keep pace with the volume of securities transactions or otherwise make it difficult to engage in such transactions.

**Net Asset Value and Market Price Risk.** The market value of ETF shares may differ from their net asset value. This difference in price may be due to the fact that the supply and demand in the market for the ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF share trades at a premium or discount to its net asset value.

**Tracking Risk.** ETFs in which a client invests will not be able to replicate exactly the performance of the indices they track because the total return generated by the securities will be reduced by transaction costs incurred in adjusting the actual balance of the securities. In addition, the ETFs will incur expenses not incurred by their applicable indices. Certain securities comprising the indices tracked by the ETFs may, from time to time, temporarily be unavailable, which may further impede the ETF's ability to track their applicable indices.

**Short-term purchases** – While we generally purchase securities with the intent to hold them for more than a year, we may on occasion determine to buy or sell securities in a client's account and hold them for less than a year. Some of the risks associated with short-term trading that could affect investment performance are increased commissions and transaction costs to the account and increased tax obligations on the gains in a security's value.

**Mutual Funds with Foreign Asset Holdings** – Any investments in mutual funds that make foreign investments and are not hedged back to the U.S. Dollar are subject to the uncertainty with changes in the foreign currency value. The client may bear more risk and may earn a substantially higher return or a substantially lower return than projected.

**Short Sale Trading.** Short Sale Trading, or "shorting," involves a great amount of risk and is not advocated by the Firm, nor is it a part of its investment strategy. In rare cases, short selling may be used as directed by the client to achieve specific goals. Short selling carries high risk. The risk is high in that the maximum gain, which would occur if the shorted stock went to zero, is limited, but the maximum loss is infinite since stocks can always rise in price. In addition to trading commissions, other costs include the costs of borrowing the security to short it and the interest payable on the margin account that holds the shorted security. A short seller is responsible for making dividend payments on the shorted stock to the entity from whom the stock was borrowed. Stocks with very high short interest may occasionally surge in price - usually when there is a positive development in the stock - which forces short sellers to buy the shares back to close their short positions. Heavily shorted stocks are also susceptible to "buy-ins," which occur when a broker closes out short positions in a difficult-to-borrow stock whose lenders are demanding it back. Regulators may impose bans on short sales in a specific sector or even in the broad market to avoid panic and unwarranted selling pressure. Such actions can cause a spike in stock prices, forcing the short seller to cover short positions at significant losses. Very good market timing is required, unlike the "buy-and-hold" investor who can afford to wait for an investment to succeed, the short seller may not have the luxury of time because of the many costs and risks associated with short selling. Timing is everything when it comes to shorting.

**Margin Trading.** In some cases, and generally only for short term financing considerations, clients may elect to assume a margin balance on their investment account. The client's custodian may require a percentage of assets under management to be pledged as collateral for the margin amount. Clients risk that in a falling market, the pledged collateral will be insufficient to cover a margin call by their custodian. Consequently, all margin decisions are left to the client.

**Option Trading.** Certain clients engage in option trading. An option is a contract that gives the investor the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date. Option securities are complex derivatives of equity securities that incorporate certain leverage characteristics and as such carry an increased risk of investment loss. Options are very time sensitive investments and the buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur before the option expires.

**REITS** – Publicly Traded Real Estate Investment Trusts (“REITs”) are companies that own and operate income-producing real estate or related assets. Because REITS are traded publicly, on national securities exchanges, they are subject to the same general risks as those of stock trading such as market risk and income risk. In addition, investments in REITS may involve: Concentration risk - the value of a REIT is derived from one or only a few properties; Liquidity risk - a REIT may be relatively less liquid compared to funds investing in financial securities such as stocks and bonds; Leverage risk - if a REIT uses debt to finance the acquisition of underlying properties, the assets of the REIT will be used to pay off debtors first; and Refinancing risk - higher refinancing cost or stricter underwriting standards when loans are due for renewal.

**Fixed Income** - Potential risks with fixed income (i.e. bond) investments:

**Interest Rate Risk.** Security price and total return will vary in response to changes in interest rates. If rates increase, the market value of bonds generally will decline, as will the value of your investment. Securities with longer maturities tend to produce higher yields but are more sensitive to changes in interest rates and are subject to greater fluctuations in value.

**Credit Risk.** A bond issuer’s credit rating may change, which can cause price volatility, and in the case of a credit rating downgrade, lower prices.

**Inflation Risk.** Inflation causes tomorrow’s dollar to be worth less than today’s; in other words, it reduces the purchasing power of a bond investor’s future payments and principal, collectively known as “cash flows.” Inflation also leads to higher interest rates, which in turn leads to lower bond prices. Inflation-indexed securities such as Treasury Protection Securities (TIPS) are structured to limit inflation risks.

**Bond Market Risk.** The risk that the bond market as a whole would decline, bringing the value of individual securities down with it regardless of their fundamental characteristics.

**Liquidity Risk.** The risk that investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit ratings downgraded or bonds that sold by an infrequent issuer. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume. Liquidity risk may also result during large scale disruption of the financial system.

**Default Risk.** The possibility that a bond issuer will be unable to make interest or principal payments when they are due. If these payments are not made according to the agreements in the bond documentation, the issuer can default.

**Reinvestment Risk.** When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates.

**Call Risk.** Some corporate, municipal and agency bonds have a “call provision” entitling their issuers to redeem them at a specified price on a date prior to maturity. Declining interest rates may accelerate the redemption of a callable bond, causing an investor’s principal to be returned sooner than expected. In that scenario, investors have to reinvest the principal at the lower interest rates. (See also Reinvestment risk.) If the bond is called at or close to a par value, as is usually the case, investors who paid a premium for their bond also risk a loss of principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.

**Prepayment Risk.** For mortgage-backed securities, the risk that declining interest rates or a strong housing market will cause mortgage holders to refinance or otherwise repay their loans sooner than expected and thereby create an early return of principal to holders of the loans.

**Government Risk.** The U.S. government's guarantee of ultimate payment of principal and timely payment of interest on certain U.S. government securities does not imply that shares are guaranteed or that the price of the shares will not fluctuate. In addition, securities issued by Freddie Mac, Fannie Mae and Federal Home Loan Banks are not obligations of, or insured by, the U.S. government. If a U.S. government agency or instrumentality in which a client invests defaults and the U.S. government does not stand behind the obligation, the share price could fall.

**Legislative Risk.** The risk that a change in the tax code could affect the value of the taxable or tax-exempt interest income.

**Alternative Investments** - Potential risks with alternative investments:

**Alternative Assets.** Many alternative investments, including hedge funds and other pooled investments, are illiquid, having "lock-up" periods or only set intervals in which client redemptions may be made which render the investments sometimes more difficult to trade. Consequently, such holdings may limit a client's ability to dispose of such investments in a timely manner and at an advantageous price. Furthermore, depending upon the asset itself and its holdings, there may be no readily available market value for the asset potentially affecting the valuation at redemption.

**IPOs.** Are generally investments in companies with limited operational histories and non-existent or weak earnings and are highly subject to market sentiment. Shares purchased through an IPO can often trade down immediately from their offer price or can be subject to wild fluctuations in performance at certain time periods after their entry to the public markets and, as such, carry increased risks of investment loss.

**Private Equities.** We may purchase or recommend the inclusion of shares in non-publicly traded equities in the accounts of accredited clients. These companies will generally have little available information on their financial status, capital structure or revenues, resulting in increased risk of loss, including total loss. In addition, these securities may be highly illiquid or may experience losses of liquidity – resulting in an inability to sell said equities or sales prices that are substantially below the purchase or market price. Unless otherwise expressly agreed, we will value these positions at their purchase price for any accounting purposes, which may not reflect losses that would be realized if the position was sold. Of particular risk is that the Firm may base its account values for billing purposes on these positions' purchase price (unless another methodology is agreed upon with the client), leading to a potential motivation to overvalue said equities. Finally, we may have clients who are executives of said firms or have other financial relationships that create conflicts of interest. Where such conflicts exist, the Firm will disclose these conflicts in writing to the clients who hold such securities or for whom we decide to purchase such securities under our discretion prior to any transactions.

**Item 9 - DISCIPLINARY INFORMATION**

RSS has no disciplinary history and consequently, is not subject to any disciplinary disclosures.

## **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

RSS is an independent investment advisor, unaffiliated with any other financial institution or securities dealer or issuer. We recommend that our clients custody their assets with Charles Schwab & Co., Inc., an SEC registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). Although we recommend that our clients custody their investment accounts at Schwab, we have no affiliation with Schwab, do not supervise its brokerage activities and are not subject to its supervision.

RSS may refer our clients to other professionals such as attorneys, accountants or other professionals for legal, tax or other matters. The Firm, its principal and its employees are not affiliated with any third-party service providers and we do not accept any compensation for making referrals to our clients. The decision to retain the services of such third-party professionals is left to the client based upon the client's own due diligence and evaluation of the third-party service provider and consequently, the Firm does not guarantee or warrant any services provided under such third-party engagements.

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

RSS, its employees and their immediate families (sometimes collectively "employees") are permitted to buy and sell securities for their personal investment accounts. The Firm has adopted employee personal trading policies and procedures and a code of ethics to govern proprietary (on behalf of the Firm itself) and employee trading practices. RSS manages the Firm's corporate account, the retirement accounts and the personal accounts for the Firm's principals and employees. Employees with access to the Firm's investment decision-making and trading activities are required to report all personal securities transactions on a regular basis. All personnel are required to abide by the Firm's personal trading practices and code of ethics which governs employee trading practices and specifically prohibits employee trading on the basis of inside information and trading ahead of customer orders (front-running). RSS's employee personal trading policies and code of ethics are made available to clients and prospective clients upon request.

Employees may personally invest in the same securities that are purchased for client trading accounts and may own securities that are subsequently purchased for client accounts. However, it is Firm policy not to give preference to orders for personnel associated with the Firm regarding such trading. From time to time, trading by employees in particular securities may be restricted in recognition of impending investment decisions on behalf of clients. RSS and/or its employees may purchase securities one or more days prior to a client transaction in the same security or on the second day following a client transaction in the same security. If purchased or sold on different days, it is possible that employees' personal transactions might be executed at more favorable prices than were obtained or clients.

Employees may buy or sell different investments, based on personal investment considerations, which the Firm may not deem appropriate to buy or sell for clients. It is also possible that employees may take investment positions for their own accounts that are contrary to those taken on behalf of clients. Employees may also buy or sell a specific security for their personal account based on personal investment considerations aside from company or industry fundamentals, which are not deemed appropriate to buy or sell for clients. If these securities subsequently appreciate, these personal transactions could be viewed as creating a conflict of interest.

Conversely, employees may liquidate a security position that is held both for their own account and for the accounts of Firm clients, sometimes in advance of clients. This occurs when personal considerations (i.e., liquidity needs, tax-planning, industry/sector weightings) deem a sale necessary for individual financial planning reasons. If the security subsequently falls in price, these personal transactions could be viewed as a conflict of interest.

## **Item 12 - BROKERAGE PRACTICES**

### **RECOMMENDATION OF SCHWAB AS CUSTODIAN AND EXECUTING BROKER**

RSS recommends that clients establish brokerage accounts with Schwab, a registered broker-dealer, to maintain custody of clients' assets and to effect trades for their accounts. Schwab is independently owned and operated and not affiliated with RSS and does not supervise or otherwise monitor RSS's investment management services to its clients. Schwab provides RSS with access to its institutional trading and custody services, which typically are not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a set minimum of the advisor's clients' assets is maintained in accounts at Schwab but are not otherwise contingent upon RSS committing to Schwab any specific amount of business (in the form of either assets in custody or trading). Schwab's services include brokerage, 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.

Schwab also makes available to RSS other products and services that benefit RSS but may not benefit its clients. Some of these other products and services assist RSS in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of RSS's fees from its clients' accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of RSS's accounts, including accounts not maintained at Schwab. Schwab also makes available to RSS other services intended to help RSS manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to RSS by independent third parties. Schwab may discount or waive fees it otherwise would charge for some of these services or pay all or a part of the fees of a third-party providing these services to RSS.

RSS's recommendation that clients maintain their assets in accounts at Schwab is based in part on the benefit to RSS of the availability of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab.

### **CLIENT-DIRECTED BROKERAGE**

In a limited number of cases, clients may direct RSS to place all orders for securities transactions with a specific broker-dealer (directed brokerage). In these cases, RSS is not obligated to, and will generally not solicit competitive bids for each transaction or seek the lowest commission rates for the client. As such, the client may pay higher commission costs, higher security prices and transaction costs than it otherwise would have had it not directed RSS to trade through a specific broker. In addition, the client may be unable to obtain the most favorable price on transactions executed by RSS as a result of RSS's inability to aggregate/bunch the trades from this account with other client trades.

Furthermore, the client may not be able to participate in the allocation of a security of limited availability (such as an IPO) for various reasons, including if those new issue shares are provided by another broker or dealer. As a result of the special instruction, RSS may not execute client securities transactions with brokers that have been directed by clients until non-directed brokerage orders are completed. Accordingly, clients directing brokerage may not generate returns equal to clients that do not direct brokerage.

Due to these circumstances, there may be a disparity in commission rates charged, performance and other differences from other similarly managed accounts for a client who directs RSS to use a particular broker. Clients who direct brokerage should understand that similar brokerage services may be obtained from other broker-dealers at lower costs and possibly with more favorable execution.

### **BEST EXECUTION**

RSS will typically trade with 5 to 10 broker-dealers at any given time. Our investment staff has developed a list of evaluation factors to rate our trading partners. RSS is not obligated to obtain the best net price or lowest brokerage commission on any particular transaction. Rather federal law requires investment managers to use their reasonable best efforts to obtain the most favorable execution for each transaction executed on behalf of client accounts.

In selecting broker-dealers, RSS's primary objective is to obtain the best execution. Expected price and other transaction costs are principal factors, but the selection also takes account of other factors, including the execution, clearance and settlement capabilities of the broker-dealer, the broker-dealer's willingness to commit capital, the broker-dealer's reliability and financial stability, the size of the particular transaction and its complexity in terms of execution and settlement, the market for the security, the value of any research and other brokerage services provided by the broker-dealer, and the cost incurred by placing prime brokerage trades in client accounts.

Based upon an evaluation of some or all of these factors, RSS may execute client trades through broker-dealers that charge fees that are higher than the lowest available fees. RSS may select broker-dealers whose fees may be greater than those charged for similar investments if RSS determines that brokerage services and research materials provided by that broker-dealer warrant the payment of higher fees.

RSS reviews transaction results periodically to determine the quality of execution provided by the various broker-dealers through whom RSS executes transactions on behalf of clients.

### **SOFT DOLLAR ARRANGEMENTS AND POTENTIAL CONFLICTS**

RSS may purchase from a broker-dealer or may allow a broker-dealer to purchase brokerage or research products or services (known as "soft dollar" products or services) on its behalf. Soft dollar brokerage services and research products may include but are not limited to: research or market reports, market data services, market research software, corporate governance research, quantitative analytical software, financial newsletters, tuition to research related seminars, execution, order routing, trade settlement services, trade order communication services, order management systems and trading software.

Soft dollar brokerage and research products or services may be provided by various broker-dealers and used by RSS for the benefit of all its clients, including clients whose securities transactions are not affected by the broker-dealer that provides the services and research. Such research, or other soft dollar products or services provide a benefit to RSS because it does not have to pay for the research, products or services directly. In exchange for these services, RSS may direct client trades to the providers of such services and research. In such cases, RSS's interest in receiving such research, products or services provides an incentive to select a given broker-dealer to effect securities transactions or to custody client accounts.

Nevertheless, it is RSS policy only to accept research, products and brokerage services when doing so is consistent with its best execution obligations, described above. Equally, it is the Firm's policy is to limit its use of soft dollar arrangements to those falling within the safe harbor of Section 28(e) of the Securities and Exchange Act of 1934, as amended. To be protected under Section 28(e), RSS must, among other things, determine that commissions paid are reasonable in light of the value of the brokerage and "research" services and products acquired. Section 28(e)'s "safe harbor" protects the use of client soft dollars even when the research and brokerage services and products acquired



are used in making and implementing investment decisions and transactions for other clients. Only *bona fide* research and brokerage products and services that provide assistance to RSS in the performance of its investment decision-making responsibilities are permitted.

RSS may pay a broker a brokerage commission (or markups or markdowns) in excess of that which another broker might charge for effecting the same transaction in recognition of the value of the brokerage, research, other services and soft dollar relationships that broker provides. In such a case, however, RSS determines in good faith that such commission is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, viewed in terms of either the specific transaction or RSS's overall responsibilities to the portfolios over which it exercises investment authority.

RSS may, on occasion, be the recipient of unsolicited discounts on software and other services. The discounts are generally offered to all advisory firms that fit a common profile and RSS is not offered such discounts because of a particular event or request. Such discounts are accepted with the intent to benefit all clients and the value of these discounts is not considered in the process of selecting securities to purchase for client accounts.

#### **AGGREGATION OF TRADES, ALLOCATION OF OPPORTUNITIES AND POTENTIAL CONFLICTS**

RSS may aggregate a number of client trades as a single transaction for execution. Trade aggregation is usually sought to obtain lower commissions and costs or a better transaction price. RSS does not aggregate securities transactions for client accounts unless it believes that aggregation is consistent with its duty to seek best execution and is consistent with the investment management agreements for the client accounts for which securities transactions are aggregated. RSS does not permit employees' securities transactions to be aggregated with securities transactions for client accounts. If securities transactions are aggregated for client accounts, RSS may allocate different blocks of aggregated trades through different executing brokers, which could result in differences in price obtained and commissions paid.

When trades are aggregated, the Firm uses a randomized system for selecting trade tickets to be allocated to certain brokers so that no client accounts are favored over any other client accounts over time. Each client account that participates in an aggregated securities transaction participates at the average price for all transactions in the security on the trade ticket for which that aggregated order is placed, with transaction costs shared in proportion to the client's participation. If an aggregated trade is only partially filled, it is allocated pro rata among the client accounts participating in that trade. The allocation of an aggregated trade may differ from the intended allocation specified in the trade blotter, if all client accounts receive fair and equitable treatment and if the reason for the difference is approved by the Firm's Chief Compliance Officer.

Because RSS engages in an investment advisory business and manages more than one client account, there may be a conflict of interest over RSS' time devoted to the management of any one account and the allocation of investment opportunities among all accounts managed by RSS. RSS will attempt to resolve all such conflicts in a manner that is generally fair to all of its clients. RSS may give advice and take action with respect to any of its clients that may differ from the advice given or the timing or nature of action taken with respect to any particular client. It is RSS' policy, to the greatest extent practicable, to allocate investment opportunities over a period of time on a fair and equitable basis relative to other clients. RSS is not obligated to acquire for any client account, any security that RSS or its officers, partners, members or employees may acquire for their own accounts or for the account of any other client, if in the absolute discretion of RSS, it is not practical or desirable to acquire a position in such security for that account.

## **USE OF THIRD-PARTY TRADE DATA MANAGEMENT SERVICES**

The Firm is aided in its ongoing client account monitoring and management services by the use of third-party portfolio and trade data management software and services provided by Schwab and others. Such third-party services provide linked access to client custodial accounts and trade activity and provide "cloud" storage of such data on their secure, internal computer servers on behalf of the Firm. We only store non-public client information on non-affiliated third-party platforms when we believe it necessary for our provision of services to you or to maintain your account.

## **Item 13 - REVIEW OF ACCOUNTS**

All accounts under management are monitored on a continuous basis by Phyllis R. Sutton and Holger Berndt. Account holdings and asset allocations are reviewed at least annually. Reviews determine consistency with the Firm's investment strategy and with client investment objectives. Ms. Sutton and Mr. Berndt review asset class allocations, cash allocations and other account factors. Portfolio adjustments may be required due to client investment guideline changes, client deposits and withdrawals and client liquidity needs. Additionally, client accounts are reviewed in response to changes in the financial markets and/or changes in the Firm's investment strategy.

Clients receive statements from the custodian of their accounts which list all positions and investment transactions. These are sent directly from the custodian of the client's account on at least a quarterly basis. In addition, RSS sends reports to its investment management clients on a quarterly basis with information about securities held in their account, current valuations and asset allocation. Clients are advised to routinely review and compare all statements.

## **Item 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

Except as noted below, RSS does not pay referral fees to any third-party firms or individuals for recommending the Firm to prospective clients, nor are the Firm or its employees paid referral fees by any third-party for referring clients to their businesses. RSS employees are not paid "sales awards" or other prizes for referring clients to the Firm.

### **Schwab Advisor Network Program**

RSS has received client referrals from Charles Schwab & Co., Inc. ("Schwab") through the Firm's participation in the Schwab Advisor Network (the "Service".) In relation to this participation, RSS makes the following specific disclosures:

- Schwab is a broker-dealer independent of/and unaffiliated with RSS.
- Schwab does not supervise RSS and has no responsibility for the management by RSS of client portfolios or any other services RSS may offer its clients.
- RSS pays Schwab fees to receive client referrals through the Service.
- RSS' participation in the Service may raise potential conflicts of interest as described below.

RSS pays Schwab participation fees on all referred client accounts that are maintained in custody at Schwab and a non-Schwab custody fee on all accounts that are referred by Schwab but maintained at, or transferred to, another custodian. Participation fees are a percentage of the value of the assets in the client's account. RSS pays Schwab participation fees for so long as the referred client's account remains in custody at Schwab. Participation fees are billed to RSS quarterly and may be increased, decreased or waived by Schwab from time to time. Participation fees are paid by RSS and not by the client. RSS generally pays Schwab a non-Schwab custody fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The non-Schwab custody fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The non-Schwab custody fee is higher than the participation fees RSS generally would pay in a single year. Thus, RSS would have an

incentive to recommend that client accounts referred by the service remain custodied at Schwab. The participation fee and non-Schwab custody fee are based on the total of assets in accounts of RSS client who were referred by Schwab and those referred clients' family members living in the same household. Thus, RSS will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts Schwab.

For accounts of RSS clients custodied at Schwab, Schwab generally does not charge the client separately for custody but receives compensation from the client in the form of commissions or other transaction-related compensation on securities trades Schwab executed for the client's account. Clients also pay Schwab a fee for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealers fees and commissions. Thus, RSS may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Nevertheless, RSS acknowledges its duty to see best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer that trades for RSS' other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

#### **Item 15 - CUSTODY**

RSS does not maintain physical custody of client funds or securities. Clients are required to set up their investment accounts with a "qualified custodian," namely a broker-dealer, bank or trust company. RSS is unable to take even temporary possession of client assets for the purpose of transferring them to the client's account. Each client has a direct relationship with their custodian and is responsible for making deposits to and withdrawals from their account as necessary.

Although RSS does not maintain physical custody of client investment accounts, it is deemed to have custody of client assets on the basis of the Firm's authority to:

1. direct client-approved transfers of assets between a client's own accounts and if authorized, to client-designated third-party accounts; and
2. to receive payment of its investment management fees via direct payment by the client's custodian from the client's investment account.

#### **Disclosures Related to Custodians**

Schwab acts as custodian and executing broker-dealer for RSS clients. Schwab is independently owned and operated and not affiliated with RSS and does not supervise or otherwise monitor our investment management services to our clients.

Schwab does not charge separately for maintaining the custody of client investment accounts. However, Schwab is compensated by account holders who pay commissions and other transaction-related costs for securities trades and settlements that are executed by Schwab on behalf of the client. In most cases, trade executions for client accounts custodied at Schwab will be entered through Schwab to avoid "trade away" charges otherwise imposed for trades executed at other broker-dealers. In cases where a desired security is not available for purchase or sale through Schwab, and in light of the Firm's best execution evaluations, the purchase or sale may be made at

a different broker-dealer. The Firm generally tries to avoid “trade away” transactions as they typically incur additional fees imposed by Schwab, acting as custodian. Such trade away fees are set by Schwab.

Schwab sends account statements directly to the client (or to an independent third-party representative designated by the client), no less than monthly, showing all funds and securities held, their current value and all transactions executed in the client’s account, including the payment to RSS of its investment management fees. Clients are advised to review these statements routinely and to compare them to the client account reports prepared by the Firm. The account values reflected on our reports may vary slightly from the custodian statements as a result of accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 - INVESTMENT DISCRETION**

Clients appoint RSS as their investment advisor and grant full trading and investment authority over their assets at the time they establish their investment accounts. Subject to the Firm’s investment strategy and the client’s investment objectives, our portfolio managers are given full discretion to determine:

- Types of investments;
- Which securities to buy;
- Which securities to sell;
- The timing of any buys or sells;
- The amount of securities to buy or sell; and
- The broker-dealer to be used in the transaction

This discretion may be limited by client investment guidelines and by any investment restrictions set by the client. Where possible, the Firm will attempt to negotiate the commission rates at which transactions for client accounts are effected, with the objective of attaining the most favorable price and market execution for each transaction.

#### **Item 17 - VOTING CLIENT SECURITIES AND SHAREHOLDER ACTIONS**

It is RSS’s policy not to vote proxy solicitations or other corporate actions received on behalf of clients from the issuers of securities held in client’s account. All such solicitations are forwarded to client for voting. Any client wishing to review our proxy voting policies in full may request a copy from the Firm at his or her convenience.

RSS will assist our clients with class action lawsuits, if the client will net one dollar or more per share. The timing restrictions and legal procedures for initiating and prosecuting a class action securities action are complex and require the professional services of licensed legal counsel. RSS is an investment advisor to its clients and not legal counsel. Therefore, Firm personnel may not make any legal recommendations to clients seeking advice with either the decision to bring or join a claim or the procedure to prosecute or join a claim. In certain circumstances, RSS will assist with the compilation of documentation necessary for a requesting client to participate in a class action suit. In those instances where the requesting client’s net projected proceeds are equal to or greater than one dollar per share of the securities held by the client, RSS personnel are authorized to provide a requesting client with trade and cost basis data related to their holdings of the security in question.

#### **Item 18 - FINANCIAL INFORMATION**

RSS does not require or solicit prepayment of its management fees from clients six or more months in advance. There are no adverse conditions related to the Firm’s finances that are likely to impair its ability to meet its contractual commitments to its clients. The Firm has not been the subject of a bankruptcy filing in the last ten years.

## INDEX OF ERISA RELATED DISCLOSURES

RSS provides investment management services to retirement plans governed by the Employee Retirement Investment Security Act ("ERISA"). ERISA regulations require that specific disclosures be made to the ERISA plan fiduciary that is authorized to enter into, or extend or renew, an agreement with the Firm to provide these services. The following Index identifies the disclosures required and the location where plan representatives may find them. It is intended to assist ERISA Plan representatives with compliance with the service provider disclosure regulations under section 408(b)(2) of ERISA. Any questions concerning this guide or the information provided regarding our services or compensation should be addressed to our Chief Compliance Officer at the number noted on the cover page of this ADV Part 2A.

Required Disclosure	Location of the Required Disclosure
Description of the services that Advisor will provide to covered ERISA plans	Items 4 and 8 of this Form ADV Part 2A and Item 4 of the client plan's investment management agreement with the Firm.
Statements that the services that Advisor will provide to covered ERISA plans will be as an ERISA fiduciary and registered investment adviser	Item 4 of this Form ADV Part 2A and Item 4, Section viii of the client plan's investment management agreement with the Firm.
Description of the direct compensation to be paid to Advisor	Item 5 of this Form ADV Part 2A and Item 6 of the client plan's investment management agreement with the Firm.
Description of the indirect compensation Advisor might receive from third parties in connection with providing services to covered ERISA plans, if any	Items 5 and 12 of this Form ADV Part 2A
Description of the compensation to be shared between Advisor and any third-party or any affiliated entity, if any	Items 12 and 14 of this Form ADV Part 2A.
Compensation that Advisor will receive upon termination of its agreement to provide investment management services, if any	Item 4 of this Form ADV Part 2A.



ROSENBLUM • SILVERMAN • SUTTON

INVESTMENT COUNSEL



Item 1 – COVER PAGE

## FORM ADV PART 2B\* BROCHURE SUPPLEMENT

Professional Biographies of

PHYLLIS R. SUTTON  
and  
HOLGER BERNDT, CFA

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\*This brochure supplement provides information about the qualifications of Rosenblum Silverman Sutton, S.F., Inc.'s professional personnel. This is a supplement to the Rosenblum Silverman Sutton, S.F., Inc. Part 2A brochure, preceding. Please contact the Firm's Principal and Chief Compliance Officer Phyllis R. Sutton at the above number if you have not received the brochure or if you have any questions about the contents of this supplement. Additional information about Rosenblum Silverman Sutton, S.F., Inc. and its registered personnel is available on the internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Each member of Rosenblum Silverman Sutton, S.F., Inc.'s professional staff is evaluated on the basis of his or her education and work experience. As general standards, an undergraduate degree and prior related business experience are required. Graduate work and/or professional certifications are preferred.

## **PHYLLIS R. SUTTON**

Principal and Chief Executive Officer

### **Item 2 - Educational Background and Business Experience**

#### Education:

Ms. Sutton received a B.A. from the University of Miami and did graduate work in Finance at the New York University Graduate School of Business.

#### Business Background:

Ms. Sutton has over four decades of buy-side experience, primarily as a portfolio manager. As a senior portfolio manager at RSS, she co-heads the firm's Investment Policy Committee.

She began her career with Merrill Lynch, Pierce, Fenner & Smith in New York City, where she worked as a securities analyst and portfolio strategist. After working at several investment advisory firms, including Dodge & Cox in San Francisco, she became a principal of Robert M. Sutton Investment Management and joined RSS in 1983.

Ms. Sutton has been featured in many financial publications and television shows including Money Magazine and CNN. She is a frequent commentator on financial matters and the capital markets for several Bay Area newspapers.

### **Item 3 – Disciplinary Information**

Ms. Sutton has no legal or disciplinary events or disclosures.

### **Item 4 – Other Business Activities**

Ms. Sutton owns several investment properties which are managed by a professional management group.

### **Item 5 – Additional Compensation**

Ms. Sutton receives no economic benefit from any non-client third party for the provision of investment advisory services.

### **Item 6 – Supervision**

Principal and Chief Compliance Officer, Phyllis R. Sutton has no direct supervision. All Firm personnel are supervised by Ms. Sutton whose supervision is ongoing and includes account reviews, trade supervision, annual compliance reviews including the forensic testing of Firm systems and employee reviews. All Firm personnel are subject to the Firm's Code of Ethics and must comply with adopted personal trading policies and procedures, including trade pre-approval and investment reporting. Ms. Sutton is aided in her regulatory compliance effort by outside business counsel, compliance counsel and accounting professionals.

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## **HOLGER BERNDT, CFA**

Executive Vice President and Director of Research

### **Item 2 - Educational Background and Business Experience**

#### Education:

Mr. Berndt has a B.S. in Finance from the University of Connecticut and has held the Chartered Financial Analyst designation since 1995. He is a member of the CFA Society of San Francisco and the CFA Institute.

#### Business Background:

Mr. Berndt has many years of experience formulating investment strategies, researching securities and managing equity and fixed income portfolios for high net-worth individuals and institutions and also managed a successful hedge fund. He has overseen investments and advised clients through multiple economic and market cycles over three different decades.

Mr. Berndt began his investment career at Fisher Investments, where he managed the trading of equity and Treasury securities for the firm. He subsequently was a research analyst at RSS, working closely with the firm's principals. Mr. Berndt also was a research analyst and hedge fund portfolio manager at EGM Capital and a portfolio manager at Karp Capital Management prior to returning to RSS.

### **Item 3 – Disciplinary Information**

Mr. Berndt has no legal or disciplinary events or disclosures.

### **Item 4 – Other Business Activities**

Mr. Berndt is involved in no other outside business activities.

### **Item 5 – Additional Compensation**

Mr. Berndt receives no economic benefit from any non-client third party for the provision of investment advisory services.

### **Item 6 – Supervision**

All Firm personnel are supervised by Principal and Chief Executive Officer Phyllis R. Sutton whose supervision is ongoing and includes account reviews, trade supervision, annual compliance reviews including the forensic testing of Firm systems and employee reviews. All Firm personnel are subject to the Firm's Code of Ethics and must comply with adopted personal trading policies and procedures, including trade pre-approval and investment reporting.

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\* The Chartered Financial Analyst ("CFA") designation requires the holder to pass three six-hour exams, possess a bachelor's degree (or equivalent, as assessed by CFA institute) and have 48 months of qualified, professional work experience. CFA charter holders are also obligated to adhere to a strict code of ethics and standards governing professional conduct.