

**Form ADV Part 2A  
Firm Brochure**

March 2023

**Riverpoint Wealth Management Holdings, LLC  
d/b/a Riverpoint Wealth Management**

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This brochure provides information about the qualifications and business practices of Riverpoint Wealth Management. If you have any questions about the contents of this brochure, please contact us at 312-239-1330 or email Timothy McGrath at [mcgrath@riverpointwealth.com](mailto:mcgrath@riverpointwealth.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

## **Item 2: Material Changes**

Since the last annual amendment filed on March 24, 2022, our firm does not have any material changes to disclose.

Please see item 4.D of this brochure for additional information on our transaction fee reimbursement program for non-wrap Comprehensive Portfolio Management Services.

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## **Item 4: Advisory Business**

### **A. Description of Your Advisory Firm**

Riverpoint Wealth Management Holdings, LLC, d/b/a Riverpoint Wealth Management ("Riverpoint" and/or "the firm") is organized as an Illinois limited liability company. Riverpoint Wealth Management Holdings, LLC, was founded in 2013, and is fully owned by Riverpoint Wealth Management, LLC, which in turn is owned by Timothy P. McGrath, Riverpoint's Managing Partner and Chief Compliance Officer; Riverpoint's predecessor firm, Riverpoint Wealth Management, LLC, was founded in 2007 by Timothy P. McGrath.

### **B. Description of Advisory Services Offered**

Riverpoint is an independent asset management and financial planning firm offering a variety of financial services to individuals, retirement plans, trusts, estates and charitable organizations, and corporations or other business entities. Services include asset management, recommendation of independent third-party investment managers, and financial planning and consulting.

#### **B.1. Proprietary Discretionary Asset Management Services**

Riverpoint offers its proprietary discretionary asset management services solely on a wrap fee basis. For details on these services, including fees, please refer to Appendix 1: Riverpoint Wealth Management Wrap Program Brochure.

#### **B.2. Section 529 Account Management Services**

As part of this service, we manage portfolios consisting primarily of mutual funds. We will not evaluate any type of security other than mutual funds and products available to Section 529 accounts. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client's circumstances.

#### **B.3. Asset Management for Held Away Accounts:**

As part of our Asset Management services for held away Accounts. Our firm has entered into a service agreement with Pontera. in order to be able to create a portfolio, consisting of the securities/investment opportunities available to clients in their retirement accounts which have been selected by their plan sponsor. The client's individual investment strategy is tailored to their specific needs and may include some or all of the securities made available. Portfolios will be designed to meet a particular investment goal, determined to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced.

#### **B.4. Comprehensive Portfolio Management Services**

As part of our Comprehensive Portfolio Management service clients will be provided asset management and financial planning or consulting services. This service is designed to assist clients in meeting their financial goals through the use of a financial plan or consultation. Our firm conducts client meetings to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what is learned, an investment approach is presented to the client, consisting of individual stocks, bonds, ETFs, options, mutual funds and other public and private securities or investments. Once the appropriate portfolio has been determined, portfolios are continuously and regularly monitored, and if necessary, rebalanced based upon the client's individual needs, stated goals and objectives. Upon client request, our firm provides a summary of observations and recommendations for the planning or consulting aspects of this service.

#### **B.5. Independent Third-Party Investment Managers**

Riverpoint may recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent third-party investment managers ("independent manager") available exclusively through LPL, based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the independent manager shall be set forth in separate written agreements between (i) the client and Riverpoint and (ii) Riverpoint or the client and the designated independent manager. Riverpoint will continue to render services to the client relative to the discretionary selection of independent manager, as well as monitor and review account performance and client investment objectives.

When selecting an independent manager for a client, Riverpoint will review information about the independent manager such as its disclosure statement and/or material supplied by the independent manager or independent third parties for a description of the independent manager's investment strategies, past performance, and risk results to the extent available.

Factors that Riverpoint will consider in selecting an independent manager include management style, performance, reputation, financial strength, reporting, pricing, and research, as well as the client's stated investment objective(s).

#### **B.6. Financial Planning and Consulting Services**

Riverpoint offers financial planning and consulting services, which may include a review of all aspects of a client's current financial situation, including the following components: cash management, risk management, insurance, education funding, goal setting, retirement planning, estate and charitable gift planning, tax planning, and capital needs planning. Clients understand that when Riverpoint is engaged to address only certain components, the client's overall financial and investment issues may not be taken into consideration.

Riverpoint meets with the client to review risk tolerance, financial goals and objectives, and time horizons. Additional meetings may include a review of additional financial information, such as sources of income, assets, insurance, liabilities, wills, trusts, business agreements, tax returns, investments, and personal and family obligations.

The financial plan may include both long- and short-term considerations, depending upon the client's financial situation. Upon completion, a plan is presented to the client. At this meeting, the client is provided with recommendations compatible with the client's stated goals and objectives. An implementation schedule is reviewed with the client to determine what steps will be pursued, and with whom the steps may be accomplished. The client is under no obligation to utilize additional services of Riverpoint and its representatives and is under no obligation to implement the advice or plan. Clients may choose all, none, or certain specific components of advice and recommendations and may implement the recommendations through the service providers of their choice.

### **B.7. 401(k) Consulting Services**

Our firm provides retirement plan consulting services to participants of employer-sponsored plans on an ongoing basis. Generally, such consulting services consist of assisting Clients in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the Client dictate, areas of advising could include: investment options, strategies, investment allocation and Client education.

Retirement Plan Consulting services typically include:

- Establishing an Investment Policy Statement – Our firm will assist in the development of a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.
- Investment Options – Our firm will work with the Client to evaluate existing investment options and make recommendations for appropriate changes.
- Asset Allocation– Our firm will advise on asset allocations for available investments to aid Clients in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

## **D. Wrap Fee Programs**

Riverpoint is the sponsor and manager of the Riverpoint Wealth Management Wrap Program (the Program), a wrap fee program. In the event the client participates in the Program, Riverpoint shall provide its investment management services under a single annual advisory fee for both advisory services and execution of transactions. Clients in the Program do not pay brokerage commissions or transaction charges for execution of transactions in addition to the advisory fee. LPL specifically acts as principal on fixed income security transactions and does

receive a mark-up/down on those transactions. Please refer to Appendix 1: Riverpoint Wealth Management Wrap Program Brochure for information.

For Clients who's assets serviced under our Non-Wrap Comprehensive Portfolio Management Service, it is important to note that while our firm will not be responsible for the payment of transaction fees incurred in the client account, our firm will refund on a quarterly basis clients for all transaction fees incurred for the purchase and sale of securities products. It is further important to note that Charles Schwab & Co., Inc does not charge transaction fees for U.S. listed equities and exchange traded funds.

In order to mitigate the conflict of interest created by offering a wrap and non-wrap program and ultimately ensure that all clients receive equal quality of service and pricing, Riverpoint has instilled a reimbursement program under the non-wrap Comprehensive Portfolio Management Service where any transaction fees incurred in a non-wrap account are reimbursed to the clients by Riverpoint and as such, clients do not benefit from investing through a non-wrap account versus a wrap account. Furthermore, Riverpoint has no additional economic benefit from recommending that clients subscribe to the wrap vs. non-wrap offering and vice-versa. Riverpoint has implemented this policy in response to the ongoing changes by most large broker-dealers distancing themselves from transaction fees and as such allows clients to transition over to a non-wrap service model without being negatively affected. Per this reimbursement program, the fee charged for our wrap fee Comprehensive Portfolio Management is identical to the fee charged for our non-wrap Comprehensive Portfolio Management service.

## **E. Client Assets Under Management**

As of December 31, 2022, Riverpoint manages \$547,003,145 all of which are on a discretionary basis.

## **Item 5: Fees and Compensation**

### **A. Methods of Compensation and Fee Schedule**

#### **A.1. Section 529 accounts:**

The maximum annual fee charged our Section 529 account management service will not exceed 1%. Fees to be assessed will be outlined in the advisory agreement to be signed by the Client. Annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable and will either be directly invoiced to clients or deducted from a non-qualified account managed by our firm. The account from which our management fees will be debited will be documented on the signed service agreement.



We have three different billing cycles which are billed as follows: Cycle 1 is billed in January, April, July and October. Cycle 2 is billed in February, May, August, and November. Cycle 3 is billed in the calendar year quarters March, June, September and December. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a billing cycle. As part of this process, Clients understand the following:

- A) The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- B) Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- C) If our firm sends a copy of our invoice to the client, a legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

## **A.2. Asset Management for Held Away Accounts:**

The maximum annual fee charged for this service will not exceed 1%. Fees to be assessed will be outlined in the advisory agreement to be signed by the client. It should be noted that when a new relationship joins our firm, the first billing for that relationship is conducted in arrears at the end of the quarter that the relationship joined our firm and in advance for the future quarter. This type of billing is only applicable for the first billing of any new relationship. All future annualized fees are billed on a pro-rata basis quarterly in advance based on the value of the account(s) on the last day of the previous quarter. Fees are negotiable. Our Firm will directly invoice our fees to the client or debit fees from another account managed by our Firm.

We have three different billing cycles which are billed as follows: Cycle 1 is billed in January, April, July and October. Cycle 2 is billed in February, May, August, and November. Cycle 3 is billed in the calendar year quarters March, June, September and December. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a billing cycle. As part of this process, Clients understand the following:

- A) Client provides authorization permitting our Firm, to be directly paid by these terms.; and
- B) If applicable, Client's independent custodian sends statements, at least quarterly, showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our Firm; and
- C) If applicable, our Firm will send an invoice directly to the custodian. If our Firm sends an invoice to the Client, a legend urging the comparison of information provided in the statement with those from the qualified custodian will be included.

### **A.3. Proprietary Asset Management Fees**

Riverpoint's annual advisory fee for assets managed as part of the Comprehensive Portfolio Management Service is an asset-based fee calculated as a percentage of the value of the managed assets at 1.35%, which represents the adviser's maximum fees for individual services managed by the Adviser, excluding the retirement accounts held by relatives of the Adviser's employees. Riverpoint requires a minimum account of \$250,000 for investment advisory clients, although this may be negotiable under certain circumstances. Riverpoint may group certain related client accounts for the purposes of achieving the minimum account size. In certain circumstances, fees, account minimums, and payment terms are negotiable depending on the client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low-cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience, and knowledge of the client's situation.

While Riverpoint's advisory fee does not include transaction costs, such as commissions on purchases and sales of securities, and trade-away fees, Riverpoint will issue a refund to clients on a quarterly basis for any transaction fees incurred in client accounts over a given quarter for the purchase and sale of securities products. The advisory fee does not include management, administrative, and marketing fees and expenses for mutual and exchange-traded funds. To the extent securities transactions are effected away from Charles Schwab & Co., Inc., there may be commission mark-ups and mark-downs that the client will pay in addition to our fee. It is important to note that our firm does not pay Third-Party Money Manager fees on behalf of clients, as such, clients who's assets are managed by a Third-Party will pay additional Advisory fees which will be disclosed in the signed Service Agreement.

Asset-based fees are always subject to the investment advisory agreement between the client and Riverpoint. Such fees are payable according to the client's assigned billing cycle based upon the value of the accounts on the last business day of the previous Cycle's applicable quarter. We have three different billing cycles which are billed as follows: Cycle 1 is billed in January, April, July and October. Cycle 2 is billed in February, May, August, and November. Cycle 3 is billed in the calendar year quarters March, June, September and December. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a billing cycle. Adjustments for contributions to a client's portfolio are prorated for the quarter in which the change occurs; adjustments will be made for deposits and withdrawals.

The client authorizes the qualified custodian to automatically deduct the fee and all other charges payable hereunder from the assets in the account when due, with such payments to be reflected on the next account statement sent to the client. If insufficient cash is available to pay such fees, securities in an amount equal to the balance of unpaid fees will be liquidated to pay for the unpaid balance.

A client investment advisory agreement may be canceled at any time by the client or by Riverpoint with 30 days' prior written notice to the client. Upon termination, any prepaid,

unearned fees will be promptly refunded. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

#### **A.4. Proprietary Wrap Asset Management service Fees**

Riverpoint also offers on a legacy basis its proprietary discretionary asset management service on a wrap fee basis. For details on these services, including fees, please refer to Appendix 1: Riverpoint Wealth Management Wrap Program Brochure.

#### **A.5. Independent Third-Party Investment Managers**

The terms and conditions under which the client engages an independent manager will be set forth in separate written agreements between (i) the client and Riverpoint and (ii) Riverpoint or client and the designated independent manager. Riverpoint will continue to render services to the client relative to the discretionary selection of the independent manager as well as monitor and review account performance and client investment objectives, for which Riverpoint will receive an annual advisory fee based upon a percentage of the market value of the assets being managed by the designated independent manager.

Riverpoint's fee for those assets managed by third-party managers is an asset-based fee calculated as a percentage of the value of the managed assets. It is important to note that this fee is negotiable, will be outlined in the signed client service agreement and further, Clients should be aware that the Third-Party Manager fee is in addition to Our Firm's advisory fee. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience, and knowledge of the client's situation.

The recommendation of third-party investment managers is not provided through Riverpoint's wrap fee program; therefore, such third-party manager's fees and trading costs are separate and in addition to the fees charged by Riverpoint.

#### **A.6. Financial Planning and Consulting Fees**

Riverpoint generally offers fixed fee arrangements to all financial planning clients. Under certain circumstances an hourly arrangement may be negotiated subject to the consent of the firm. Financial planning and consulting arrangements typically range from \$2,000 to \$50,000, depending on the nature and complexity of each client's circumstances. Fixed fees are computed based upon a good faith estimate of hours required to perform services; a fixed fee will be negotiated and then reevaluated at a later point to determine whether the fixed fee compensation requires adjustment. Riverpoint will provide the prospective client with an estimate of the fixed charges prior to finalizing the financial planning agreement. Hourly arrangements will be billed at \$300 per hour. Riverpoint attempts to maintain parity with hourly and fixed charges while allowing some flexibility in estimation, taking into account case complexity and client-specific circumstances.

Up to one-hundred percent (100%) of the negotiated fee will be due upon contract signing, with the remainder billed upon completion and presentation of the financial plan or consulting

engagement to the client. In no event will the firm charge more than \$1,200 dollars, six or more months in advance.

#### **A.7. 401(k) Consulting Fees**

For 401(k) consulting services, the fees will be assessed to the client as the services are needed and shall be paid by the client prior to the services rendered. The fee for 401(k) Consulting services are negotiable based on the scope, complexity, and other factors such as Client's engagement of other services with Riverpoint. The fee will not exceed \$5,000 annually. Our firm will not collect a fee when services cannot be rendered within 6 months.

As compensation for the services rendered, Riverpoint shall be entitled to a one-time fee. The fee will be billed via invoice to the client, and services will not begin until fees are paid in full and an agreement has been signed.

In addition to Adviser's consulting fee, the Client may also incur certain charges imposed by unaffiliated third parties. Such charges include, but are not limited to, custodial fees, administrative fees, brokerage commissions, transaction fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund purchased for the account which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

### **B. Client Payment of Fees**

Riverpoint generally requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

Riverpoint will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

### **C. Additional Client Fees Charged**

All fees paid for investment advisory services provided on a non-wrap basis are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, third-party investment managers, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each third-party investment manager's Form ADV Brochures or similar disclosure statement, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial

or deferred sales charge as further described in the mutual fund's prospectus. A client using Riverpoint may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

LPL Financial offers a trading platform with select exchange traded funds ("ETFs") that do not charge transaction fees. The no-transaction-fee ETF trading platform is available to clients participating in LPL Financial's Strategic Wealth Management ("SWM") and Strategic Asset Management ("SAM") programs. Clients will be subject to transaction fees charged by LPL Financial for ETFs not included in LPL Financial's platform and for other types of securities. The limited number of ETFs available on LPL Financial's no-transaction fee platform may have higher overall expenses than other types of securities and ETFs not included in the platform. Other major custodians have eliminated transaction fees for all ETFs and U.S. listed equities, so clients may pay more for investing in the same securities at LPL Financial. However, as stated above, For Clients who's assets serviced under our Non-Wrap Comprehensive Portfolio Management Service, it is important to note that while our firm will not be responsible for the payment of transaction fees incurred in the client account, our firm will refund on a quarterly basis clients for all transaction fees incurred for the purchase and sale of securities products. Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

#### **D. Prepayment of Client Fees**

Other than financial planning and consulting fees, Riverpoint generally requires advisory fees to be prepaid on a quarterly basis. Riverpoint's fees will either be paid directly by the client or disbursed to Riverpoint by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account. A client investment advisory agreement may be canceled at any time by the client or by Riverpoint with 30 days' prior written notice to the client. Upon termination of any account, any unearned, prepaid fees will be promptly refunded and any earned, unpaid fees will be immediately due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

For financial planning and consulting engagements, up to one-hundred percent (100%) of the negotiated fee will be due upon contract signing, with the remainder billed upon completion and presentation of the financial plan or consulting engagement to the client. In no event will the firm charge more than \$1200 dollars, six or more months in advance. If a financial planning or consulting agreement is terminated, any unearned, prepaid fees will be promptly refunded.

#### **E. External Compensation for the Sale of Securities to Clients**

Riverpoint's advisory professionals are compensated primarily through a partnership distributions structure. Riverpoint's advisory professionals may receive commission-based

compensation for the sale of insurance products. Please see Item 10.C. for detailed information and conflicts of interest.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

Riverpoint does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## **Item 7: Types of Clients**

Riverpoint offers its investment services to various types of clients including individuals and high-net-worth individuals, trusts and estates.

Riverpoint requires a minimum account of \$250,000 for investment advisory clients, although this may be negotiable under certain circumstances. Riverpoint may group certain related client accounts for the purposes of achieving the minimum account size. In certain circumstances, fees, account minimums, and payment terms are negotiable depending on client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation.

Certain independent managers may impose more restrictive account requirements and varying billing practices than Riverpoint. In such instances, Riverpoint may alter its corresponding account requirements and/or billing practices to accommodate those of the independent manager or wrap program sponsor.

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

### **A. Methods of Analysis and Investment Strategies**

Riverpoint uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

Riverpoint and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, Riverpoint reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. Riverpoint may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

**Note:** All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions), and the loss of future earnings. Although we manage the assets in a manner consistent with risk tolerances, there can be no guarantee that our efforts will be successful. The investor should be prepared to bear the risk of loss.

#### **A.1. Third-Party Investment Managers, Mutual Funds and Exchange-Traded Funds, Individual and Fixed Income Securities**

Riverpoint may recommend (i) third-party investment managers to manage client assets, available only on the LPL platform (please see Item 12: Brokerage Practices); (ii) no-load and load-waived mutual funds and exchange-traded funds, and (iii) individual securities (including fixed income instruments). Such management styles will include, among others, large-cap, mid-cap and small-cap value, growth and core; international and emerging markets; and alternative investments. Riverpoint may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers will typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager—a factor that Riverpoint will take into account when recommending managers to clients.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, ETFs, individual securities (including fixed-income securities), and managers is set forth below.

Riverpoint has formed relationships with third-party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds and managers



- perform billing and certain other administrative tasks

Riverpoint may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and managers to clients as appropriate under the circumstances.

Riverpoint reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund, sub-advisor or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and/or management style and philosophy of a mutual fund or manager; a mutual fund or manager's consistency of investment style; and employee turnover and efficiency and capacity. Riverpoint will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

Quantitative and qualitative criteria related to mutual funds and managers are reviewed by Riverpoint on a quarterly basis or such other interval as mutually agreed upon by the client and Riverpoint. In addition, mutual funds or managers are reviewed to determine the extent to which their investments reflect efforts to time the market, or evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the mutual fund or manager by Riverpoint (both of which are negative factors in implementing an asset allocation structure). Based on its review, Riverpoint will make recommendations to clients regarding the retention or discharge of a mutual fund or manager.

Riverpoint may negotiate reduced account minimum balances and reduced fees with managers under various circumstances (e.g., for clients with minimum level of assets committed to the manager for specific periods of time, etc.). There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients, even if apparently similarly situated, will receive any reduced account minimum balances or fees available to some other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the funds or managers utilized. Riverpoint will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment.

Riverpoint will regularly review the activities of mutual funds and managers selected by the client. Clients that engage managers or who invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain



information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees and conflicts of interest.

## **A.2. Material Risks of Investment Instruments**

Riverpoint typically invests in open-end mutual funds and exchange-traded funds for the vast majority of its clients. However, for certain clients, Riverpoint may effect transactions in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Fixed income securities
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Private placements
- Corporate debt obligations

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### **A.2.b. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### **A.2.c. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>") iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another

investment company, will bear their pro-rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.d. Fixed Income Securities**

Fixed income securities carry additional risks than those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S. or foreign) and currency risk. If bonds have maturities of ten years or greater, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

#### **A.2.e. Commercial Paper and Certificates of Deposit**

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.2.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

#### **A.2.h. Private Placements**

Private placements carry significant risk in that companies using the private placement market conduct securities offerings that are exempt from registration under the federal securities laws, which means that investors do not have access to public information and such investors are not provided with the same amount of information that they would receive if the securities offering was a public offering. Moreover, many companies using private placements do so to raise equity capital in the start-up phase of their business, or require additional capital to complete another phase in their growth objective. In addition, the securities issued in connection with private placements are restricted securities, which means that they are not traded on a secondary market, such as a stock exchange, and they are thus illiquid and cannot be readily converted to cash.

#### **A.2.i. Corporate Debt Obligations**

Corporate debt obligations include corporate bonds, debentures, notes, commercial paper and other similar corporate debt instruments. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. In addition, the firm may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

### **B. Investment Strategy and Method of Analysis Material Risks**

Our investment strategy is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

#### **B.1. Margin Leverage**

Although Riverpoint, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, Riverpoint will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **B.2. Short-Term Trading**

Although Riverpoint, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

## **B.3. Short Selling**

Riverpoint generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales is the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

## **B.4. Option Strategies**

Various option strategies give the holder the right to acquire or sell underlying securities at the contract strike price up until expiration of the option. Each contract is worth 100 shares of the underlying security. Options entail greater risk but allow an investor to have market exposure to a particular security or group of securities without the capital commitment required to purchase the underlying security or groups of securities. In addition, options allow investors to hedge security positions held in the portfolio. For detailed information on the use of options and option strategies, please contact the Options Clearing Corporation for the current Options Risk Disclosure Statement.

Riverpoint as part of its investment strategy may employ the following option strategies:

- Covered call writing
- Long call options purchases
- Long put options purchases

#### **B.4.a. Covered Call Writing**

Covered call writing is the sale of in-, at-, or out-of-the-money call option against a long security position held in the client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

#### **B.4.b. Long Call Option Purchases**

Long call option purchases allow the option holder to be exposed to the general market characteristics of a security without the outlay of capital necessary to own the security. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

#### **B.4.c. Long Put Option Purchases**

Long put option purchases allow the option holder to sell or “put” the underlying security at the contract strike price at a future date. If the price of the underlying security declines in value, the value of the long put option increases. In this way long puts are often used to hedge a long stock position. Options are wasting assets and expire (usually within nine months of issuance), and as a result can expose the investor to significant loss.

### **C. Security-Specific Material Risks**

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

## **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

## **C. Self-Regulatory Organization Enforcement Proceedings**

**There is nothing to report on this item.**

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

### **A. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **Insurance Sales**

Representatives of our firm are licensed insurance agents. As a result of these transactions, they would be entitled to receive normal and customary commissions. A conflict of interest exists as these commissionable sales create an incentive to recommend products based on the compensation earned. To mitigate this potential conflict, our representatives will not sell insurance products to our Clients.

### **B. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

Although Riverpoint charges investment advisory fees for the supervision of third-party investment managers that it recommends to clients as well as for the maintenance of client suitability information and financial standings, the firm does not receive any compensation from such managers for the referral.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Riverpoint has adopted policies and procedures designed to detect and prevent insider trading. In addition, Riverpoint has adopted a Code of Ethics (the

"Code"). Among other things, the Code includes written procedures governing the conduct of Riverpoint's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code.

The Code and applicable securities transactions are monitored by the chief compliance officer of Riverpoint. Riverpoint will send clients a copy of its Code of Ethics upon written request.

Riverpoint has policies and procedures in place to ensure that the interests of its clients are given preference over those of Riverpoint, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

## **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Riverpoint does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Riverpoint does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

## **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Riverpoint, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which Riverpoint specifically prohibits. Riverpoint has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow Riverpoint's procedures when purchasing or selling the same securities purchased or sold for the client.

## **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Riverpoint, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Riverpoint clients. Riverpoint will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of Riverpoint to place the clients' interests above those of Riverpoint and its employees.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Broker-Dealers for Client Transactions (LPL Financial)**

#### **A.1. Custodian Recommendations**

In certain instances, Riverpoint recommends that clients establish brokerage accounts with LPL Financial ("LPL"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Riverpoint recommends that clients establish accounts at LPL, it is the client's decision to custody assets with the recommended custodian. Riverpoint is independently owned and operated and not affiliated with LPL. For Riverpoint client accounts maintained in its custody, the custodian 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 the custodian or that settle into custodian accounts.

Riverpoint considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by Riverpoint, Riverpoint will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by Riverpoint will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.



#### **A.1.a. Soft Dollar Arrangements**

Riverpoint does not utilize soft dollar arrangements. Riverpoint does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.b. Institutional Trading and Custody Services**

The custodian provides Riverpoint with access to its institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. These services are not contingent upon Riverpoint committing to a custodian any specific amount of business (assets in custody or trading commissions). The custodian'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.

#### **A.1.c. Other Products and Services**

The custodian also makes available to Riverpoint other products and services that benefit Riverpoint 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 Riverpoint's accounts, including accounts not maintained at custodian. The custodian may also make available to Riverpoint software and other technology that

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

The custodian may also offer other services intended to help Riverpoint manage and further develop its business enterprise. These services may include

- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers

The custodian may also provide other benefits such as educational events or occasional business entertainment of Riverpoint personnel. In evaluating whether to recommend that clients custody their assets at the custodian, Riverpoint 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 the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.d. Independent Third Parties**

The custodian may make available, arrange, and/or pay third-party vendors for the types of services rendered to Riverpoint. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to Riverpoint.

#### **A.1.e. Additional Compensation Received from Custodians**

Riverpoint may participate in institutional customer programs sponsored by broker-dealers or custodians. Riverpoint may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Riverpoint's participation in such programs and the investment advice it gives to its clients, although Riverpoint receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving Riverpoint participants
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Riverpoint by third-party vendors

The custodian may also pay for business consulting and professional services received by Riverpoint's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for Riverpoint's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit Riverpoint but may not benefit its client accounts. These products or services may assist Riverpoint in managing and administering client accounts, including accounts not maintained at the custodian as applicable. Other services made available through the programs are intended to help Riverpoint manage and further develop its business enterprise. The benefits received by Riverpoint or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Riverpoint also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Riverpoint to maintain a predetermined level of assets at such firms. In connection with its

participation in such programs, Riverpoint will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Riverpoint's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Riverpoint's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Riverpoint endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Riverpoint or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Riverpoint's recommendation of broker-dealers such as LPL for custody and brokerage services.

## **A.2. Brokerage for Client Referrals**

Riverpoint does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

## **A.3. Directed Brokerage**

### **A.3.a. Riverpoint Recommendations**

Riverpoint typically recommends LPL Financial as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf.

### **A.3.b. Client-Directed Brokerage**

Occasionally, clients may direct Riverpoint to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account.

Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Riverpoint derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. Riverpoint loses the ability to aggregate trades with other Riverpoint advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

## **B. Factors Used to Select Broker-Dealers for Client Transactions (Charles Schwab & Co., Inc.)**

### **B.1. Custodian Recommendations**

Our firm does not maintain custody of client assets (although our firm may be deemed to have custody of client assets if give the authority to withdraw assets from client accounts. See Item 15 Custody, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In certain instances our firm recommends that clients use the Schwab Advisor Services division of Charles Schwab & Co. Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Our firm is independently owned and operated, and not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed. While our firm recommends that clients use Schwab as custodian/broker, clients will decide whether to do so and open an account with Schwab by entering into an account agreement directly with them. Our firm does not open the account. Even though the account is maintained at Schwab, our firm can still use other brokers to execute trades, as described in the next paragraph.

## **B.2. How Brokers/Custodians Are Selected**

Our firm seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. A wide range of factors are considered, including, but not limited to:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- prior service to our firm and our other clients
- availability of other products and services that benefit our firm, as discussed below (see "Products & Services Available from Schwab")

## **B.3. Custody & Brokerage Costs**

Schwab generally does not charge a separate for custody services, but is compensated by charging commissions or other fees to clients on trades that are executed or that settle into

the Schwab account. For some accounts, Schwab may charge your account a percentage of the dollar amount of assets in the account in lieu of commissions. Schwab's commission rates applicable to client accounts were negotiated based on our firm's commitment to maintain a minimum threshold of assets statement equity in accounts at Schwab. This commitment benefits clients because the overall commission rates and/or asset-based fees paid are lower than they would be if our firm had not made the commitment. In addition to commissions, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade that our firm has executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into a Schwab account. These fees are in addition to the commissions or other compensation paid to the executing broker-dealer. Because of this, in order to minimize client trading costs, our firm has Schwab execute most trades for the accounts.

#### **B.4. Products & Services Available from Schwab**

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like our firm. They provide our firm and clients, with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help manage or administer our client accounts while others help manage and grow our business. Schwab's support services are generally available on an unsolicited basis (our firm does not have to request them) and at no charge to our firm. The availability of Schwab's products and services is not based on the provision of particular investment advice, such as purchasing particular securities for clients.

#### **B.5. Services that Benefit Clients**

Schwab'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 our firm might not otherwise have access or that would require a significantly higher minimum initial investment by firm clients. Further, it is important to note that Schwab does not charge transaction fees on domestic Exchange Traded Equity Securities and domestic Exchange Traded Funds. Schwab's services described in this paragraph generally benefit clients and their accounts.

#### **B.6. Services that May Not Directly Benefit Clients**

Schwab also makes available other products and services that benefit our firm but may not directly benefit clients or their accounts. These products and services assist in managing and administering our client accounts. They include investment research, both Schwab's and that of third parties. This research may be used to service all or some substantial number of client accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

### **B.7. Services that Generally Benefit Only Our Firm**

Schwab also offers other services intended to help manage and further develop our 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.

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

Irrespective of direct or indirect benefits to our client through Schwab, our firm strives to enhance the client experience, help clients reach their goals and put client interests before that of our firm or associated persons.

### **B.8. Our Interest in Schwab's Services.**

The availability of these services from Schwab benefits our firm because our firm does not have to produce or purchase them. Our firm does not have to pay for these services, and they are not contingent upon committing any specific amount of business to Schwab in trading commissions or assets in custody.

In light of our arrangements with Schwab, a conflict of interest exists as our firm may have incentive to require that clients maintain their accounts with Schwab based on our interest in receiving Schwab's services that benefit our firm rather than based on client interest in receiving the best value in custody services and the most favorable execution of transactions.

As part of our fiduciary duty to our clients, our firm will endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or our related persons creates a potential conflict of interest and may indirectly influence our firm's choice of Schwab as a custodial recommendation. Our firm examined this potential conflict of interest when our firm chose to recommend Schwab and have determined that the recommendation is in the best interest of our firm's clients and satisfies our fiduciary obligations, including our duty to seek best execution.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Although our firm will seek competitive rates, to the benefit of all clients, our firm may not necessarily obtain the lowest possible commission rates for specific client account transactions. Our firm believes that the selection of Schwab as a custodian and broker is the best interest of our clients. It is primarily supported by the scope, quality and price of Schwab's services, and not Schwab's services that only benefit our firm.

## **C. Aggregating Securities Transactions for Client Accounts**

### **C.1. Security Allocation**

Since Riverpoint may be managing accounts with similar investment objectives, Riverpoint may aggregate orders for securities for such accounts when custodied on the same custodial platform. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Riverpoint in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Riverpoint's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Riverpoint will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Riverpoint's advice to certain clients and entities and the action of Riverpoint for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of Riverpoint with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Riverpoint to or on behalf of other clients.

### **C.2. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients and assets being held at the same qualified custodian. Subsequent

orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions when applicable.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Riverpoint believes that a larger size block trade would lead to best overall price for the security being transacted.

### **C.3. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Riverpoint acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Riverpoint determines that such arrangements are no longer in the best interest of its clients.

## **Item 13: Review of Accounts**

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Riverpoint's investment committee comprises Timothy P. McGrath, Managing Partner and Chief Compliance Officer and Paul Stephen Merrick, Wealth Manager. Each committee member is also a primary client manager. The committee meets regularly to discuss overall firm investment philosophy to consistently apply to client accounts regardless of the primary client manager.

Each client is assigned a primary relationship manager. The primary relationship manager has the responsibility for communicating with the client, updating changes to the client's situation, and regularly reviewing the client's portfolio including the asset allocation and the specific assets included in the account. The client review includes comparing the portfolio and current security positions with the goals and objectives as outlined by the investment policy statement, reviewing changes to the client's investment circumstances, evaluating the specific holdings, re-balancing the portfolio, and communicating the current status of the portfolio and any recommended actions to the client.



Clients' accounts are reviewed regularly; formal reviews, including contact with clients, typically occur at least 2 times a year.

Financial planning and consulting clients will be reviewed as contracted at the inception of the engagement.

## **B. Review of Client Accounts on Non-Periodic Basis**

Riverpoint may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how Riverpoint formulates investment advice. More frequent reviews may also be triggered by tax considerations, large deposits or withdrawals, large purchases or sales, loss of confidence in corporate management, or changes in macro-economic climate.

## **C. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Riverpoint.

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

## **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

### **A.1. Support Provided by Financial Institutions**

#### **A.1.a. LPL Financial**

Services provided by LPL to financial advisory firms include research, including mutual fund research, third-party research, brokerage, custody, and access to mutual funds and other investments that are available only to institutional investors or would require a significantly higher minimum initial investment. In addition, LPL makes available software and other technologies that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution, provide research, pricing information, quotation, and other market data, assist with contact management, facilitate payment of fees to Riverpoint from client accounts, assist with performance reporting, facilitate trade allocation, and assist with back-office support, recordkeeping, and client reporting. LPL also provides access to financial planning software, practice management consulting support, best execution assistance, consolidated statements assistance, educational and industry conferences, marketing and educational materials, technological and information technology support, and LPL corporate discounts.

#### **A.1.b. Charles Schwab & Co., Inc.**

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

### **B. Advisory Firm Payments for Client Referrals**

In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, our firm does not provide cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include client referrals).

## **Item 15: Custody**

All of our clients receive account statements directly from their qualified custodians at least quarterly upon opening of an account. If our firm decides to also send account statements to clients, such notice and account statements include a legend that recommends that the client compare the account statements received from the qualified custodian with those received from our firm.

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with the account custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.

- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## Item 16: Investment Discretion

Clients have the option of providing Riverpoint with investment discretion on their behalf, pursuant to an executed investment advisory client agreement. By granting investment discretion, our firm is authorized to execute securities transactions, determine which securities are bought and sold, and the total amount to be bought and sold. Limitations may be imposed by the client in the form of specific constraints on any of these areas of discretion with our firm's written acknowledgement.

## Item 17: Voting Client Securities

Riverpoint does not take discretion with respect to voting proxies on behalf of its clients. Riverpoint will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of Riverpoint supervised and/or managed assets. In no event will Riverpoint take discretion with respect to voting proxies on behalf of its clients.

Third party investment managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event a third party investment manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by a third party money manager), our firm and/or you shall instruct the qualified custodian to forward to you copies of all proxies and shareholder communications relating to your investment assets.

Except as required by applicable law, Riverpoint will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. Riverpoint has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Riverpoint also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action

settlement or verdict. Furthermore, Riverpoint has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where Riverpoint receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## **Item 18: Financial Information**

### **A. Balance Sheet**

Riverpoint does not require the prepayment of fees of \$1200 or more, six months or more in advance and as such is not required to file a balance sheet.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Riverpoint does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.