

**Item 1: Cover Page**

**Part 2A of Form ADV  
Firm Brochure**

March 10, 2014

**Roush Investments, LLC  
dba Roush Investment Group**

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This brochure provides information about the qualifications and business practices of Roush Investment Group. If you have any questions about the contents of this brochure, please contact us at [info@r2ri.com](mailto:info@r2ri.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 Roush Investment Group is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4: Advisory Business

### A. Description of Your Advisory Firm

Roush Investments, LLC, dba Roush Investment Group ("Roush Investment Group" and/or the "firm"), is a limited liability company formed under the laws of the State of California. Rick Roush is the sole Member and Chief Compliance Officer. Roush Investment Group offers investment advisory services to individuals and high-net-worth individuals, and pension and profit sharing plans. This Brochure narrative provides clients with information regarding the qualifications, business practices, and nature of advisory services that should be considered before becoming an advisory client of Roush Investment Group.

### B. Description of Advisory Services Offered

Roush Investment Group is a fee-only investment management firm offering proprietary investment management and solicitor services. Roush Investment Group offers the following types of services to its clients, which are further detailed below:

- Portfolio management services
- Financial planning services
- Pension consulting services
- Selection of other advisers
- Publication of periodicals

Roush Investment Group, depending upon the engagement, offers its services on a fee basis, which primarily includes a percentage of assets-based fees. Prior to engaging Roush Investment Group to provide investment advisory services, the client will be required to enter into one or more written agreements with Roush Investment Group setting forth the terms and conditions under which Roush Investment Group shall render its services.

Pursuant to the terms of its agreement(s) with clients, Roush Investment Group will remind clients of their obligation to inform the firm of any changes to their personal financial circumstances, investment objectives or risk tolerance, as well as modifications or restrictions that should be imposed on the management of their accounts. Roush Investment Group will also contact clients at least annually to determine whether there have been any changes in their personal financial circumstances, investment objectives and tolerance for risk. There will be no restrictions on the ability of clients to contact and consult with portfolio managers.

In cases where the client's account is managed on a non-discretionary basis, Roush Investment Group will not implement any recommendation without the client's prior approval. Roush Investment Group will act as the client's agent to implement such recommendation in accordance with client's instructions. The client agrees to review trade confirmations received from the client's custodian and notify Roush Investment Group immediately of any errors.

### **B.1. Portfolio Management Services**

Roush Investment Group' comprehensive portfolio management services, which encompass portfolio management as well as financial consulting/financial planning, are designed to assist clients in meeting their financial goals through the use of financial investments. For each portfolio management client, Roush Investment Group will conduct one or more meetings (in person if possible, otherwise via telephone conference) with the client in order to understand the client's current financial situation, existing resources, financial goals, and tolerance for risk. Based on the foregoing, Roush Investment Group will propose an investment approach to the client. Roush Investment Group may propose an investment portfolio consisting of exchange-traded funds, mutual funds, individual stocks or bonds, or other securities.

Upon the client's agreement to the proposed investment plan, Roush Investment Group will work with the client to establish or transfer investment accounts so that the firm is able to manage the client's portfolio. Once the relevant accounts are under Roush Investment Group's management, the firm will review such accounts on a regular basis and at least quarterly. Roush Investment Group may periodically rebalance or adjust client accounts under its management. If the client experiences any significant changes to his or her financial or personal circumstances, the client must notify Roush Investment Group so that the firm can consider such information in managing the client's investments.

For its portfolio management services, Roush Investment Group receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies as described in Item 8 of this Brochure. In addition to providing Roush Investment Group with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. On a quarterly basis, Roush Investment Group's reports to clients will remind clients of their obligation to inform the firm of any such changes or any restrictions that should be imposed on the management of the client's account. Roush Investment Group will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

### **B.2. Financial Planning Services**

Roush Investment Group may provide clients with financial consulting services separate from its portfolio management services. Roush Investment Group will provide additional financial planning services as mutually agreed upon with the client as further described below:

- Reviewing and prioritizing goals and objectives
- Developing a summary of current financial situation, including a net worth statement, cash flow summary, and income tax analysis
- Reviewing current investment portfolio and developing an asset management strategy
- Assessing exposure to financial risk and developing a risk management plan (insurance)

- Completing a retirement planning assessment, including financial projections of assets required during retirement
- Identifying tax planning strategies to optimize financial position
- Assessing estate net worth and liquidity and developing an estate plan to ensure that legacy objectives are met
- Integrating and prioritizing all strategies outlined above into a comprehensive financial plan
- Presenting a written financial plan, to be reviewed in detail with the client, containing recommendations designed to meet stated goals and objectives and supported by relevant financial summaries
- Developing an action plan to implement the agreed-upon recommendations
- Providing referrals to other professionals as required to assist with implementation of the action plan

In implementing the financial plan, the firm may recommend insurance products in which an advisor either earns a commission or otherwise has an economic interest. Please be advised of the following:

- A conflict exists between the investment adviser and the client.
- The client is under no obligation to act upon the firm's recommendation.
- If the client elects to act on the firm's recommendations, the client is under no obligation to effect the transaction through the firm.

### **B.3. Pension Consulting Services**

Roush Investment Group may provide clients with pension consulting services. Pension consulting consists of assisting employer plan sponsors to establish, monitor, and review their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include investment options, plan structure, and participant education.

### **B.4. Selection of Other Advisers**

Roush Investment Group may recommend third-party investment managers to manage all or a portion the client's portfolio in accordance with its due diligence procedures detailed in Item 8 of this Brochure. Fees for these services are detailed in Item 5 of this Brochure.

## **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**

Roush Investment Group does not participate in wrap fee programs. Wrap fee programs offer investment services for one all inclusive fee.

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

As of December 31, 2013, Roush Investment Group has \$34 million in discretionary assets under management and \$5.6 million in non-discretionary assets under management.

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset-Based Fees – Portfolio Management Services

Asset-based fees will be calculated either monthly or quarterly in advance based on the market value of the account at the end of the previous quarter, and calculated at up to 0.75% for fixed income assets under management and up to 1.50% for equity assets under management. Exceptions may be made under certain circumstances pursuant to a negotiated agreement with the client. No increase in the fees shall be effective without prior written notification to the client.

Roush Investment Group generally requires a minimum account size of \$500,000 and generally charges a minimum annual fee of \$2,500 for managed accounts. For accounts with portfolio assets of less than \$500,000, clients may be able to find comparable services at more favorable pricing elsewhere. This minimum account size and minimum annual fee may be negotiable under certain circumstances.

Asset-based fees are always subject to the investment advisory agreement between the client and Roush Investment Group. Such fees are payable quarterly in advance. The client and the client's custodian or broker-dealer will be invoiced at the beginning of each calendar month or quarter, based upon the market value (market value plus any credit balance or minus any debit balance) of the client's account at the end of the previous quarter, as mutually agreed upon by the client and Roush Investment Group. The fees will be prorated if the investment advisory relationship commences otherwise than at the beginning of a calendar month or quarter. For clients who initiate services other than at the beginning of a calendar month or quarter, Roush Investment Group will invoice in arrears for the initial prorated period on the next monthly or quarterly invoice. There will be no adjustments for significant contributions to and distributions from a client's portfolio.

Either party may terminate the agreement at any time by providing written notice to the other party. If the client terminates the agreement by written notice within five business days of the date of the agreement, the client is entitled to a full refund of advisory fees paid. The client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the client. Refunds will be given on a pro-rata basis.

#### A.2. Financial Planning Fees

With respect to financial consulting, Roush Investment Group will generally charge an hourly fee of \$250 per hour and/or a fixed fee generally within the range of \$5,000 to \$30,000, which may be negotiable under certain circumstances depending on the level and scope of these services. The total number of hours will be estimated prior to the engagement for hourly billing, and the total estimated fees will be specified in Roush Investment Group's financial consulting agreement. Half of the total amount of fees will be due upon the execution of Roush Investment

Group's financial consulting agreement, with the remainder due upon execution of the consultation.

The client may terminate a financial planning agreement at any time by providing written notice to the firm. If terminated within five business days of the date of the agreement, the client is entitled to a full refund of advisory fees paid. Thereafter, the client will receive a pro rata refund of unearned fees based on the time and effort expended by Roush Investment Group.

### **A.3. Pension Consulting Fees**

With respect to pension consulting, Roush Investment Group will generally charge an hourly fee of \$250 per hour and/or a fixed fee generally within the range of \$5,000 to \$30,000, which may be negotiable under certain circumstances depending on the level and scope of these services. The total number of hours will be estimated prior to the engagement for hourly billing, and the total estimated fees will be specified in Roush Investment Group's financial consulting agreement. Half of the total amount of fees will be due upon the execution of Roush Investment Group's financial consulting agreement, and the remaining amount of fees will be due upon execution of the consultation.

Either party may terminate the pension consulting agreement at any time by providing written notice. If the client terminates within five business days of the date of the agreement, the client is entitled to a full refund of advisory fees paid. Thereafter, the client will receive a pro rata refund of unearned fees based on the time and effort expended by Roush Investment Group.

### **A.4. Selection of Other Advisers**

Roush Investment Group may recommend third-party investment managers to manage all or a portion the client's portfolio in accordance with its due diligence procedures detailed in Item 8 of this Brochure. The client is responsible for the third-party investment manager fees which are disclosed in applicable manager's Form ADV Part 2A. Roush's fees are the same as disclosed in item A.1. above.

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

### **B.1. Portfolio Management Fees**

Roush Investment Group 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.

### **B.2. Financial Planning Fees**

The total number of hours will be estimated prior to the engagement for hourly billing, and the total estimated fees will be specified in Roush Investment Group's financial consulting

agreement. Half of the total amount of fees will be due upon the execution of Roush Investment Group's financial consulting agreement, with the remainder due upon execution of the consultation.

### **B.3. Pension Consulting Fees**

The total number of hours will be estimated prior to the engagement for hourly billing, and the total estimated fees will be specified in Roush Investment Group's financial consulting agreement. Half of the total amount of fees will be due upon the execution of Roush Investment Group's financial consulting agreement, with the remainder due upon execution of the consultation.

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

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, 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 Roush Investment Group may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

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

### **D.1. Prepayment of Fees – Portfolio Management Services**

Roush requires the prepayment of advisory fees for portfolio management services. Roush Investment Group's fees will either be paid directly by the client or disbursed to the firm 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.

Either party may terminate the agreement at any time by providing written notice to the other party. If the client terminates the agreement by written notice within five business days of the date of the agreement, the client is entitled to a full refund of advisory fees paid. The client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the client. Refunds will be given on a pro-rata basis.

### **D.2. Prepayment of Fees – Financial Planning and Pension Consulting**

Roush Investment Group requires 50% of the estimated financial planning and pension consulting fees up front. Either party may terminate the pension consulting agreement at any time by providing written notice. If the client terminates within five business days of the date of the agreement, the client is entitled to a full refund of advisory fees paid. Thereafter, the client will receive a pro rata refund of unearned fees based on the time and effort expended by Roush Investment Group.

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

Roush Investment Group advisory professionals are compensated primarily through a salary and bonus structure. Roush Investment Group may be paid sales, service or administrative fees for the sale of mutual funds or other investment products. Roush Investment Group'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**

Roush Investment Group 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

Roush Investment Group offers its investment services to various types of clients, including individuals and high-net-worth individuals, and pension and profit sharing plans. Although Roush Investment Group provides investment services to the various types of clients mentioned, the services are conditioned upon meeting certain minimum criteria established by Roush Investment Group for each of the investment programs it offers.

Roush Investment Group generally requires a minimum account size of \$500,000 and generally charges a minimum annual fee of \$2,500 for managed accounts. For accounts with portfolio assets of less than \$500,000 you may be able to find comparable services at more favorable pricing elsewhere. This minimum account size and minimum annual fee may be negotiable under certain circumstances.

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

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

Roush Investment Group 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.

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

#### **A.1. Mutual Funds, Exchange-Traded Funds, Separate Account Managers and Pooled Investment Vehicles, Individual Equity and Fixed Income Securities**

Roush Investment Group may recommend (i) separate account managers to manage client assets; (ii) no-load and load-waived funds and individual securities (including fixed income instruments); and (iii) pooled investment vehicles. Such management styles will include, among others, large-, mid-, and small-cap value, growth and core; emerging markets; and alternative investments. Roush Investment Group will also assist the client in selecting one or more appropriate manager(s) for some or all 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 Roush Investment Group will take into account when



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

Roush Investment Group has or may form relationships with third party vendors that

- provide a technological platform for separate account management
- prepare performance reports
- perform due diligence monitoring of mutual funds, managers and pooled investment vehicles
- perform billing and certain other administrative tasks

Roush Investment Group may utilize additional independent third parties to assist it in recommending and monitoring funds and managers to clients as appropriate under the circumstances.

Roush Investment Group reviews certain quantitative and qualitative criteria related to individual securities, 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 or manager's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending funds or managers include the investment objectives and/or management style and philosophy of a fund or manager, a fund or manager's consistency of investment style, and employee turnover and efficiency and capacity. Roush Investment Group will discuss relevant quantitative and qualitative factors pertaining to its managed portfolios with clients, as required by such clients.

Quantitative and qualitative criteria related to funds and managers are reviewed by Roush Investment Group on a quarterly basis or such other interval as mutually agreed upon by the client and Roush Investment Group. In addition, 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 fund or manager by Roush Investment Group (both of which are negative factors in implementing an asset allocation structure). Based on its review, Roush Investment Group will make decisions regarding the retention or discharge of a fund or manager.

Roush Investment Group 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. Roush Investment Group will endeavor to obtain equal treatment for its clients with funds or managers, but cannot assure equal treatment. Roush Investment Group will regularly review the activities of funds and managers selected by Roush Investment Group.

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

Roush Investment Group typically invests in equity securities, corporate debt instruments, municipal fixed income instruments, government securities including asset-backed securities, and options on securities as detailed below:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities
- Private placements
- Pooled investment vehicles
- Structured products
- Government and agency mortgage-backed securities
- Corporate debt obligations
- Mortgage-backed securities
- Collateralized obligations
- Option contracts on securities

### **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. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds, that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The

price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes worthless.

#### **A.2.c. 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.d. 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.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

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 10 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 also have liquidity and currency risk.

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. Pooled Investment Vehicles**

A pooled investment vehicle, such as a commodity pool or investment company, is generally offered only to investors who meet specified suitability, net worth, and annual income criteria. Pooled investment vehicles sell securities through private placements and thus are illiquid and subject to a variety of risks that are disclosed in each pooled investment vehicle's confidential private placement memorandum or disclosure document. Investors should read these documents carefully and consult with their professional advisors prior to committing

investment dollars. Because many of the securities involved in pooled investment vehicles do not have transparent trading markets from which accurate and current pricing information can be derived, or in the case of private equity investments where portfolio security companies are privately held with no publicly traded market, Roush Investment Group will be unable to monitor or verify the accuracy of such performance information.

#### **A.2.j. Structured Products**

Structured products are designed to facilitate highly customized risk-return objectives. While structured products come in many different forms, they typically consist of a debt security that is structured to make interest and principal payments based upon various assets, rates, or formulas. Many structured products include an embedded derivative component. Structured products may be structured in the form of a security, in which case these products may receive benefits provided under federal securities law, or they may be cast as derivatives, in which case they are offered in the over-the-counter market and are subject to no regulation.

Investment in structured products includes significant risks, including valuation, liquidity, price, credit, and market risks. One common risk associated with structured products is a relative lack of liquidity due to the highly customized nature of the investment. Moreover, the full extent of returns from the complex performance features is often not realized until maturity. As such, structured products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

Another risk with structured products is the credit quality of the issuer. Although the cash flows are derived from other sources, the products themselves are legally considered to be the issuing financial institution's liabilities. The vast majority of structured products are from high-investment-grade issuers only. Also, there is a lack of pricing transparency. There is no uniform standard for pricing, making it harder to compare the net-of-pricing attractiveness of alternative structured product offerings than it is, for instance, to compare the net expense ratios of different mutual funds or commissions among broker-dealers.

#### **A.2.k. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Fannie Mae ("FNMA"), and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a wholly owned U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority, or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA, which is a U.S. government-sponsored corporation owned entirely by private stockholders that is subject to regulation by the secretary of HUD, and FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and/or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities.

Mortgage-backed securities from FNMA and FHLMC are *not* backed by the full faith and credit of the U.S. government.

#### **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. Roush Investment Group 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).

#### **A.2.m. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders.

Pools of mortgages consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary among pools. For example, in addition to fixed-rate, fixed-term mortgages, Roush Investment Group may purchase pools of adjustable-rate mortgages, growing equity mortgages, graduated payment mortgages, and other types. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. In addition, many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities, which normally provide for periodic payment of interest in fixed amounts, with principal payments at maturity or on specified call dates. Most mortgage-backed securities, however, are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments as loans in the underlying mortgage pool are paid off by the borrowers. Additional prepayments to holders of these securities are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest on the mortgages may shorten considerably the securities' effective maturities.

### **A.2.n. Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC, or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly, or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all other tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs"), and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including loans that may be rated below investment grade or equivalent unrated loans.

### **A.2.o. Options Contracts on Securities**

A call option is a contract under which the purchaser of the call option, in return for a premium paid, has the right to buy the security (or index) underlying the option at a specified price at any time during the term of the option. The writer of the call option, who receives the premium, has the obligation upon exercise of the option to deliver the underlying security against payment of the exercise price. A put option gives its purchaser, in return for a premium, the right to sell the underlying security at a specified price during the term of the option. The writer of the put, who receives the premium, has the obligation to buy, upon exercise of the option, the underlying security (or a cash amount equal to the value of the index) at the exercise price. The amount of a premium received or paid for an option is based upon certain factors, including the market price of the underlying security, the relationship of the exercise price to the market price, the historical price volatility of the underlying security, the option period, and interest rates.

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

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

Although Roush Investment Group, 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, Roush Investment Group will utilize leverage. In this regard please review the following:

The use of 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 leverage entails borrowing, which results in additional interest costs to the investor. In addition, the use of leverage enhances the price volatility of the collateral securities which can result in significant loss.

Broker-dealers that carry customer accounts have a minimum equity requirement when clients utilize 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 satisfy a required margin deposit or 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 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 Roush Investment Group, 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-velocity trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

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

Roush Investment Group 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 borrowed 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.

Roush Investment Group as part of its investment strategy may employ:

- Covered call writing
- Long call options purchases
- Long put options purchases
- Option spreading
- Short call option strategy
- Short put option strategy
- Equity collars
- Long straddles

#### **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's 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.

#### **B.4.d. Option Spreading**

Option spreading usually involves the purchase of a call option and the sale of a call option at a higher contract strike price, both having the same expiration month. The purpose of this type of transaction is to allow the holder to be exposed to the general market characteristics of a security without the outlay of capital to own the security, and to offset the cost by selling the call option with a higher contract strike price. In this type of transaction, the spread holder “locks in” a maximum profit, defined as the difference in contract prices reduced by the net cost of implementing the spread. There are many variations of option spreading strategies; clients may contact the Options Clearing Corporation for a current Options Risk Disclosure Statement that discusses each of these strategies.

#### **B.4.e. Short Call Option Strategy**

Short call option strategy is highly speculative and has theoretical potential for unlimited loss. The seller (writer) of the call option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain below the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security increase above the contract strike price, then the option writer can either purchase the call option at a loss, or through a process of exercise and assignment be forced to sell the stock at the contract strike price. If this happens, the option writer will have to go in the open market and buy an equivalent amount of stock to cover the sale at prices that can be materially higher than the amount received from the sale.

#### **B.4.f. Short Put Option Strategy**

Short put option strategy is highly speculative and has theoretical potential for significant loss. The seller (writer) of the put option receives proceeds (premium) from the sale of the option. The expectation is that the value of the underlying security will remain above the contract strike price and the option will expire worthless, allowing the option writer to keep the entire amount of the sale proceeds (premium). Should the value of the underlying security decrease below the contract strike price, the option writer can either purchase the put option at a loss, or through a process of exercise and assignment be forced to buy the stock at the contract strike price. If this happens, the option writer will be purchasing the underlying security at a price potentially well above its then-current market value, exposing the investor to potential loss.

#### **B.4.g. Equity Collar**

A collar combines both a cap and a floor. A cap gives the purchaser of the cap the right (for a premium payment), but not the obligation, to receive the difference in the cost on some amount when a specified index rises above the specified “cap rate.” A floor is the opposite of a cap—it gives the purchaser of the floor the right (for a premium payment), but not the obligation, to receive the difference in interest payable on an amount when a specified index falls below the specified “floor rate.” A collar involving stock is called an “equity collar.” In a collar transaction, the buyer of the collar purchases a cap while selling a floor indexed to the

same rate or asset. A zero-cost collar results when the premium earned by selling a floor exactly offsets the cap premium.

**B.4.h. Long Straddle**

A long straddle is the purchase of a long call and a long put with the same underlying security, expiration date, and strike price. This is a speculative trade that may be profitable when volatility is high and will result in a loss when prices of the underlying security are relatively stable.

**C. Concentration Risks**

There is an inherent risk for clients whose investment portfolios lack diversification—that is, they 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. Roush Investment Group invests in a diversified portfolio of equity and fixed income securities. Please refer to Item 8.A.2. above.

## **Item 9: Disciplinary Information**

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

There is nothing to report for this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report for this item.

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

There is nothing to report for this item.

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

### **A. Broker-Dealer or Representative Registration**

Roush Investment Group is not registered as a broker-dealer and does not have an application to register pending.

### **B. Futures or Commodity Registration**

Roush Investment Group is not registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading advisor and does not have an application to register pending.

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

Certain managers, members, and registered employees of Roush Investment Group are agents for certain insurance carriers. With respect to the provision of financial planning services, Roush Investment Group professionals may recommend insurance products offered by such carriers for whom they function as agents and receive a commission for doing so. Clients are advised of a potential conflict of interest in that there is an economic incentive to recommend insurance and other investment products of such carriers. Clients are also advised that Roush Investment Group professionals strive to put their clients' interests first and foremost, and clients may utilize any insurance carrier or insurance agency they desire.

Rick Roush is a member of Heritage Storage Facilities-Turlock, LLC; Heritage Storage Facilities-Reedley, LLC; Heritage Storage Facilities-Lemoore, LLC; and Heritage Storage Facilities-Oakdale, LLC. The aforementioned legal entities are organized for mini storage business. Roush Investment Group's clients are not solicited to invest in these legal entities.

Mr. Roush is a limited partner of T.W. Patterson Investors, LP. T.W. Patterson Investors, LP owns a commercial office building in Fresno; a minority interest in Heritage Storage Facilities-Reedley, LLC; and a minority interest in Heritage Storage Facilities-Turlock, LLC. Roush Investment Group's clients are not solicited to invest in this limited partnership.

Mr. Roush is the sole member of Downtown Fresno, LLC. Downtown Fresno, LLC, is organized for the purpose of real estate and owns a minority interest in T.W. Patterson Investors, LP, and Salt Aire Holdings, LLC. Roush Investment Group's clients are not solicited to invest in this limited liability company.

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

Roush Investment Group may recommend separate account managers or other investment products to advisory clients. Roush does not receive compensation from such third-party

separate account managers. Any third-party separate account managers referred to California residents will be properly registered or notice filed with the state of California.

## **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, Roush Investment Group has adopted policies and procedures designed to detect and prevent insider trading. In addition, Roush Investment Group has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of Roush Investment Group's advisory and access persons. The Code imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of Roush Investment Group. Roush Investment Group will send clients a copy of its Code of Ethics upon written request.

Roush Investment Group has policies and procedures in place to ensure that the interests of its clients are given preference over those of Roush Investment Group, 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**

Roush Investment Group 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, Roush Investment Group 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**

Roush Investment Group, 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 Roush Investment Group specifically prohibits. Roush Investment Group 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 Roush Investment Group'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**

Roush Investment Group, 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 Roush Investment Group clients. Roush Investment Group 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. It is the policy of Roush Investment Group to place clients' interests above those of Roush Investment Group and its employees.



## Item 12: Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

Roush Investment Group may recommend or require that clients establish brokerage accounts with Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although Roush Investment Group may recommend or require that clients establish brokerage accounts with Schwab, Roush Investment Group is independently owned and operated and not affiliated with Schwab. Schwab 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 or that settle into Schwab accounts.

In certain instances and subject to approval by the firm, Roush Investment Group will recommend to clients certain broker-dealers and/or custodians based on the needs of the individual client, 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 Roush Investment Group 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. How We Select Brokers/Custodians to Recommend

Roush Investment Group 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. We consider a wide range of factors, including, among others, the following:

- 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 us 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
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below

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

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

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

Schwab provides Roush Investment Group with access to its institutional trading and custody services, which are typically not available to Schwab's retail investors. These services are generally 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 Schwab. These services are not contingent upon Roush Investment Group committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or that would require a significantly higher minimum initial investment.

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

Schwab also makes available to Roush Investment Group other products and services that benefit Roush Investment Group 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 Roush Investment Group's accounts, including accounts not maintained at Schwab. Schwab also makes available to Roush Investment Group its managing and administering 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 Roush Investment Group's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

Schwab also offers other services intended to help Roush Investment Group manage and further develop its business enterprise. These services may include

- compliance, legal, and business consulting
- publications and conferences on practice management and business succession

- access to employee benefits providers, human capital consultants, and insurance providers

Schwab may also provide other benefits, such as educational events or occasional business entertainment of Roush Investment Group personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, Roush Investment Group 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 Schwab, which may create a potential conflict of interest.

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

Schwab may make available, arrange, and/or pay third-party vendors for the types of services rendered to Roush Investment Group. Schwab 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 Roush Investment Group.

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

Roush Investment Group may participate in institutional customer programs sponsored by broker-dealers or custodians. Roush Investment Group may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between Roush Investment Group's participation in such programs and the investment advice it gives to its clients, although Roush Investment Group 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 Roush Investment Group 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 Roush Investment Group by third-party vendors

The custodian may also pay for business consulting and professional services received by Roush Investment Group's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for Roush Investment Group's personnel to attend conferences). Some of the products and services made available by such custodian

through its institutional customer programs may benefit Roush Investment Group but may not benefit its client accounts. These products or services may assist Roush Investment Group 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 Roush Investment Group manage and further develop its business enterprise. The benefits received by Roush Investment Group or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Roush Investment Group also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require Roush Investment Group to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Roush Investment Group will typically receive benefits similar to those listed above, including research, payments for business consulting and professional services received by Roush Investment Group's related persons, and reimbursement of expenses (including travel, lodging, meals and entertainment expenses for Roush Investment Group's personnel to attend conferences sponsored by the broker-dealer or trust company).

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

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

Roush Investment Group 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. Roush Investment Group Recommendations**

Roush Investment Group currently recommends Schwab 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 Roush Investment Group to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Roush Investment Group 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. Roush Investment Group loses the ability to aggregate trades with other Roush Investment Group advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

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

### **B.1. Best Execution**

Roush Investment Group, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the amount of such securities, and the executing broker. Roush Investment Group recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Roush Investment Group will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Roush Investment Group seeks to ensure that clients receive best execution with respect to their transactions by blocking client trades to reduce commission costs. To the best of Roush Investment Group's knowledge, these custodians provide high-quality execution, and Roush Investment Group's clients does not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Roush Investment Group believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

### **B.2. Security Allocation**

Since Roush Investment Group may be managing accounts with similar investment objectives, Roush Investment Group may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction,

is made by Roush Investment Group in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Roush Investment Group's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Roush Investment Group 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.

Roush Investment Group's advice to certain clients and entities and the action of Roush Investment Group 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 objectives, guidelines, and circumstances. Thus, any action of Roush Investment Group with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of the firm to or on behalf of other clients.

### **B.3. 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. 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.

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 Roush Investment Group believes that a larger size block trade would lead to best overall price for the security being transacted.

### **B.4. 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."

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

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

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

The review of accounts is conducted in the first instance by the professional servicing the client relationship on at least a quarterly basis. Such professionals are subject to the general authority of Roush Investment Group's Managing Member. The Managing Member or his designee(s) must review and approve the opening of each new advisory relationship and oversee reviews of client accounts. The Managing Member or his designee(s) is also responsible for ensuring that any significant change in a client's investment strategy or in the concentration of a client's assets is appropriate for and has been reviewed with the client.

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

Roush Investment Group 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 Roush Investment Group formulates investment advice.

### **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 Roush Investment Group.

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

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

Roush Investment Group does not receive economic benefits for referring clients to third-party service providers.

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

Roush Investment Group may enter into agreements with solicitors who will refer prospective advisory clients to Roush Investment Group in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with Roush Investment Group. The solicitor must provide the client with a disclosure document describing the fees it receives from Roush Investment Group, whether those fees represent an increase in fees that Roush Investment Group would otherwise charge the client, and whether an affiliation exists between Roush Investment Group and the solicitor.



## Item 15: Custody

Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in their accounts. Roush Investment Group urges its clients to compare the account balance(s) shown on their Roush Investment Group account statements to the quarter-end balance(s) on their custodian's monthly statement. The custodian's statement is the official record of the account.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to Roush Investment Group with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In such cases, Roush Investment Group will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities, and the executing broker for such transactions. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## Item 17: Voting Client Securities

Roush Investment Group does not take discretion with respect to voting proxies on behalf of its clients. Roush Investment Group 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 Roush Investment Group supervised and/or managed assets. In no event will Roush Investment Group take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, Roush Investment Group 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. Roush Investment Group has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. Roush Investment Group 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, Roush Investment Group 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 Roush Investment Group 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**

Roush Investment Group does not require the prepayment of fees of \$500 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**

Roush Investment Group 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 for this item.

## **Item 19: Requirements for State-Registered Advisors**

### **A. Principal Executive Officers and Management Persons**

Rick Roush is the sole Member and Chief Compliance Officer of Roush Investment Group. Education and business background information are included in the Brochure Supplement provided with this Brochure.

### **B. Outside Business Activities Engaged In**

Other than what has been supplied in response to Item 10 of this Brochure, there is no additional information to disclose.

### **C. Performance-Based Fee Description**

Roush Investment Group does not charge performance-based fees. See Item 6 of this Brochure.

### **D. Disclosure of Material Facts Related to Arbitration or Disciplinary Actions Involving Management Persons**

Other than what has been supplied in response to Item 9, there is no additional information to disclose.

### **E. Material Relationships Maintained by this Advisory Business or Management Persons with Issuers of Securities**

Other than what has been supplied in response to Item 10.C. of this Brochure, there is no additional information to disclose.