

Item 1 Cover Page

# Feltl Advisors

## Firm Brochure

10900 Wayzata Blvd, Suite 200

Minnetonka, MN 55305

Wats: 866.655.3431

Fax: 612.492.8898

[www.feltladvisors.com](http://www.feltladvisors.com)

July 27, 2021

*This brochure provides information about the qualifications and business practices of Feltl Advisors. If you have any questions about the contents of this brochure, please contact us at 866.655.3431. 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 as a Registered Investment Advisor does not imply a certain level of skill or training.*

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

**Item 2 *Material Changes***

A. Feltl Advisors, LLC (“FA”) resolved an administrative proceeding with the Securities & Exchange Commission (“SEC”), in an Order dated June 11, 2021. Under the terms of the Order, FA was Ordered to pay disgorgement of \$184,173, prejudgment interest of \$34,798 and a civil penalty of \$115,000, all of which is put into a Fair Fund to be distributed to impacted current and former FA customers. The SEC Order is described below in Item 9, in the section on Disciplinary Information, and a copy of the Order can be found on the SEC’s website or FA will provide a copy upon request. FA further made certain modifications in Items 4, 5, 10-12, 13, 15 and 17, none of which FA believes to be material. Rather, these changes are largely re-structuring certain Items and re-arranging the order in which certain information is provided. Any questions may be directed to FA’s Chief Compliance Officer at (612) 492-8884.

**Item 3 *Table of Contents***

Material Changes.....	2
Description of Advisory Business.....	2
Fees & Compensation.....	3
Performance-Based Fees and Side-by-Side Management.....	7
Types of Clients.....	7
Methods of Analysis, Investment Strategies, and Risk of Loss.....	7
Disciplinary Information.....	8
Other Financial Industry Activities and Affiliations.....	8
Code of Ethics, Participation in Client Transactions, and Personal Trading.....	9
Brokerage Practices.....	10
Review of Accounts.....	11
Client Referrals and Other Compensation.....	11
Custody of Client Funds or Securities.....	11
Investment Discretion.....	11
Voting Client Securities.....	12
Financial Information.....	12
Requirements for State-Registered Advisors.....	12

**Item 4 *Advisory Business***

- A. FA is incorporated in the State of Minnesota and has been operating since 2013. FA is registered with the Securities & Exchange Commission (“SEC”) as a Registered Investment Advisor (“RIA”). Feltl and Company (“F&C”) is registered with the SEC as a Broker-Dealer of investment securities (“BD”) and is currently inactive as a RIA. F&C is also incorporated in the State of Minnesota and has been operating since 2002. Registration with the SEC as either a BD or RIA does not imply a certain level of skill or training. FA acquired F&C’s RIA business on January 1, 2013 and is operated as a separate legal entity, however they are considered affiliates due to common ownership. FA is a privately-held corporation. All of FA’s stock is owned by John C. Feltl. RBC Clearing and Custody (“RBC”) provides clearing brokerage services on both F&C’s BD and FA’s RIA business. Advisory clearing services are described in more detail in Item 10(C) below.
- B. FA offers three types of advisory account programs (“RBC Program Accounts”) through its relationship with RBC as Sponsor:
1. RBC Advisor – (*formerly Advisor*) is a client-directed, non-discretionary, advisory program centered on the advice and service the Investment Advisory Representative (“IAR”) provides to their clients. RBC Advisor allows clients to purchase no-load and load-waived mutual funds in addition to other securities.
  2. Consulting Solutions – (*formerly Resource II*) is a fee-based program that lets the IAR offer clients access to private account management from institutional money managers across the country. RBC conducts due diligence on the independent money managers (“RBC Program Managers”) that are included in the RBC Programs.
  3. RBC Unified Portfolio (RBC UP) – (*formerly Total Strategy*) allows clients to bring their investments together in one account, including RBC Program Managers, mutual funds and exchange-traded funds.
- C. Each FA advisory client, regardless of the account program, must choose a Risk Profile. Based on the client’s chosen Risk Profile, stated investment needs and objectives, and the IAR’s discussions with the client, the IAR will propose one of the three account programs described in Item 4B. above. If the Consulting Solutions or RBC Unified Portfolio is selected, the IAR will then propose specific RBC Program Managers. If RBC Advisor is selected, the IAR will then propose an appropriate asset allocation and specific investments for the client’s approval. In all of the account categories, the client may accept or reject the IAR’s recommendations, request alternative ideas, and/or suggest different strategies.
- D. All three types of accounts described above are deemed “wrap fee” programs. The differences in how these three types of programs are managed are discussed in Item 4B. above. FA receives a portion of the advisory fee on all types of advisory accounts.
- E. FA has approximately \$103 million in assets under management (“AUM”), as of July 27, 2021. FA does not consider any of its advisory accounts to be “discretionary.” Although

the Consulting Solutions and RBC UP Program Managers do exercise discretion in choosing investments, the role that FA and its IARs play on such accounts is non-discretionary – i.e., FA’s role is limited to assisting the client in choosing a RBC Program Manager. Thus, FA deems that all of the assets that it has under management are properly characterized as “non-discretionary.”

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

- A. The advisory fees that FA charges are negotiable but not to exceed a maximum of 3%. As mentioned in Item 4B., RBC Advisor allows clients to purchase no-load and load waived mutual funds in addition to other securities. FA has been approved by RBC to participate in its fee program. Because the fee paid by the client to RBC covers the cost of custody, trades are executed through RBC. The Program fee is negotiated between you and FA, and is set forth in your client agreement.

Please refer to the RBC Wealth Management Advisory Program Disclosure Document Form ADV, Part 2A Appendix 1, Fee Program Brochure for a greater description of the RBC Program Accounts services.

- B. The annual fee described in subpart A. above is charged on a quarterly basis in advance of each quarter, and is based upon the value of the account at the close of the prior quarter. RBC deducts the fees from client accounts, takes its portion of custody and/or management fees, and pays remaining fees to FA, which in turn shares the fees with the IAR who is assigned to the client account.
- C. Although margin accounts are not typically permitted in advisory accounts, if indeed such an arrangement is requested and approved or interest is charged on a debit balance, the client is advised that under the clearing agreement between F&C (FA’s broker-dealer affiliate) and RBC, F&C receives a share of the margin interest generated on debit balances in clients’ margin accounts. Any margin interest received by F&C is not shared with the FA or FA IAR. However, FA recommending or your maintaining a margin account presents a conflict of interest, because it increases costs for you the investor.

Under the terms of F&C’s clearing agreement with RBC, all new FA accounts will have cash balances held in the RBC Insured Deposits (FDIC insured cash balances). No other free credit balance investment options are available for new FA accounts. F&C receives from RBC compensation based on a percentage of the RBC Insured Deposits that FA’s clients have on deposit with RBC. This is a conflict of interest, in that F&C (FA’s broker-dealer affiliate) receives a financial benefit for the amounts in the RBC Insured Deposits. The compensation F&C receives is based on a formula using the current Effective Fed Funds Rate that at the time of this filing equates to F&C receiving approximately \$0.24 per \$10,000 per month (3/30/21 EFFF = .07%). For the 12 months ended Feb 2021 total compensation paid to F&C based on FDIC insured cash balances of FA accounts was \$245.

Clients with FA accounts opened prior to June 2018 hold cash balances in the RBC Investor Class money market fund, TUIXX. F&C receives from RBC 13.5 basis points (0.135%), less 100% of the fees waived by the fund. If the fund waives 50 basis points or more, no sharing will be paid. This is a conflict of interest, in that F&C (FA's broker-dealer affiliate) receives a potential financial benefit for the amounts swept into TUIXX for FA accounts opened prior to June 2018. RBC last made a payment on these balances to F&C in March 2020 and it was \$0.87 per \$10,000. For first quarter ended March 31, 2020 total compensation paid to F&C based on TUIXX balances of FA accounts was \$442. From January 1, 2021 to June 30, 2021, the amount of compensation paid to FA to TUIXX was \$0. Further, please note that "RBC Capital Markets, LLC has contractually agreed to waive distribution and service fees....until January 31, 2022" (RBC Global Asset Management, RBC Money Market Fund Prospectus, 2021, page 1, footnote 1,

[https://intermediaries.rbcgam.com/documents/prospectuses/Prospectus\\_RBC\\_Money\\_Market.pdf](https://intermediaries.rbcgam.com/documents/prospectuses/Prospectus_RBC_Money_Market.pdf))

In either case (the RBC Insured Deposits and TUIXX) the compensation received by F&C is not shared with FA or FA IARs.

Clients also have the ability to purchase additional money market or interest-bearing securities, instead of having funds invested in the RBC Insured Deposits and TUIXX cash balances products. However, such other money market or interest-bearing products are not "sweep" products, meaning orders to buy or sell such products would be entered manually each time the client wished to make a transaction. F&C would not receive any revenue sharing from the client's purchase of such products. Depending on the type of products being considered, such products may be cheaper for the client than the RBC Insured Deposits and TUIXX cash balances products.

- D. The annual fee described in subpart A above is charged on a quarterly basis in advance of each quarter, and is based upon the value of the account at the close of the prior quarter. If a client chooses to close an account in the middle of a quarter, the client will receive a refund of the prorated amount of the fee that was paid in advance.
- E. In addition to the fees and charges described in subparts A and C above, FA and its affiliated broker-dealer F&C may receive the following forms of compensation, and each of these instances could present a conflict of interest:
  - (1) FA may receive ongoing payments from the mutual fund companies related to purchases, which are commonly known as "12b-1 fees." 12b-1 or distribution fees will be rebated back on mutual funds held in FA investment advisory accounts custodied by RBC. However, 12b-1 or distribution fees may be charged on mutual funds sold into brokerage accounts serviced by registered representatives ("RRs") of F&C, though investment advisory fees are not charged to clients of F&C brokerage accounts. FA investment advisory clients should consider these differences when deciding between entering into a brokerage versus investment advisory relationship with FA and/or F&C and its representatives.
  - (2) Certain new issue offerings, whether underwritten by F&C or by an unaffiliated financial institution, carry a sales credit that is built into the price of the offering

– in other words, a commission. For example, a client may purchase an offering at \$25.00 per share that includes a built-in sales credit of \$0.50 per share. If a client chooses to purchase that type of product in an advisory account, the client would be paying both a commission and an advisory fee on that product for as long as that product is held in the advisory account. For that reason these products are sold in F&C brokerage accounts, and are not available in FA advisory accounts.

- (3) FA IARs may recommend the purchase of certain proprietary corporate finance products to clients who hold advisory accounts. However, FA limits the purchase of F&C proprietary corporate finance to F&C brokerage accounts, and such products are not available in FA accounts. Such products include private placements of securities, debt offerings, initial public offerings, and secondary offerings for which F&C serves as an underwriter for the offering. As described in the prior paragraph, those products carry a sales credit built into the price of the offering. In addition, F&C receives other underwriting fees and expenses on these corporate finance products, and typically receives stock warrants as well. On each such offering, the sales credits, underwriting fees, warrants, and other forms of compensation that F&C receives are clearly described in the offering memorandum that each client receives before making the investment. This information is usually summarized on the cover page of the offering memorandum. These corporate finance products may generate substantial revenue for F&C. F&C clients desiring to purchase F&C proprietary corporate finance products will receive, in addition to the usual offering documents, a special disclosure statement reminding the client that (i) The investment is a proprietary product of F&C; (ii) F&C and its registered representative (which may also be an FA IAR) will receive compensation related to the client's purchase, and the compensation will be of that product beyond the annual advisory fee; (iii) The sale of the product will be deemed a "principal transaction" under SEC rules; and (iv) Significant conflicts of interest may exist due to the aforementioned factors. The client will be required to read and sign the disclosure statement. The client's signature will signify that he/she has read and understands the disclosure, accepts the conflicts of interest, and specifically consents to engaging in a principal transaction with F&C. FA's Compliance Department must review and approve the purchase of all proprietary products before the purchase is consummated.
- (4) FA's IARs may recommend the purchase of certain products outside of the advisory account as part of the client's recommended investment mix. Examples might include variable annuities or other insurance-based products. In those instances, FA will receive compensation related to the client's purchase of that product, but FA will not charge an asset-based annual fee on the product, which is typically held outside the FA advisory account. If such insurance products are also securities products, they will only be sold in a F&C account. If they are not securities, and are purely insurance products, they will be sold and held outside of F&C and FA accounts. However, the IAR may receive a commission or other compensation such product, and may have a financial incentive to recommend these types of products.

- (5) F&C RRs may have received additional compensation from F&C (“hiring bonus”) in order to entice them to join F&C. Certain F&C RRs are also FA IARs. Soliciting a client to move their account to F&C and/or FA presents a potential conflict of interest in that F&C RRs or FA IARs would be compensated for servicing said account (either brokerage accounts or advisory accounts). Clients should understand prior to opening a new account that F&C RRs and FA IARs would not receive compensation for servicing your account if you maintain your account elsewhere. For instance, as set forth in 5C., F&C receives compensation when funds are placed in the RBC Insured Deposits program – if assets remained at a different financial institution, F&C would not receive such compensation. While F&C RRs are typically compensated by commissions and FA IARs are compensated through advisory fees both revenue streams are paid to the registered representative or IAR at the same percentage, meaning there is no contractual incentive for IARs or RRs to prioritize one type of account or business line over the other (brokerage vs advisory).
- (6) As set forth in each of the above bullet points, FA IARs may have a financial or other incentive to recommend one product over another. Because F&C, FA and/or the FA IARs receive additional compensation on the products and services described in this subpart E, this presents a conflict of interest – F&C, FA and the IAR have a financial incentive to recommend these types of products, whether or not they are in the best interests of the client. FA may also have a financial incentive to recommend F&C corporate finance products to its clients to make sure that a particular underwriting is fully subscribed, although such products would be purchased in a F&C account.

To address such actual and potential conflicts, FA does the following:

- (1) Trains its IARs that they have a fiduciary duty to always act in the best interests of the client, rather than their own personal interests or the interests of FA.
- (2) FA’s supervisors review all trading in advisory accounts to assess whether the activity is in the client’s best interests.

F. FA asks that clients notify FA’s Compliance Department promptly if they suspect that the IAR is engaging in anything improper or that concerns the client (including but not limited to recommending investments for the primary purpose of benefitting the IAR or FA). Clients should keep in mind they are always free to accept or reject any recommendation that FA or its IARs might make. Moreover, clients are always free to purchase products from other BDs and RIAs that are unaffiliated with FA, even if the product or investment strategy was initially introduced and/or recommended by FA’s IAR (with the exception of FA’s proprietary corporate finance products, which are generally not available through other BDs or RIAs).

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

This Item is inapplicable because FA does not charge “performance-based” fees, nor does it engage in “side-by-side” management.

**Item 7**      *Types of Clients*

The vast majority of FA’s advisory clients are individual investors. FA also offers investment advice to corporations, partnerships, pension and profit sharing plans, institutions, trusts, and other business entities. RBC Program Accounts, which are managed by the IAR or by independent approved RBC Program Managers, require\* the following minimums in initial assets to open the account:

- Advisor - \$25,000
- Consulting Solutions - \$100,000 to \$250,000 depending on approved RBC Program Manager.
- RBC UP - \$10,000 for small account solution, \$25,000 if using only mutual funds and/or ETFs, \$50,000 for equity, balance & tax fixed income managers, \$250,000 for tax-exempt fixed income managers.

\*In certain instances accounts may be initiated without minimum assets if/when additional qualifying assets are expected to be transferred into the account – subject to RBC approval.

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

- A. FA does not employ a particular method of analysis or investment strategy. Rather, an investment strategy is developed on a case-by-case basis. FA’s IARs work with each client to determine his/her risk profile and investment needs and objectives. With that information, the IAR recommends a type of advisory account, and then recommends the type of advisory account that best matches the client’s requirements.
- B. Any investment strategy involves a risk that the client may lose part of his/her investment, and that loss could be substantial. Certain categories of investments have historically been viewed as having less risk than others, but in the Great Recession of 2008 and 2009, many of those asset classes lost substantial value as well. For example, so called “blue chip” stocks, bonds and bond funds, and similar investments that had been viewed as relatively conservative proved not to be so. “Guaranteed” investments, like fixed annuities, are deemed “safe,” but in reality are only as safe as the financial strength of the insurance company issuing the policy. Even U.S. Treasuries may go up and down in market value, and are only “guaranteed” against loss if the client is willing and able to hold the instrument until maturity.
- C. FA’s IARs are often familiar with many early stage and small-cap companies, including companies the IAR might follow based upon Research Reports from other investment firms. IARs may recommend such investments to their advisory clients if such investments match the client’s risk profile and stated investment needs and objectives. Although all investments carry a risk of loss (as discussed in the prior paragraph), investments in early stage and small-cap companies may carry an even higher risk of loss than other asset categories. Such companies often do not have a track record of profitability, may involve technologies or operations that have yet to



prove successful, may see drastic and sudden price fluctuations, and may have little-to-no public market if the client should later want to sell the investment (i.e., low or no liquidity). A client should not invest in early stage or small small-cap companies unless the client can afford to lose his/her entire investment.

**Item 9**      *Disciplinary Information*

- B. FA and its managers have never been convicted of, and are not currently named in, any criminal proceeding alleging commission of a felony, or a misdemeanor involving fraud-related allegations, or conspiracy allegations. FA and its managers have never been found in any civil action to have engaged in fraudulent activities or to have violated any investment-related statutes.
- C. On June 11, 2021, the SEC instituted a settled administrative cease-and-desist proceeding (“Order”), relating to certain aspects of FA’s business. FA consented to the entry of the Order, without admitting or denying the SEC’s findings (other than the SEC’s jurisdiction over the matter). In the Order, the SEC found that FA breached its fiduciary duty to its clients because from January 2014 to June 2018 FA in certain instances recommended higher cost mutual fund share classes to clients, resulting in a benefit to F&C, and without proper disclosure to clients. Further, the SEC found that FA breached its fiduciary duty because beginning in September 2016 it recommended or held for advisory client’s cash sweep products for which F&C received a financial benefit, without appropriate disclosure to clients. Moreover, the SEC found that FA breached its fiduciary duty by failing to disclose to clients in a wrap-fee program that they were incurring ticket charges on certain transactions, and that F&C received a portion of the ticket charges. Finally, the SEC found that FA failed to adopt and implement appropriate compliance policies and procedures to prevent violations of the Investment Advisers Act of 1940. For these violations, FA was Ordered to pay disgorgement of \$184,173, prejudgment interest of \$34,798 and a civil penalty of \$115,000, all of which is put into a Fair Fund to be distributed to impacted current and former FA customers. The SEC Order is available on the SEC’s website, and FA will provide a copy of the SEC Order upon client request.
- D. On November 28, 2011, the SEC instituted a settled administrative cease-and-desist proceeding related to what was then known as F&C’s fee-based investment advisory business, which was known as Feltl Advisors. At the time, FA was not a separate legal entity, but has been a separate entity since January 1, 2013. (This prior SEC Order had nothing to do with F&C’s commission-based securities brokerage, which accounts for more than 90% of the overall business.) In the Order, the SEC determined that, from February 2008 through March 2011, FA did not have adequate written policies, procedures, code of ethics, or supervisory systems in place with respect to its advisory business. The SEC found that such deficiencies resulted in principal trades with advisory clients, and fees and commissions that FA did not disclose. The SEC ordered FA (i) to pay a penalty of \$50,000; (ii) to refund \$142,527 of commissions and fees to its advisory clients; and (iii) to hire an independent compliance consultant to review FA’s compliance procedures. The Order acknowledges that FA cured many of the

deficiencies before the Order was issued. FA has complied with all other requirements in the Order in a timely manner. FA consented to the Order without admitting or denying liability. FA will provide a copy of the SEC Order upon request.

- E. FA's managers (or F&C's former RIA division) have never been found by any self-regulatory organization ("SRO") to have engaged in fraudulent activities, to have violated any investment-related statutes or industry rules, or to have caused an investment-related business to lose its authorization to conduct business.

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

- A. As disclosed in Item 4A. above, F&C is a registered BD and currently holds an inactive registration for its RIA. Effective January 1, 2013 FA has acquired all RIA business of F&C. All of FA's IARs are also registered as F&C RRs.
- B. FA and its IARs are *not* registered with any commodities or futures organizations.
- C. RBC provides clearing brokerage services on both F&C's BD and FA's RIA business. Those services include (among others): (i) maintaining custody of assets; (ii) serving as custodian on Individual Retirement Accounts; (iii) trade execution, processing, and confirmation; (iv) front-office and back-office systems; (v) quarterly client billing and reporting; (vi) recordkeeping; (vii) arranging for the sending of proxy notices, class action notices, and other similar notices; and (viii) issuing monthly (or quarterly) client account statements.
- D. Other than the RBC Program Managers that FA's IARs may recommend in connection with the advisory accounts (*see* Item 4B.(1) above), FA does not recommend or refer its clients to other investment advisors for compensation.

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

- A. Pursuant to SEC Rule 204A-1, FA has created and adopted a Code of Ethics addressing a variety of topics, including: fiduciary duty and general standards of conduct; personal securities transactions; unethical trading practices; and misuse of material inside or confidential information. Upon request, FA will provide a copy of its Code of Ethics to any client or potential client.
- B. F&C may sell proprietary corporate finance products to FA advisory clients. For a discussion of the conflicts of interest involved in those sales, and how FA addresses those conflicts, see Item 5E. above.
- C. FA, its officers, employees, and IARs may invest in the same securities in which FA's clients are invested. At times, individual FA personnel may make investments consistent with recommendations being made to clients (*i.e.*, FA personnel buy a particular security at the same time buy recommendations are being made to clients or

sell at the same time sell recommendations are being made to clients). Other times, individual FA personnel may be making investment decisions that are contrary to the recommendations being made to clients (*i.e.*, FA personnel may sell a particular investment at the same time buy recommendations are being made to clients, or buy at the same time sell recommendations are being made to clients). As such, there is a potential that conflicts of interest may arise in such situations.

FA has made it very clear to all personnel, in its Code of Ethics and otherwise, that FA and its IARs owe a fiduciary duty to their clients, that the best interest of the client is paramount, and must always take precedence over the interests of FA and its agents. FA has multiple policies in place to detect, prevent, and remedy these potential conflicts. If the “recommendation” at issue is simply the IAR’s personal recommendation to the client, FA has reports that are triggered whenever an IAR trades in the same security on the same day as one (or more) of the IAR’s clients. In that instance, assuming the IAR’s activity is consistent with the client’s activity, the client(s) will always get the better or at least equal price, and the IAR will be assigned the worst or equal price, among his/her clients. If the IAR’s activity is contrary to the client’s activity (*i.e.*, the IAR is buying when the client is selling and vice versa), the Compliance Department will contact the IAR to get an explanation for his/her activity. Cross trades between an IAR and a client are prohibited unless there is a compelling reason, the client has received adequate disclosure that the contemplated trade is a “cross” with the IAR, the client understands that there are significant conflicts of interest inherent in any cross, the client has consented, and the Compliance Department has approved the arrangement in advance of execution. Such requests will be closely scrutinized.

D. (*See* Item 10C. above.)

**Item 12**      *Brokerage Practices*

A. RBC provides clearing brokerage services on both F&C’s BD and FA’s RIA business. Those services include: (i) maintaining custody of assets; (ii) serving as custodian on Individual Retirement Accounts; (iii) trade execution, processing, and confirmation; (iv) front-office and back-office systems; (v) quarterly client billing and reporting; (vi) recordkeeping; (vii) arranging for the sending of proxy notices, class action notices, and other similar notices; and (viii) issuing monthly (or quarterly) client account statements.

1. FA does not receive research, products, services, or other “soft dollar” compensation from RBC in exchange for directing FA’s brokerage business to RBC.
2. FA does not receive referrals from RBC in exchange for directing F&C’s brokerage business to RBC.
3. FA does not permit clients to direct the firm to execute transactions through a specified broker-dealer. FA requires that all client trades be directed to its

clearing broker, RBC. To allow clients to direct trades to other brokerage firms would be inefficient. Furthermore, RBC provides FA with the tools and reports required to supervise all activity directed to RBC. If clients were allowed to direct their transactions to another firm, the RBC reports would not capture that activity. RBC has a regulatory obligation to provide best execution on all trades directed to it. FA reasonably believes that RBC does indeed provide best execution, and regularly reviews reports that demonstrate RBC execution quality. However, FA does not control RBC and cannot guarantee that RBC will be able to achieve the most favorable execution on every client transaction.

- B. Because FA does not allow discretionary accounts, FA does not aggregate the purchase or sale of securities for various client accounts.
- C. Client accounts participating in one of the advisory account programs are allotted a certain number of trades as part of their advisory fee. For particular FA accounts that exceed this allotted number of trades, the IAR handling the account will be charged \$12 per trade. This presents a conflict of interest in that IAR may have an incentive to limit the number of trades in an account, even if such trading would benefit the client.

**Item 13**     *Review of Accounts*

- A. FA reviews all new accounts when they are opened to make sure that appropriate documentation has been obtained, and to verify that the proposed investment strategy is consistent with the client's risk profile and stated investment needs and objectives. On a daily basis a supervisor reviews all trades in advisory accounts to confirm that the trading is consistent with the client's investment needs and objectives. On a quarterly or periodic basis FA reviews reports designed to detect potential concerns in client accounts.
- B. (See Item 13.A, above.)
- C. RBC sends the following information to all FA advisory clients: (i) Trade confirmations on every purchase or sale of securities – confirmations are mailed daily after each trade is executed or a summary of all trades is sent quarterly depending on account program type and client selection; (ii) Monthly account statements every month that a client has activity in the account – if the account has no activity, the client will receive account statements at least quarterly. It is important for the client to compare the trade confirmations with the account statements to make sure all documents are consistent. The client should notify FA's Compliance Department immediately if he/she notices any inconsistencies among the various reports.

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

This Item is inapplicable because (i) FA is not compensated by anyone other than its clients for providing investment advice; (ii) FA does not pay compensation to any person for referring clients to FA; and (iii) Other than referrals to PMMs described in Item 4B.(1) above, FA does not receive compensation for referring clients to other investment advisors.

**Item 15**     *Custody*

This Item is inapplicable because FA does not have “custody” of client funds or securities – rather, RBC maintains custody. See Item 13C. above for a description of the information and documents that clients may expect to receive from RBC.

**Item 16**     *Investment Discretion*

This Item is inapplicable because FA does not allow discretionary accounts.

**Item 17**     *Voting Client Securities*

FA does not vote proxies on behalf of clients. RBC sends all proxy solicitations, class action notices, and similar notices to the client holding the security, and it is up to the client to vote or otherwise respond in a timely manner. In certain instances client can select for RBC Program Manager to vote on their behalf.

**Item 18**     *Financial Information*

- A. This Item is inapplicable because FA does not charge advisory fees six months or more in advance.
- B. This Item is inapplicable because FA does not exercise discretion in client accounts, does not have custody of client funds or securities, and does not charge advisory fees six months or more in advance.
- C. This Item is inapplicable because FA has never been the subject of any bankruptcy petition.

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

This Item is inapplicable because FA is registered with the SEC.