



# ROYAL HARBOR PARTNERS

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Royal Harbor Partners, LLC (hereinafter “RHP” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

RHP has the following material changes to report. Material changes relate to RHP's policies, practices or conflicts of interests.

- RHP has updated its principal office and place of business (Cover Page).
- RHP has updated its use of structured products and risk of loss associated with these products (Item 4, Item 8).
- RHP has updated outside compensation (Item 14).
- RHP has updated custody (Item 15).
- RHP has updated voting client proxies (Item 17).
- RHP has updated financial information. (Item 18).
- RHP has updated brokerage practices. (Item 12).

### **Item 3. Table of Contents**

Item 1. Cover Page	
Item 2. Material Changes .....	2
Item 3. Table of Contents.....	3
Item 4. Advisory Business .....	4
Item 5. Fees and Compensation .....	6
Item 6. Performance-Based Fees and Side-by-Side Management .....	9
Item 7. Types of Clients.....	9
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	10
Item 9. Disciplinary Information.....	14
Item 10. Other Financial Industry Activities and Affiliations.....	14
Item 11. Code of Ethics .....	15
Item 12. Brokerage Practices .....	16
Item 13. Review of Accounts.....	19
Item 14. Client Referrals and Other Compensation .....	20
Item 15. Custody.....	21
Item 16. Investment Discretion.....	22
Item 17. Voting Client Securities.....	22
Item 18. Financial Information .....	22

## **Item 4. Advisory Business**

RHP offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to RHP rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with RHP setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

RHP filed for registration as an investment adviser in June 2019 and is owned by Glenn Royal, Michele Jones and Natalie Picha. As of December 2019, RHP had \$178,024,681 in assets under management, \$115,592,590 of which was managed on a discretionary basis and \$62,432,091 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of RHP, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on RHP’s behalf and are subject to the Firm’s supervision or control.

### **Financial Planning and Consulting Services**

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RHP offers clients a broad range of financial planning and consulting services, which include any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Tax Planning
- Education Planning

While each of these services is available on a stand-alone basis, certain of them can also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (described in more detail below).

In performing these services, RHP is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. RHP recommends certain clients engage the Firm for additional related services, its Supervised Persons in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage RHP or its affiliates to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by RHP under a financial planning or consulting engagement.

Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising RHP’s recommendations and/or services.

## **Wealth Management Services**

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RHP provides clients with wealth management services which include a broad range of financial planning and consulting services as well as discretionary management of investment portfolios. RHP primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), structured products, and individual debt and equity securities. Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients can engage RHP to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, RHP directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product’s provider.

RHP tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. RHP consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify RHP if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if RHP determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm’s management efforts.

## **Retirement Plan Consulting Services**

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RHP provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and includes any or all of the following services:

### Plan Design and Strategy

- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by RHP as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of RHP’s fiduciary status, the specific services to be rendered and all direct and indirect compensation the Firm reasonably expects under the engagement.

### **Use of Independent Managers**

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In limited circumstances, RHP selects Independent Managers to actively manage a portion of its clients’ assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

RHP evaluates a variety of information about Independent Managers, which includes the Independent Managers’ public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers’ investment strategies, past performance and risk results in relation to its clients’ individual portfolio allocations and risk exposure. RHP also takes into consideration each Independent Manager’s management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

RHP continues to provide services relative to the discretionary or non-discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. RHP seeks to ensure the Independent Managers’ strategies and target allocations remain aligned with its clients’ investment objectives and overall best interests.

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

RHP offers services on a fee basis, which includes fixed fees, as well as fees based upon assets under management. Additionally, certain of the Firm’s Supervised Persons, in their individual capacities, offers securities brokerage services and/or insurance products under a separate commission-based arrangement.

#### **Financial Planning and Consulting Fees**

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RHP charges a fixed fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but range from \$500 to \$10,000 depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, RHP may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and RHP requires one-half of the fixed fee payable upon execution of the Advisory Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services.

The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

### **Wealth Management Fees**

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RHP offers wealth management services for an annual fee based on the amount of assets under the Firm's management. This management fee varies between in accordance with the following fee schedules:

#### *Equity and Balanced Portfolios:*

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
Up to \$500,000	1.50%
\$500,000 - \$999,999	1.25%
\$1,000,000 - \$4,999,999	1.00%
Above \$5,000,000	0.85%

#### *Fixed Income Only Portfolios:*

<b><u>PORTFOLIO VALUE</u></b>	<b><u>BASE FEE</u></b>
\$500,000 - \$999,999	0.45%
\$1,000,000 - \$4,999,999	0.35%
Above \$5,000,000	0.25%

The annual fee is prorated and charged monthly, in advance, based upon the market value of the assets being managed by RHP on the last day of the previous month. If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is adjusted to reflect the interim change in portfolio value. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), RHP may negotiate a fee rate that differs from the range set forth above.

For the purpose of computing fees, RHP can agree to treat managed assets in related accounts as if all the assets were in one account. After the fee is computed in this way, it is divided among the accounts involved, usually in proportion to the market value of each account. This grouping of related accounts must be approved in advance by the Firm, and approval is in the sole discretion of the Firm.

### **Retirement Plan Consulting Fees**

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RHP charges as fixed project-based fee to provide clients with retirement plan consulting services. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement. These fees vary, based on the scope of the services to be rendered, the

assets to be managed and the individual providing the services.

### **Fee Discretion**

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RHP does not regard its fees as negotiable. However, in a limited instances, the Firm will grant exceptions to the application of its regular fee schedules when the Firm believes there are highly unusual factors involved that justify exceptional treatment. From time to time, the Firm will seek to determine if such unusual factors continue to justify deviations from its regular fee schedule.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to RHP, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges include securities brokerage commissions, transaction fees, custodial fees, fees charged by the Independent Managers, margin costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients provide RHP and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to RHP. Alternatively, clients may elect to have RHP send a separate invoice for direct payment.

### **Use of Margin and Other Borrowing**

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RHP can recommend that certain clients utilize margin in the client’s investment portfolio or other borrowing, including structured lending. RHP typically recommends such borrowing for non-investment needs, such as bridge loans and other financing needs. The Firm’s fees are determined based upon the value of the assets being managed gross of any margin or borrowing and the Firm does not receive a separate fee for recommending the borrowing.

### **Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to RHP’s right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client’s account. Clients can withdraw account assets on notice to RHP, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. RHP may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual



fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

### **Commissions and Sales Charges for Recommendations of Securities**

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Clients can engage certain persons associated with RHP (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with RHP.

Under this arrangement, the Firm's Supervised Persons, in their individual capacities as registered representatives of Purshe Kaplan Sterling Investments, Inc. ("PKS"), can provide securities brokerage services and implement securities transactions under a separate commission based arrangement. Supervised Persons are entitled to a portion of the brokerage commissions paid to PKS, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. RHP can also recommend no-load or load-waived funds, where no sales charges are assessed, but where the Supervised Person receives other forms of compensation. Prior to effecting any transactions, clients are required to enter into a separate account agreement with PKS.

A conflict of interest exists to the extent that a Supervised Person of RHP recommends the purchase or sale of securities through a brokerage relationship where that Supervised Person receives commissions or other additional compensation as a result of that recommendation (the "Brokerage Relationship"). The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons to engage in the Brokerage Relationship are in the best interest of that client. Because the Supervised Person receives compensation in connection with the sale of mutual funds in the Brokerage Relationship, a conflict of interest exists as such Supervised Person, has an incentive to recommend more expensive mutual fund share classes to clients where such Supervised Person earns more compensation with respect to the sale of such mutual fund share classes. Clients should understand that the investments made in the Brokerage Relationship are not receiving advisory services from the Firm. Therefore, the Firm does not have a fiduciary duty over the Brokerage Relationship recommendations. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that RHP, in its sole discretion, deems appropriate, RHP provide its investment advisory services to certain clients on a fee- offset basis. In this scenario, RHP offsets its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Firm's Supervised Persons in their individual capacities as registered representatives of PKS.

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

RHP does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### **Item 7. Types of Clients**

RHP offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Value**

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RHP imposes a minimum portfolio value of \$500,000 in a fixed income only portfolio. RHP may, in its sole

discretion, accept clients with smaller portfolios based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. RHP only accepts clients with less than the minimum portfolio size if the Firm determines the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. RHP may aggregate the portfolios of family members to meet the minimum portfolio size.

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

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

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RHP's primary investment products are its model portfolios and separately managed fixed-income portfolios. Each model portfolio is distinguished by various percentages of exposure to stocks, bonds, and cash in order to offer various risk adjusted strategies pursuant to a client's individual financial goals.

RHP's model portfolios include three balanced models: Moderately Conservative, Moderate, and Moderately Aggressive. The Firm also manages two other primary models: Conservative, an all fixed-income bond portfolio, and Aggressive, an all equity portfolio. Clients can combine models for various strategies within one household.

RHP seeks to control investment risk through disciplined adherence to its investment decision-making process. The Firm continuously monitors the underlying operating and earnings trends of the companies represented in the portfolio and remain alert to changes in demand, competition, or technology that may influence these trends. Diversification also plays a role in the Firm's approach to controlling risk, and it monitors portfolios by industry exposure and individual stock concentration. RHP may use individual stocks, bonds, exchange traded products, and, mutual funds in the construction of client portfolios.

The fixed-income bond portfolio emphasizes risk-averse management, current income and low cash reserves. Portfolio holdings may include United States Treasury securities, United States Government Agency securities, mortgage pass-through securities of government-sponsored enterprises (GSE) such as Ginnie Mae, investment grade corporate bonds, municipal bonds, high quality commercial paper, and shares of money market funds. Foreign government and foreign corporate bonds and sub-prime mortgages are not part of RHP's strategy.

In RHP's fixed-income bond portfolios, the Firm emphasizes certain sectors and select specific securities that it believes offer the best combination of quality, liquidity, income, and value consistent with its overall duration target. The duration of a fixed income portfolio is a measure of risk that indicates the sensitivity of the portfolio's market value to changes in interest rates. RHP will make modest shifts in its duration target to reflect changes in its projections for interest rates and inflation.

The Firm also manages tax-free income portfolios, consisting of high-quality municipal bonds with laddered maturities of 7-14 years. Turnover is low to avoid unnecessary transaction costs and to maintain predictable income streams. Portfolios are customized relative to the client's state of residence.

## **Risk of Loss**

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of RHP's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that RHP will be able to predict these price movements accurately or capitalize on any such assumptions.

### *Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

### *Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

### *Company-specific risk*

A company's stock price may decline for numerous reasons that relate directly to the company, such as a loss of competitive advantage, impairment of capital or earnings power, legal difficulties, or management changes.

### *Risks associated with foreign companies*

Special risks associated with investments in foreign companies may include greater exposure to fluctuations in currency exchange rates, less comprehensive company information, different financial reporting and legal standards, and political instability.

### *Allocation risk*

Certain companies, industries or market sectors may be significantly over weighted or underweighted relative to the broader market indices. Consequently, the performance of our portfolios may be more or less sensitive than the overall market to factors affecting those companies, industries or sectors.

### *Style risk*

The Firm's investment strategy focuses on high quality stocks with large market capitalizations. As a result, the portfolios may underperform the broader market during intervals when such securities are out of favor with

investors.

### *Equity-Related Securities and Instruments*

The Firm may take long in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, mid-capitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

### *Fixed Income Securities*

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.
- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.
- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.
- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential

for price declines.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Structured Products*

Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.

### *Use of Independent Managers*

As stated above, RHP selects certain Independent Managers to manage a portion of its clients' assets. In these situations, RHP continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, RHP does not have the ability to supervise the Independent Managers on a day-to-day basis.

### *Management through Similarly Managed "Model" Accounts*

RHP manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

### *Use of Margin*

While the use of margin borrowing for investments can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a Financial Institution, which is secured by a client's holdings. Under certain circumstances, a lending Financial Institution may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the Financial Institution may liquidate account assets to satisfy the client's outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client's borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client's portfolio.

### *Currency Risks*

An advisory account that holds investments denominated in currencies other than the currency in which the advisory account is denominated may be adversely affected by the volatility of currency exchange rates.

## **Item 9. Disciplinary Information**

RHP has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations.

## Registered Representatives of a Broker-Dealer

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Certain of the Firm's Supervised Persons are registered representatives of PKS and provide clients with securities brokerage services under a separate commission-based arrangement. This arrangement is described at length in Item 5.

## Licensed Insurance Agents

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A number of the Firm's Supervised Persons are licensed insurance agents and offer certain insurance products on a fully-disclosed commissionable basis. A conflict of interest exists to the extent that RHP recommends the purchase of insurance products where its Supervised Persons are entitled to insurance commissions or other additional compensation. The Firm has procedures in place whereby it seeks to ensure that all recommendations are made in its clients' best interest regardless of any such affiliations.

## Item 11. Code of Ethics

RHP has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. RHP's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of RHP's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact RHP to request a copy of its Code of Ethics.

## **Item 12. Brokerage Practices**

### **Recommendation of Broker-Dealers for Client Transactions**

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RHP recommends that clients utilize the custody, brokerage and clearing services of Charles Schwab & Co, Inc. through its Schwab Advisor Services division (“Schwab”) for investment management accounts. The final decision to custody assets with Schwab is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. RHP is independently owned and operated and not affiliated with Schwab. Schwab provides RHP with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which RHP considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. Schwab has also agreed to reimburse clients for exit fees associated with moving accounts to Schwab. The reimbursement is only available up to a certain amount for all of the Firm’s clients over a twelve month period. Fees are reimbursed on a first-come-first-served basis so that no clients are favored. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by RHP’s clients to Schwab comply with the Firm’s duty to obtain “best execution.” Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where RHP determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution’s services, including among others, the value of research provided, execution capability, commission rates and responsiveness. RHP seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other broker-dealers with whom the Firm and its custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the Client may be required to sign an additional agreement, and additional fees are likely to be charged.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist RHP in its investment decision-making process. Such research will be used to service all of the Firm’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because RHP does not have to produce or pay for the products or services.

RHP periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.



## Software and Support Provided by Financial Institutions

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RHP has access to research, products, or other services from its broker/dealer in connection with client securities transactions (“soft dollar benefits”) consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended, and may consider these benefits in recommending brokers. There can be no assurance that any particular client will benefit from any particular soft dollar research or other benefits. RHP benefits by not having to produce or pay for the research, products or services, and RHP will have an incentive to recommend a broker dealer based on receiving research or services. Clients should be aware that RHP’s acceptance of soft dollar benefits may result in higher commissions charged to the client.

RHP receives without cost from Schwab administrative support, computer software, related systems support, as well as other third party support as further described below (together “Support”) which allow RHP to better monitor client accounts maintained at Schwab and otherwise conduct its business. RHP receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The Support is not provided in connection with securities transactions of clients (i.e., not “soft dollars”). The Support benefits RHP, but not its clients directly. Clients should be aware that RHP’s receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits will influence the Firm’s choice of broker-dealer over another that does not furnish similar software, systems support or services, especially because the support is contingent upon clients placing a certain level(s) of assets at Schwab. In fulfilling its duties to its clients, RHP endeavors at all times to put the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, RHP receives the following benefits from Schwab: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor’s clients’ assets are maintained in accounts at Schwab Advisor Services. Schwab’s services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

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

Schwab also makes available to the Firm other products and services that benefit the Firm but may not benefit its clients’ accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of RHP by Schwab personnel, including meals, invitations to sporting events,

including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist RHP in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of the Firm's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to RHP other services intended to help the Firm manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to the Firm by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to the Firm. While, as a fiduciary, RHP endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a conflict of interest.

The Firm receives funds to be used toward qualifying third-party service providers for services that can include research, marketing, compliance, technology and software platforms and services. The initial funds are available regardless of assets held at Schwab. Subsequent funds are expected to become available when certain thresholds for new assets added to Schwab, are met. This results in a conflict of interest since the Firm has an incentive to place additional client assets with Schwab.

### **Brokerage for Client Referrals**

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RHP does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct RHP in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by RHP (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, RHP may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers (as further discussed below).

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Supervised Persons in their respective individual capacities are registered representatives of PKS. These Supervised Persons are subject to FINRA Rule 3280 which restricts registered representatives from conducting securities transactions away from their broker-dealer unless the registered representatives give prior notice of such transactions to PKS and, in most circumstances, PKS provides written consent. Therefore, clients are advised that certain Supervised Persons are restricted to conducting securities transactions through PKS if they have not secured written consent from PKS to execute securities transactions through a different broker-dealer. Absent such written consent or separation from PKS, these Supervised Persons are generally prohibited from executing securities transactions through any broker-dealer other than PKS under its internal supervisory policies. The Firm is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

### **Trade Aggregation**

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Transactions for each client will be effected independently, unless RHP decides to purchase or sell the same securities for several clients at approximately the same time. RHP may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among RHP’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which RHP’s Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. RHP does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Item 13. Review of Accounts**

### **Account Reviews**

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RHP monitors client portfolios on a continuous and ongoing basis, including weekly model tracking error

checks for client accounts. Such reviews are conducted by the Firm's Principal and/or investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with RHP and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

## **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from RHP and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from RHP or an outside service provider.

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

Charles Schwab & Co., Inc. Advisor Services provides RHP with access to Charles Schwab & Co., Inc. Advisor Services' institutional trading and custody services, which are typically not available to Charles Schwab & Co., Inc. Advisor Services retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Charles Schwab & Co., Inc. Advisor Services. Charles Schwab & Co., Inc. Advisor Services includes brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment. For RHP client accounts maintained in its custody, Charles Schwab & Co., Inc. Advisor Services generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Charles Schwab & Co., Inc. Advisor Services or that settle into Charles Schwab & Co., Inc. Advisor Services accounts.

Charles Schwab & Co., Inc. Advisor Services also makes available to RHP other products and services that benefit RHP but may not benefit its clients' accounts. These benefits may include national, regional or RHP specific educational events organized and/or sponsored by Charles Schwab & Co., Inc. Advisor Services. Other potential benefits may include occasional business entertainment of personnel of RHP by Charles Schwab & Co., Inc. Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist RHP in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts, if applicable), provide research, pricing information and other market data, facilitate payment of RHP's fees from its clients' accounts (if applicable), and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of RHP's accounts. Charles Schwab & Co., Inc. Advisor Services also makes available to RHP other services intended to help RHP manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting,

publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, and human capital consultants, insurance and marketing. In addition, Charles Schwab & Co., Inc. Advisor Services may make available, arrange and/or pay vendors for these types of services rendered to RHP by independent third parties. Charles Schwab & Co., Inc. Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to RHP. RHP is independently owned and operated and not affiliated with Charles Schwab & Co., Inc. Advisor Services.

RHP receives economic benefits from the Thornburg Global Research Summit (Thornburg). This includes a two day conference that provides lodging, meals and travel mileage reimbursement to RHP. RHP works in the fixed income investments sector with Thornburg. As part of its fiduciary duties to clients, The Adviser endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by The Adviser or its related persons in and of itself creates a conflict of interest and may indirectly influence The Adviser's choice of Thornburg for custody and brokerage services.

### **Schwab Advisor Business Loan**

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Schwab Advisor Business Loan Schwab has provided a loan to the Firm to assist its business operations, and the loan is guaranteed by Glenn Royal, Natalie Picha, and Michele Jones, principals of the Firm. The terms of the loan require that management fees to the Firm be paid to an account at Schwab for deduction of interest and principal payments on the loan before the Firm may access such management fees. The loan agreement contains various representations and covenants by the Firm, including, among others, that the Firm will maintain at least \$216,000,000 in end client net assets held at Schwab ("Assets Under Management at Schwab"), and that the Firm will comply with all applicable laws, regulations, and agreements, and obtain all necessary licenses, consents and permits.

Upon the occurrence and during the continuance of an event of default under the loan agreement, Schwab may terminate and/or accelerate the loan, which may have a material adverse effect on the Firm's ability to perform services for clients. Some of the products, services and other benefits provided by Schwab, including the loan noted above, benefit the Firm and may not benefit the Firm's client accounts. The Firm's recommendation or requirement that a client place assets in Schwab's custody may be based in part on benefits Schwab provides to the Firm, or the Firm's agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab. The Firm places trades for its clients' accounts subject to its duty to seek best execution and its other fiduciary duties. The Firm may use broker-dealers other than Schwab to execute trades for client accounts maintained at Schwab, but this practice may result in additional costs to clients so that the Firm is more likely to place trades through Schwab rather than other broker-dealers. Schwab's execution quality may be different than other broker-dealers. Clients should be aware that RHP's receipt the Schwab Advisor Business Loan creates a conflict of interest since these benefits will influence the Firm's choice of Schwab over another that does not furnish similar benefits, especially because the loan is contingent upon clients placing a certain level of assets at Schwab.

The Firm does not currently provide compensation to any third-party solicitors for client referrals.

### **Item 15. Custody**

RHP is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

In addition, as discussed in Item 13, RHP will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from RHP. Any other custody disclosures can be found in the Firm's Form ADV Part 1.

Custody is also disclosed in Form ADV because RHP has authority to transfer money from client account(s), which constitutes a standing letter of authorization (SLOA). Accordingly, RHP will follow the safeguards specified by the SEC rather than undergo an annual audit.

## **Item 16. Investment Discretion**

RHP is given the authority to exercise discretion on behalf of clients. RHP is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. RHP is given this authority through a power-of-attorney included in the agreement between RHP and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). RHP takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The broker-dealer that executes trades (in the case of a prime brokerage relationship); and
- The Independent Managers to be hired or fired.

## **Item 17. Voting Client Securities**

### **Acceptance of Proxy Voting Authority**

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RHP will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18. Financial Information**

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- In light of the COVID-19 coronavirus and historic decline in market values, The Firm has elected to participate in the CARES Act's Paycheck Protection Program ("PPP") to strengthen its balance sheet. The Firm intends to use this loan predominantly to continue payroll for the firm and may ultimately seek loan forgiveness per the terms of the PPP. Due to this and other measures taken internally, The Firm has been able to operate and continue serving its clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.