RFG Risk Adjusted Portfolio (RAP) Construction Guidelines

Risk Adjusted Portfolios ("RAP's") are proprietary blends of, (generally, but not restricted to) open ended mutual funds. The selection and trading of securities for the portfolios is at the discretion of Responsive Financial Group, Inc. ("Investment Advisor") as the investment advisor for the Portfolios. Investment Advisor will not trade in any securities which will result in Investment Advisor or its representatives receiving commissions or any other financial remuneration from the securities, or investment companies with which it invests. Investment Advisor utilizes a variety of resources and research methodologies, as disclosed in Investment Advisor's SEC Form ADV part II, to manage each portfolio as per its investment objective and the Target Equity Percentage for each portfolio.

RAPs provide a combination of diversified funds which are managed to maintain a level of risk equal to a specified level relative to the S&P 500 Index and US Treasury Bill Index. For example, the Midpoint portfolio typically, maintains an equity exposure of approximately 50% and non-equity exposure of 50%. Therefore, one might expect it to move up or down about 50% as much as the S&P 500 plus 50% as much as T-Bill Index. RFG retains discretion over the actual holdings within the portfolios.

In creating the Risk Adjusted Portfolios the common thesis is to use the same mutual funds as far as possible across all the portfolios in varying percentages. However, fund selection within the portfolio does vary based on the risk level of that portfolio. For example, the composition of Capital Preservation will be substantially different from Market Equivalent.

The construction of a typical portfolio is first determined based on the overall percentage of equity and non-equity within the portfolio. Further the portfolio's allocation is divided among four major groups namely; Cash & Equivalents, Debt & Non-Equity, Hybrid, and Domestic & Foreign Equity. The Domestic and Foreign Equity group is further classified into large, mid and small cap funds.

Funds that have been short listed through the selection process under each group are allocated a percentage of the Risk Adjusted Portfolio based on that portfolio's risk level.

The allocation is run through Morningstar Advisor Workstation and a Portfolio Snapshot is prepared. The portfolio snapshot provides information that helps in determining the investment composition, investment style, sector weightings, regional exposure, trailing performance and several fundamental and risk analysis measures that help in determining if adjustments need to be made to the fund allocation so that it adheres to that portfolio's risk level. Several iterations of the snapshot may be needed with different fund choices, keeping in mind correlation levels, to arrive at an optimal portfolio allocation. Emphasis is placed on risk measures like standard deviation and Sharpe ratio and also the overall allocation between equity and non-equity.

RFG provides the following proprietary risk adjusted portfolios to their clients.

1) Capital Preservation Portfolio - Equity target at 20% and non-equity target at 80%
2) Conservative Portfolio - Equity target at 37% and non-equity target at 63%
3) Mid-Point Portfolio - Equity target at 50% and non-equity target at 50%
4) Moderate Portfolio – Equity target at to 60% and non-equity target at 40%
5) Growth Portfolio –Equity target at 70% and non –equity target at 30%
6) Opportunity Portfolio - Equity target at 80% and non-equity target at 20%
7) All-Equity Portfolio – Equity target at 100%

The detailed description and policy statements for each of the above portfolios are provided in the following pages.

Policy Statement for Capital Preservation Portfolio (NTF- Portfolio)

- Objective: Objective is the preservation of capital and also purchasing power over a period of time.

- Suitability: It is appropriate for capital to be stored for longer than one is willing to employ Money Market assets. Time horizon is from at least one to three years should be considered the minimum.

- Equity Allocation Target: Targets an equity percentage of approximately 20% and the balance in fixed income and non-equity assets.

- Asset Allocation: Portfolio asset allocations and fund allocation will vary at RFG's discretion based upon RFG's evaluation of the risk in the financial markets, mutual funds, fund manager operations, and financial market opportunities with appropriate risk and return characteristics (when combined with other portfolio assets). Overall asset allocation will be close to the equity allocation target; however there could be a few percentage point difference depending on market conditions. The construction of a typical portfolio is first determined based on the overall equity and non-equity target within the portfolio. Further, the portfolio's allocation is divided among four major groups namely: Cash & Equivalents, Debt & Non-Equity, Hybrid, and Domestic & Foreign Equity. Cash Equivalent assets are typically in a money market fund. Debt & Non-Equity assets are invested across different categories of fixed income funds like intermediate bond, high yield bond, inflation protected bond, etc. Hybrid assets are invested in asset allocation funds like balanced funds, tactical allocation funds, merger arbitrage funds, long-short equity funds, and commodity funds. The Domestic and Foreign Equity group assets can be invested into funds that may invest in large, mid, and small capitalization companies both domestically and in foreign markets as well as on the growth and value side. Across all asset classes, importance is placed on management's investment philosophy as well as their overall investment management approach and characteristics.

- Risk: This portfolio is not a proxy for a money market fund or savings account as asset value can rise and fall, based upon market and manager actions. All securities in the portfolio have some form of risk associated with them which include but are not limited to equity market risk, interest rate risk, inflation risk, credit risk and systemic risk. There is potential to lose capital for an extended period of time under adverse market conditions.

- Expenses: Current Approximate Portfolio Expense Ratio prior to RFG's Fees is 1.1%

- Benchmark: The Benchmark for this portfolio is 20% of the return of the S&P 500 Index (with Dividends) plus 80% of the return of the U.S. Treasury Bill Index.

Policy Statement for Conservative Portfolio (NTF Portfolio)

- Objective: Objective is risk-adjusted conservative growth of capital over a period of time using a strategic mix of equity and non-equity funds that provide a suitable risk-reward profile for the portfolio.

- Suitability: It is appropriate for capital which is investable for a medium term of at least 2 to 7 years at minimum, where growth as well as some residual income is important.

- Equity Allocation Target: Targets an equity percentage of approximately 37% and the balance in fixed income and non-equity assets.

- Asset Allocation: Portfolio asset allocations and fund allocation will vary at RFG's discretion based upon RFG's evaluation of the risk in the financial markets, mutual funds, fund manager operations, and financial market opportunities with appropriate risk and return characteristics (when combined with other portfolio assets). Overall asset allocation will be close to the equity allocation target; however there could be a few percentage point difference depending on market conditions. The construction of a typical portfolio is first determined based on the overall equity and non-equity target within the portfolio. Further, the portfolio's allocation is divided among four major groups namely Cash & Equivalents, Debt & Non-Equity, Hybrid, and Domestic & Foreign Equity. Cash Equivalent assets are typically in a money market fund. Debt & Non-Equity assets are invested across different categories of fixed income funds like intermediate bond, high yield bond, inflation protected bond, etc. Hybrid assets are invested in asset allocation funds like balanced funds, tactical allocation funds, merger arbitrage funds, long-short equity funds, and commodity funds. The Domestic and Foreign Equity group assets can be invested into funds that may invest in large, mid, and small capitalization companies both domestically and in foreign markets as well as on the growth and value side. Across all asset classes, importance is placed on management investment philosophy as well as their overall investment management approach and characteristics.

- Risk: This portfolio is not a proxy for a money market fund or savings account as asset value can rise and fall, based upon market and manager actions. All securities in the portfolio have some form of risk associated with them which include but are not limited to equity market risk, interest rate risk, inflation risk, credit risk and systemic risk. There is potential to lose capital for an extended period of time under adverse market conditions.

- Expenses: Current Approximate Portfolio Expense Ratio prior to RFG's Fees is 1.2%

- Benchmark: The Benchmark for this portfolio is 37% of the return of the S&P 500 Index (with Dividends) plus 63% of the return of the U.S. Treasury Bill Index.

Policy Statement for Mid-Point Portfolio (NTF Portfolio)

- Objective: Objective is risk-adjusted medium growth of capital using a strategic mix of equity and non-equity funds that provide a suitable risk-reward profile for the portfolio.

- Suitability: It is appropriate for capital which is investable for a longer time period of at least 5 to 10 years, where medium growth of capital (with necessary risk to achieve that growth) is of primary importance.

- Equity Allocation Target: Targets an equity percentage of approximately 50% and the balance in fixed income and non-equity assets.

- Asset Allocation: Portfolio asset allocations and fund allocation will vary at RFG's discretion based upon RFG's evaluation of the risk in the financial markets, mutual funds, fund manager operations, and financial market opportunities with appropriate risk and return characteristics (when combined with other portfolio assets). Overall asset allocation will be close to the equity allocation target; however there could be a few percentage point difference depending on market conditions. The construction of a typical portfolio is first determined based on the overall equity and non-equity target within the portfolio. Further, the portfolio's allocation is divided among four major groups namely Cash & Equivalents, Debt & Non-Equity, Hybrid, and Domestic & Foreign Equity. Cash Equivalent assets are typically in a money market fund. Debt & Non-Equity assets are invested across different categories of fixed income funds like intermediate bond, high yield bond, inflation protected bond, etc. Hybrid assets are invested in asset allocation funds like balanced funds, tactical allocation funds, merger arbitrage funds, long-short equity funds, and commodity funds. The Domestic and Foreign Equity group assets can be invested into funds that may invest in large, mid, and small capitalization companies both domestically and in foreign markets as well as on the growth and value side. Across all asset classes, importance is placed on management investment philosophy as well as their overall investment management approach and characteristics.

- Risk: This portfolio is not a proxy for a money market fund or savings account as asset value can rise and fall, based upon market and manager actions. All securities in the portfolio have some form of risk associated with them which include but are not limited to equity market risk, interest rate risk, inflation risk, credit risk and systemic risk. There is potential to lose capital for an extended period of time under adverse market conditions.

- Expenses: Current Approximate Portfolio Expense Ratio prior to RFG's Fees is 1.3%

- Benchmark: The Benchmark for this portfolio is 50% of the return of the S&P 500 Index (with Dividends) plus 50% of the return of the U.S. Treasury Bill Index.

Policy Statement for Moderate Portfolio (NTF & Institutional Funds Portfolio)

- Objective: Objective is risk-adjusted moderate growth of capital using a strategic mix of equity and non-equity funds that provide a suitable risk-reward profile for the portfolio.

- Suitability: It is appropriate for capital which is investable for a longer time period of at least 10+ years, where moderate growth of capital (with necessary risk to achieve that growth) is of primary importance.

- Equity Allocation Target: Targets an equity percentage of approximately 60% and the balance in fixed income and non-equity assets.

- Asset Allocation: Portfolio asset allocations and fund allocation will vary at RFG's discretion based upon RFG's evaluation of the risk in the financial markets, mutual funds, fund manager operations, and financial market opportunities with appropriate risk and return characteristics (when combined with other portfolio assets). Overall asset allocation will be close to the equity allocation target; however there could be a few percentage point difference depending on market conditions. The construction of a typical portfolio is first determined based on the overall equity and non-equity target within the portfolio. Further the portfolio's allocation is divided among four major groups namely Cash & Equivalents, Debt & Non-Equity, Hybrid, and Domestic & Foreign Equity. Cash Equivalent assets are typically in a money market fund. Debt & Non-Equity assets are invested across different categories of fixed income funds like intermediate bond, high yield bond, inflation protected bond, etc. Hybrid assets are invested in asset allocation funds like balanced funds, tactical allocation funds, merger arbitrage funds, long-short equity funds, and commodity funds. The Domestic and Foreign Equity group assets can be invested into funds that may invest in large, mid, and small capitalization companies both domestically and in foreign markets as well as on the growth and value side. Across all asset classes, importance is placed on management investment philosophy as well as their overall investment management approach and characteristics.

- Risk: This portfolio is not a proxy for a money market fund or savings account as asset value can rise and fall, based upon market and manager actions. All securities in the portfolio have some form of risk associated with them which include but are not limited to equity market risk, interest rate risk, inflation risk, credit risk and systemic risk. There is potential to lose capital for an extended period of time under adverse market conditions.

- Expenses: Current Approximate Portfolio Expense Ratio prior to RFG's Fees is 1.30%

- Benchmark: The Benchmark for this portfolio is 60% of the return of the S&P 500 Index (with Dividends) plus 40% of the return of the U.S. Treasury Bill Index.

Policy Statement for Growth Portfolio (NTF and Institutional Funds Portfolio)

- Objective: Objective is risk-adjusted moderate growth of capital using a strategic mix of equity and non-equity funds that provide a suitable risk-reward profile for the portfolio.

- Suitability: It is appropriate for capital which is investable for a longer time period of at least 10+ years, where moderate growth of capital (with necessary risk to achieve that growth) is of primary importance.

- Equity Allocation Target: Targets an equity percentage of approximately 70% and the balance in fixed income and non-equity assets.

- Asset Allocation: Portfolio asset allocations and fund allocation will vary at RFG's discretion based upon RFG's evaluation of the risk in the financial markets, mutual funds, fund manager operations, and financial market opportunities with appropriate risk and return characteristics (when combined with other portfolio assets). Overall asset allocation will be close to the equity allocation target; however there could be a few percentage point difference depending on market conditions. The construction of a typical portfolio is first determined based on the overall equity and non-equity target within the portfolio. Further the portfolio's allocation is divided among four major groups namely Cash & Equivalents, Debt & Non-Equity, Hybrid, and Domestic & Foreign Equity. Cash Equivalent assets are typically in a money market fund. Debt & Non-Equity assets are invested across different categories of fixed income funds like intermediate bond, high yield bond, inflation protected bond, etc. Hybrid assets are invested in asset allocation funds like balanced funds, tactical allocation funds, merger arbitrage funds, long-short equity funds, and commodity funds. The Domestic and Foreign Equity group assets can be invested into funds that may invest in large, mid, and small capitalization companies both domestically and in foreign markets as well as on the growth and value side. Across all asset classes, importance is placed on management investment philosophy as well as their overall investment management approach and characteristics.

- Risk: This portfolio is not a proxy for a money market fund or savings account as asset value can rise and fall, based upon market and manager actions. All securities in the portfolio have some form of risk associated with them which include but are not limited to equity market risk, interest rate risk, inflation risk, credit risk and systemic risk. There is potential to lose capital for an extended period of time under adverse market conditions.

- Expenses: Current Approximate Portfolio Expense Ratio prior to RFG's Fees is 1.30%

- Benchmark: The Benchmark for this portfolio is 70% of the return of the S&P 500 Index (with Dividends) plus 30% of the return of the U.S. Treasury Bill Index.

The personality of our portfolios changes as you increase the risk level past the Moderate to the Growth portfolio and beyond. This difference in personality will be most noticeable in down markets, wherein the Growth, Opportunity, and All-equity portfolios will more aggressively approach such periods as buying opportunities.

Policy Statement for Opportunity Portfolio (NTF- Portfolio)

- Objective: Objective is risk-adjusted opportunistic growth of capital using a strategic mix of equity and non-equity funds that provide a suitable risk-reward profile for the portfolio.

- Suitability: It is appropriate for capital which is investable for a longer time period of at least 7 to 15+ years, where opportunistic growth of capital (with necessary risk to achieve that growth) is of primary importance.

- Equity Allocation Target: Targets an equity percentage of approximately 80% and the balance in fixed income and non-equity assets.

- Asset Allocation: Portfolio asset allocations and fund allocation will vary at RFG's discretion based upon RFG's evaluation of the risk in the financial markets, mutual funds, fund manager operations, and financial market opportunities with appropriate risk and return characteristics (when combined with other portfolio assets). Overall asset allocation will be close to the equity allocation target; however there could be a few percentage point difference depending on market conditions. The construction of a typical portfolio is first determined based on the overall equity and non-equity target within the portfolio. Further the portfolio's allocation is divided among four major groups namely Cash & Equivalents, Debt & Non-Equity, Hybrid, and Domestic & Foreign Equity. Cash Equivalent assets are typically in a money market fund. Debt & Non-Equity assets are invested across different categories of fixed income funds like intermediate bond, high yield bond, inflation protected bond, etc. Hybrid assets are invested in asset allocation funds like balanced funds, tactical allocation funds, merger arbitrage funds, long-short equity funds, and commodity funds. The Domestic and Foreign Equity group assets can be invested into funds that may invest in large, mid, and small capitalization companies both domestically and in foreign markets as well as on the growth and value side. Across all asset classes, importance is placed on management investment philosophy as well as their overall investment management approach and characteristics.

- Risk: This portfolio is not a proxy for a money market fund or savings account as asset value can rise and fall, based upon market and manager actions. All securities in the portfolio have some form of risk associated with them which include but are not limited to equity market risk, interest rate risk, inflation risk, credit risk and systemic risk. There is potential to lose capital for an extended period of time under adverse market conditions.

- Expenses: Current Approximate Portfolio Expense Ratio prior to RFG's Fees is 1.45%

- Benchmark: The Benchmark for this portfolio is 80% of the return of the S&P 500 Index (with Dividends) plus 20% of the return of the U.S. Treasury Bill Index.

The personality of our portfolios changes as you increase the risk level past the Moderate to the Growth portfolio and beyond. This difference in personality will be most noticeable in down markets, wherein the Growth, Opportunity, and All-equity portfolios will more aggressively approach such periods as buying opportunities.

Policy Statement for All-Equity Portfolio (NTF Portfolio)

- Objective: Objective is risk-adjusted aggressive growth of capital using a strategic mix of equity and non-equity funds that provide a suitable risk-reward profile for the portfolio.

- Suitability: It is appropriate for capital which is investable for a longer time period of at least 7 to 15+ years, where aggressive growth of capital (with necessary risk to achieve that growth) is of primary importance.

- Equity Allocation Target: Targets an equity percentage of approximately 90 to 100% and a small or no allocation to fixed income and non-equity assets.

- Asset Allocation: Portfolio asset allocations and fund allocation will vary at RFG's discretion based upon RFG's evaluation of the risk in the financial markets, mutual funds, fund manager operations, and financial market opportunities with appropriate risk and return characteristics (when combined with other portfolio assets). Overall asset allocation will be close to the equity allocation target; however there could be a few percentage point difference depending on market conditions. The construction of a typical portfolio is first determined based on the overall equity and non-equity target within the portfolio. Further the portfolio's allocation is divided among four major groups namely Cash & Equivalents, Debt & Non-Equity, Hybrid, and Domestic & Foreign Equity. Cash Equivalent assets are typically in a money market fund. Debt & Non-Equity assets are invested across different categories of fixed income funds like intermediate bond, high yield bond, inflation protected bond, etc. Hybrid assets are invested in asset allocation funds like balanced funds, tactical allocation funds, merger arbitrage funds, long-short equity funds, and commodity funds. The Domestic and Foreign Equity group assets can be invested into funds that may invest in large, mid, and small capitalization companies both domestically and in foreign markets as well as on the growth and value side. Across all asset classes, importance is placed on management investment philosophy as well as their overall investment management approach and characteristics.

- Risk: This portfolio is not a proxy for a money market fund or savings account as asset value can rise and fall, based upon market and manager actions. All securities in the portfolio have some form of risk associated with them which include but are not limited to equity market risk, interest rate risk, inflation risk, credit risk and systemic risk. There is potential to lose capital for an extended period of time under adverse market conditions.

- Expenses: Current Approximate Portfolio Expense Ratio prior to RFG's Fees is 1.3%

- Benchmark: The Benchmark for this portfolio is 100% of the return of the S&P 500 Index (with Dividends).

The personality of our portfolios changes as you increase the risk level past the Moderate to the Growth portfolio and beyond. This difference in personality will be most noticeable in down markets, wherein the Growth, Opportunity, and All-equity portfolios will more aggressively approach such periods as buying opportunities.

RFG Mutual Fund Selection Guidelines

The following guidelines to select a mutual fund for the Risk Adjusted Portfolio represents an overall process and alterations and modifications are made to the process to suit both client goals and certain external factors that maybe beyond our control.

1) Fund Manager's as well as the fund's investment philosophy is determined from fund documents (Prospectuses, SAI, Annual Reports, and Shareholder Letter etc.) and emphasis is given to consistency over a period of time.

2) The fund's advisor and management should be ethical, shareholder friendly, and free from any major regulatory issues.

3) Strong emphasis is given to fund manager record as opposed to the record of the fund itself. A new fund launched by a competent manager with a proven track record is not ignored because of lack of fund history.

4) Boutique fund shops with a consistent long term investment philosophy are preferred over mega fund families who could become closet indexers.

5) Sizable fund manager investment within the fund is a plus.

6) Morningstar Workstation is used to screen funds based on several quantitative and qualitative factors that help in determining consistency of investment style, risk adjusted category rank, performance returns as well as volatility associated with the returns.

7) Fund asset size is given importance especially when selecting a small-cap manger so that investment philosophy is not hampered by asset bloat.

8) Fund expense ratios, in addition to their turnover, are looked at in tandem because an inexpensive fund can become very expensive through fund distributions because of excessive turnover.

9) Quantitative factors like standard deviation, beta, alpha, and Sharpe ratios are compared within the fund category in determining fund selection.

10) If and where possible Fund Company is contacted to ascertain the underlying portfolio details so as to get a better idea of fund investment philosophy. Fund conference calls are also monitored to get updates on manager views and overall direction of the fund portfolio.

11) Fund operational information related to minimum investment amount as well as their status on the Schwab platform is observed to determine eligibility.

Care & Feeding

We call the services that follow our "Care & Feeding" activities and they represent what we feel are the fundamental "needs" of a well managed investment account. It's similar to concept that eating right and getting enough exercise regularly are critical to maintaining optimal physical health and well being. While many of us will tolerate a little less than optimal diet or exercise regimes, we have found that none of our clients is looking to us for less than an optimal portfolio, and many came to us tired of having to live with portfolios that needed to be "whipped into shape". The nice thing, is unlike diet and exercise, you can delegate all these activities and enjoy optimal portfolio fitness without any of the heavy lifting or sacrifice. You get to go on about your business and life as all these services are completed by us "behind the scenes", with little or no action on your part. These activities are substantially responsible for much of our success we have enjoyed and to the comfort our clients feel when their "important money" is under our management. The services fall into two categories, Model Management & Account Management.

Model Management - Our Risk Adjusted Portfolios ("RAPs") are carefully constructed, closely monitored, and quantitatively, qualitatively and empirically evaluated via a series of activities we conduct on a systematic basis.

Account Management - While being managed within one of our RAPs, each account is systematically monitored for performance that conforms with that of the RAP model selected. Additionally, important tax, trading, cash requirements, title, beneficiary and other key operational characteristics of every account are also monitored on an ongoing basis and adjustments made as per requirements.

Securities Monitoring

We monitor daily, the raw performance of the securities in our portfolios, relative to appropriate indexes. We look at yesterday's performance, as well as the month, quarter and year to date performance of each security. We document and post this in our café; which is where we read professional journals and conduct office meetings to discuss recent performance and any surprises from our individual securities.