



# **REACT Investment Solutions, LLC**

**459 Monterey Avenue, Suite 100 Los Gatos, CA 95030**

## **Form ADV Part 2A – Disclosure Brochure March 20, 2024**

This Brochure provides information about the qualifications and business practices of REACT Investment Solutions, LLC. If you have any questions about the contents of this Brochure, please contact us at 408-399-6330 or [info@lcgca.com](mailto:info@lcgca.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

REACT Investment Solutions, LLC is a registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you can use to determine to hire or retain an Adviser.

Additional information about REACT Investment Solutions, LLC (REACT) also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching CRD# 150801.

## Item 2 – Material Changes

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The following material changes have been made to our Firm’s Disclosure Brochure since our last Annual Amendment Filing dated March 31, 2023:

Throughout Brochure:

- Lombard International Private Placement Life Insurance has changed its name due to an ownership change and is now referred to as Axcelus International Private Life Insurance
- Lombard International Private Placement Variable Annuities has changed its name due to an ownership change and is now referred to as Axcelus International Private Placement Variable Annuities

Item 5 - Fees and Compensation: Updated to include additional information on broker dealer representatives and fees for accounts which are managed by third party managers.

Item 10 – Other Financial Industry Activities and Affiliations:

- The names of the insurance representatives, and list of third party money managers have been updated.
- Legacy Capital Group California and REACT now occupy the first floor and half of the second floor of the office building located at 459 Monterey Avenue. The half of the second floor not being used by Legacy Capital Group California and REACT is being subleased.

Currently, a free copy of our Brochure can be requested by contacting us at 408-399-6330 or [info@lcgca.com](mailto:info@lcgca.com).

We encourage the client to read this document in its entirety.

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## Item 4 – Advisory Business

REACT was created in 2009 to fill a need for independent Registered Investment Advisors looking for money management products for their clients. The founders of REACT saw the need for a platform that would provide access to money managers who met a set of criteria and passed a strict due diligence and research process.

The principal owners are Richard Baer (37.5%), Brent Bunker (37.5%) and Andy Baugh (20%) through their personal trusts. These individuals are also owners of Legacy Capital Group California, the largest RIA client of REACT. There is a minority indirect owner of REACT, Kim Lawson (5%) who is not an owner, but is employed by Legacy Capital Group California.

REACT does:

- furnish investment advice through consultations
- furnish advice about investments
- furnish advice about money managers

REACT does not:

- issue periodicals about securities by subscription
- provide a timing service
- on more than an occasional basis, furnish advice to clients on matters not involving securities

REACT does not take custody of any client asset, nor does it **utilize** discretionary authority. Through the Fidelity custodial account application signed by the client, discretionary authority is given to REACT. However REACT never acts upon that discretionary authority and only acts upon requests from REACT's RIA client or the account holder. Discretionary authority is given, by the individual account holder, to the money manager(s) selected to manage the client's assets. REACT will recommend to the client the money manager(s) to use along with other investment opportunities as well as advise on the percentage to allocate to each recommendation. However, the final decision is made by the investor/account holder.

REACT does not offer or sponsor a wrap fee program.

REACT is a relying advisor on Legacy Capital Group of California and does not have the authority to allocate a Legacy client's account assets to any third party investment manager, either upon initial funding of a client's account or in an instance wherein a third party manager is removed from the platform. REACT is filing as a related advisor due to not having discretion over its clients' accounts and does not have any discretionary or non-discretionary assets.

## Item 5 – Fees and Compensation

### Compensation for Advisory Services:

All fees are subject to negotiation.

The specific manner in which fees are charged by REACT is established in a client's written agreement. REACT will generally collect its fees directly from the investor's account at the custodian. The investor provides authorization for this at the time the account is established. Fees are calculated by Orion Advisor Services, calculated based on the average daily value of the account, and are pulled from the accounts in arrears on a quarterly basis. The standard fee schedule is as follows:

Assets from \$0 - \$1,000,000 charged at 2.0%  
Assets from \$1,000,001 - \$4,000,000 charged at 1.5%  
Assets \$4,000,001 - \$7,000,000 charged at 1%  
Assets greater than \$7,000,000 charged at .9%

Accounts falling under this agreement but not managed via an SMA by a third-party money manager *may* have a different fee schedule which will be disclosed at the time the recommendation is made to the Client. Potential fee schedules are noted here. While this is a comprehensive list of fee schedules that fall outside the standard, a situation may arise in which a different fee is the best for a one-off situation. If that is the case, it will be disclosed in writing prior to the time any investments are made.

Please note if an investment falls outside the standard fee schedule, it will not be included as part of the household totals for purposes of calculating the standard tiered fee schedule.

- Active Income Strategies: .75%
- Axcelus Private Placement Annuity accounts: flat 1.25% except active income, which is .75%
- Axcelus Private Placement Life accounts: flat 1.45% except active income, which is .75%
- Recommended Mutual Fund flat .25%
- Buffered Funds: .5%
- Custom passive allocation: 1%
- Treasuries: no fees collected

The fee collection frequency and manner will be detailed in each investment agreement and can be different between investments/third party advisors. Typically, however, the fees are, as stated above, calculated in arrears and deducted on a quarterly basis directly from the investor's brokerage account. As part of this process, Clients understand the following:

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

REACT bills on cash and cash equivalents unless indicated otherwise in writing.

The fees charged by the money manager/investment could include performance fees. Performance fees will only be collected by the fund manager in the case of an alternative investment such as a hedge fund. The alternative investment fund manager may share a portion of the performance fee with REACT if performance fees are utilized by the Advisor and all performance stipulations are met.

REACT may also receive a portion of the fees the money manager or investment collects from the investor or investor's account. REACT's primary compensation comes from fees it retains after paying all third party money manager fees and RIA fees from the fees it collects. Fees are collected from accounts; from the amount collected, the third party money managers or investments are paid. Sixty five percent of the collected fees that remain are paid to the Advisor/solicitor and REACT retains the remaining amount. No additional fees are collected by REACT for unmanaged accounts.

### **Other Types of Fees & Expenses:**

REACT fees are exclusive of brokerage commissions, transaction fees, asset based pricing fees, and other related costs and expenses which shall be incurred by the client. Clients will incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, 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. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to REACT's fees. In some circumstances, in place of the fee schedule noted above, REACT receives a portion of the fees that a third party money manager and/or Investment vehicle directly collects from the investor or investor's account.

### **Terminations & Refunds:**

Either party can terminate the advisory agreement signed with our firm at any time. Upon notice of termination, pro-rata advisory fees for services rendered to the point of termination will be charged. If advisory fees cannot be deducted, our firm will send an invoice for advisory fees still outstanding to the client.

### **Commissionable Securities Sales:**

REACT's representatives receive commissions from any insurance product for which they act as agent. The commissions that they receive do not have any impact on the price you pay for insurance premiums. The commissions are paid to them directly by the insurance company and do not increase your fees or premiums. Nonetheless, these commissions create an incentive for them to recommend these products over other products, which could be cheaper. The commission received are typically between .5% and 10% of the face value of the insurance coverage. Depending on the product, the commission structure could be different.

Two of REACT's principals, Richard Baer and Brent Bunger as well as Sean Buxton (non-principal) will receive commissions from any securities product placed through their broker dealer, Lion Street Financial. The security products placed through Lion Street Financial currently are

variable annuities, 529 Plans, Axcelus International Private Placement Variable Life Insurance and Axcelus International Private Placement variable annuities. The commissions received by Mr. Baer, Mr. Bunger and Mr. Buxton do not have any impact on the price you pay for the securities product. The commissions are paid to Mr. Baer, Mr. Bunger and Mr. Buxton by Lion Street Financial and do not increase your fees or expenses. These commissions create an incentive for Mr. Baer, Mr. Bunger and Mr. Buxton to recommend these products over other similar products, which could be cheaper. The commissions received are typically between 0% and 10% of the value of the initial investment. Depending on the product, the commission structure could be different.

Two of REACT's principals, Richard Baer and Brent Bunger as well as Sean Buxton (non-principal), will receive commissions via the broker dealer Lion Street Financial as well as money management/asset management fees from all Axcelus International Private Placement products. These commissions are separate and in addition to advisory fees charged by REACT. This practice presents a conflict of interest because persons providing investment advice on behalf of firms who are insurance agents have an incentive to recommend insurance products to clients for the purpose of generating commissions rather than solely based on a client's needs. For Axcelus International Private Placement Variable Life products, Mr. Baer, Mr. Bunger or Mr. Buxton will receive a portion no greater than 20% of the mortality and expense fees collected by Axcelus International. The commissions and portion of mortality and expense fees received by Mr. Baer and Mr. Bunger do not have any impact on the price you pay for insurance premiums. The commissions and portion of mortality and expense fees are paid to Mr. Baer, Mr. Bunger or Mr. Buxton via the broker dealer, Lion Street Financial, and do not increase your fees or premiums. The commission received are typically between .25% and 3% of the face value of the insurance coverage and/or annuity. Depending on the product, the commission structure could vary slightly. A conflict of interest exists such that Mr. Baer, Mr. Bunger and Mr. Buxton receive commissions individually as well as asset management fees via their RIA REACT. Receiving this dual compensation creates an incentive for Mr. Baer, Mr. Bunger and Mr. Buxton to recommend investments which are eligible for commissions as well as asset management fees.

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

REACT does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

However, some of the investments it recommends charge performance-based fees. In such case, the Investment or Money Manager will enter into performance fee arrangements with qualified clients: such fees are subject to individualized negotiation with each such client. the Investment or Money Manager will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, the Investment or Money Manager shall include realized and unrealized capital gains and losses. In certain instances, such as the Contravisory Fund LP (Long-Short Equity), REACT receives a portion of these performance fees. Whether or not a performance fee is received is typically based on a "hurdle rate", meaning the performance must surpass a given rate before performance fees are assessed. The details are different for each investment and are outlines in the offering documents of the investment, which every investor receives prior to making the investment. Receiving a portion of performance-based fee from the

Investment or Money Manager creates an incentive for REACT to recommend investments which could be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. REACT has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

### **Item 7 – Types of Clients & Account Requirements**

REACT provides investment advice to individuals, high net worth individuals, pooled investment vehicles, and Registered Investment Advisors (RIA). The investment advice provided to those RIAs may be shared with the ultimate investor, who is a client of REACT's RIA client. REACT's primary client is its affiliate, Legacy Capital Group California and REACT also serves as a solicitor for another client.

REACT has a negotiable household minimum requirement of \$500,000, but does not have a minimum account size.

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

Investing in securities involves risk of loss that clients should be prepared to bear.

REACT seeks to find money managers who, when placed in a coordinated allocation together, strive to protect client capital first and earn high returns second.

REACT employs several methods of analysis in selecting the Investment and/or Money Manager that it recommends to RIA clients:

- Charting
- Cyclical
- Fundamental
- Technical

The main sources of information REACT uses include but are not limited to:

- Financial newspapers and magazines
- Annual reports, prospectuses, filings with the Securities and Exchange Commission
- Research materials prepared by others
- Company press releases
- Telephone, Internet based and/or in-person interviews with key individuals associated with the Investment or Money Manager
- Money Manager newsletters and updates

The investment strategies used to implement any investment advice given to RIA clients include but are not limited to:

- Long term purchases
- Margin transactions (securities held at least a year)



- Short term purchases (securities sold within a year)

REACT primarily recommends Money Managers and Investments that are actively managed. The secondary focus is on risk management. However, as a percentage of the overall investment model, REACT can recommend a Money Manager, Investment or strategy that does not fit into the definition of risk managed. These investments usually carry a higher degree of risk of loss and investors should be aware of this increased risk.

Clients are made aware that securities- investing carries inherent risk. Furthermore, they are informed that using the proceeds from real estate collateralized loans to speculate on the overall market or individual securities is not prudent. REACT has policies and procedures in place to address these issues.

Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market securities values can increase and the account(s) could enjoy a gain, it is also possible that the stock market securities values can decrease and the account(s) could suffer a loss. It is important that clients understand the risks associated with investing in the stock market, and that their assets are appropriately diversified in investments. Clients are encouraged to ask our firm any questions regarding their risk tolerance.

### **Item 9 – Disciplinary Information**

Investment advisors are required to disclosure legal or disciplinary events that are material to a client's or prospective client's evaluations of the advisor's business or the integrity of the advisor's management. Presently, Advisor has no such events that a required to be reported.

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

#### **Lion Street Financial, LLC:**

Richard E. Baer, Brent C. Bunger, and Sean O. Buxton are registered representative producers with Lion Street Financial, LLC, member FINRA and SIPC. Clients are under no obligation to purchase variable products through Mr. Baer, Mr. Bunger, Mr. Buxton or Lion Street Financial, LLC, (Lion Street). Other individuals involved with REACT business are also registered representatives, but not producers, with Lion Street:

- Andy Baugh
- Amy Cono
- Justin Bunger

Richard E. Baer, Brent C. Bunger, and Sean O. Buxton are registered representatives and producers with Lion Street Financial, LLC, a registered Broker-Dealer and Investment Advisor. An inherent conflict of interest exists as Richard E. Baer, Brent C. Bunger and Sean O. Buxton receive securities commissions in addition to advisory fees. Clients will be under no obligation to purchase securities through Richard E. Baer, Brent C. Bunger, and Sean O. Buxton or through Lion Street. REACT has

relationships that are material to its business with the following Money Managers, Investments and hedge funds:

- Kovitz Investment Group, Formerly Al Frank Asset Management
- Astor Asset Management via Geowalth Advisor Services
- Casco Financial
- Contravisory Investment Management
- LG Servicing
- Axcelus International
- Niemann Capital Management via Fulcrum Equity Management
- NorthCoast Asset Management
- Prime Meridian Capital Management
- Sanctuary Wealth Advisors, LLC/Crosspoint Capital Management
- Stonecrest Managers, Inc.
- Saratoga Research and Investment Management via Geowalth Advisor Services
- NASDAQ Dorsey Wright via Geowalth
- Churchill Management Group via Fulcrum
- Old West Investment Management

#### **Legacy Capital Group California:**

Three of the four indirect owners of REACT are also indirect owners of Legacy Capital Group California: Richard Baer (47.5%), Brent Bunger (47.5%) and Andy Baugh (5%). REACT and Legacy Capital Group California share certain employees and share office space at 459 Monterey Avenue in Los Gatos, CA. Since Legacy Capital Group California is REACT's largest client, clients should be aware that a conflict exists between REACT and Legacy Capital Group California.

Legacy Capital Group California is an SEC registered RIA that provides investment advice to individuals, trusts, estates, charitable organizations, corporations or business entities and profit sharing plans. The majority of clients Legacy Capital Group California advises are high net worth individuals and small business owners.

Advisory clients are hereby advised:

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

#### **Insurance:**

Baer & Bunger Financial & Insurance Services, LLC (B&B) has been established to receive traditional life and disability insurance commissions. Legacy Capital Group California owns 98% of the LLC and Richard E. Baer and Brent C. Bunger each own 1% of the LLC.

459 Monterey Avenue, LLC owns an office building and Legacy Capital Group California and REACT occupy the first floor and half of the second floor. The remainder of the second floor is sub-leased. 459 Monterey Avenue, LLC will receive rental income for the leased property. Richard Baer (47.5%) and Brent Bunger (47.5%) and Andy Baugh (5%) own 459 Monterey Avenue, LLC.

REACT does not, but Richard E. Baer, Brent C. Bunger and Sean O. Buxton along with other employees maintain resident insurance licenses. The corporate insurance license is in the name of Baer & Bunger Financial & Insurance Services, LLC. They sell insurance products to clients. An inherent conflict of interest exists as they may receive insurance commissions in addition to advisory fees. Clients will be under no obligation to purchase insurance through Richard E. Baer, Brent C. Bunger and Sean O. Buxton nor the insurance companies they represent. The other employees maintaining insurance licenses are: Kim Lawson, Amy Cono, Yining “Anita” Jiang, Kyle Petersen, Martin Shteynman, Justin Bunger and Julian Scoglio.

### **Item 11 – Code of Ethics**

REACT has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at REACT must acknowledge the terms of the Code of Ethics annually, or as amended.

REACT anticipates that in appropriate circumstances consistent with clients’ investment objectives, it will cause accounts over which REACT has management authority to effect, and will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which REACT, its affiliates and/or clients, directly or indirectly, have a position of interest. REACT’s employees and persons associated with REACT are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of REACT and its affiliates can trade for their own accounts in securities which are recommended to and/or purchased for REACT’s clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of REACT will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of REACT’s clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between REACT and its clients.

REACT's clients or prospective clients can request a copy of the firm's Code of Ethics by contacting REACT at (408) 339-6330.

It is REACT's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. REACT will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction can also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

## Item 12 – Brokerage Practices

REACT recommends broker-dealers but does not require the client to use a specific one but the third party money manager may require the use of a specific broker. Not all advisers require their clients to direct brokerage. REACT does **not**. By directing brokerage, a firm may be unable to achieve most favorable execution of client transactions, and this practice could cost clients more money.

REACT has a relationship with Fidelity Brokerage Services LLC (Fidelity). Fidelity clears through National Financial Services LLC.

REACT has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") through which Fidelity provides REACT with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional platform services that assist REACT in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help REACT manage and further develop its advisory practice. Such services include, but are not limited to, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom REACT can contact directly. No additional fees are charged to client accounts for these services and clients still receive an "execution only" price for their transactions.

REACT is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

### **Item 13 - Review of Accounts**

Richard E. Baer, Principal, Brent C. Bunker, Principal, Andy Baugh, Chief Investment Officer, and Sean Buxton, Sr. Wealth Advisor will be responsible for reviewing client accounts. Annual reviews will be made available to all clients should they choose to have a review done either in person or via the phone or web. Letters will be mailed or sent via electronic mail to clients at the end of each year reminding them of this service. At the request of the investor, or at any significant change in the amount of assets available for investment, the overall allocation and financial plan will be reviewed and discussed.

Clients with managed accounts will receive confirmations and monthly or quarterly statements from the Broker- Dealer or Investment Company with which their accounts are held. In addition, clients will receive quarterly and annual statements from either the Investment, Money Manager, RIA or custodian.

Clients who have insurance contracts will receive statements directly from the carrier. Clients who have contracted for fixed fee financial planning services will receive a financial plan.

Additional reports will be prepared at the request of clients as well, clients have access to a secure portal where they can view their account and run reports.

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

#### **Additional Compensation:**

REACT and its associates could enter into arrangements with non-clients that could result in fees paid to the advisor. For instance, the advisor could recommend a non-security, such as a First Trust Deed, to an investor, for which the advisor could receive a portion of the fees. The advisor receives finder's fees or other solicitation fees for referring clients to third party investment advisers and hedge funds. Likewise, third parties pay finder's fees and other solicitation fees to REACT for its referrals of individuals to their services or programs including but not limited to non-clients, investment advisors, accountants, qualified individuals, and/or law firms.

#### **Referral Fees:**

Our firm pays referral fees (non-commission based) to independent solicitors for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. Such referral fee represents a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to the referred client. In this regard, our firm maintains Solicitors Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940

and applicable state and federal laws. All clients referred by Solicitors to our firm will be given full written disclosure describing the terms and fee arrangements between our firm and Solicitor(s). In cases where state law requires licensure of solicitors, our firm ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If our firm is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

## **Item 15 – Custody**

### **Deduction of Advisory Fees:**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. REACT urges the recipient to carefully review such statements and compare such official custodial records to the account statements that REACT provides to you, if applicable. REACT's statements could vary from custodial statements due to differences in accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Third Party Money Movement:**

On February 21, 2017, the SEC issued a no-action letter ("Letter") with respect to Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of authorization ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards in conjunction with our custodian:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16 – Investment Discretion**

Legacy Capital Group of California (Legacy) presents the client with the Third Party Money Manager and/or investment recommendation then relays the allocation percentages to REACT to implement the allocation utilizing third party money managers. The client will give discretionary authority to REACT, the Money Manager or Investment in a separate agreement, typically the custodian's application (custodian example: Fidelity) to facilitate back office implementation of investment allocations.

When selecting investment recommendations, REACT relies solely on Legacy, to ensure the end-investor's goals and objectives, plan documents, limitations and restrictions are taken into consideration. REACT does not provide any investment advice directly to the Legacy end-investor, even though REACT does manage the operational aspects of the end-investor's account(s). All end-investor advice is provided by Legacy.

Any Investment guidelines and restrictions must be provided to REACT in writing.

## **Item 17 – Voting Client Securities**

As a matter of firm policy and practice, REACT does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios OR that task is given to the Third Party Money Manager or Investment client's assets are invested with in a separate agreement.

## **Item 18 – Financial Information**

Neither REACT, nor its management, have any adverse financial situations that would reasonably impair the ability of REACT to meet all obligations to its Clients. Neither REACT, nor any of its Advisory Persons, has been subject to a bankruptcy or financial compromise. REACT is not required to deliver a balance sheet along with this Disclosure Brochure as the Advisor does not collect fees of \$1,200 or more for services to be performed six months or more in advance.