

# RUTHERFORD INVESTMENT MANAGEMENT, LLC

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March 1, 2011

This Brochure provides information about the qualifications and business practices of Rutherford Investment Management, LLC. If you have any questions about the contents of this Brochure, you may contact us at (503) 452-1210, or email [wrutherford@rutherfordinvestment.com](mailto:wrutherford@rutherfordinvestment.com) to obtain answers and additional information. Rutherford Investment Management, LLC is a registered investment advisor in the State of Oregon. Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC), the State of Oregon or by any other state securities authority.

Additional information about Rutherford Investment Management, LLC is available on the SEC's website at [www.Adviserinfo.sec.gov](http://www.Adviserinfo.sec.gov).

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to Clients as required by SEC Rules. This Brochure dated March 1, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide Clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting William Rutherford at (503) 452-1210, or by email to [wrutherford@rutherfordinvestment.com](mailto:wrutherford@rutherfordinvestment.com). Our Brochure is also available free of charge on our website [www.rutherfordinvestment.com](http://www.rutherfordinvestment.com).

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#### Item 4 – Advisory Business

- A** Rutherford Investment Management, LLC, (“Rutherford” “firm” “we”) is an Oregon limited liability company registered as an investment advisory firm with the State of Oregon. Its principal place of business is located in Portland, Oregon. William D. Rutherford is the Owner, and President and Managing Director of the firm which he founded in 1999. Mr. Rutherford and James M. (Jim) Ulatowski, are the Investment Advisor Representatives to the Firm.
- B** We offer a wide range of investment advisory services to our Clients. Advice and services are tailored to the stated objectives of each Client. We provide ongoing discretionary investment advisory services to our clients. Pursuant to an investment advisory agreement entered into with each Client, we take care of the following:
- Buy and sell securities in your account without obtaining your consent before each transaction;
  - Arrange for delivery and payment in connection with such transactions;
  - Select and retain sub-advisers; and
  - Act on your behalf in all matters necessary or incidental to the handling of your account.
- C** Prior to implementing an investment program, and periodically thereafter, we meet with each client to discuss and document their investment goals and objectives. All of our investment decisions are made in accordance with investment guidelines which fits a client’s investment needs.
- D** We do not participate in any wrap-fee programs.
- E** We manage \$29,803,916.00 of Client assets on a discretionary basis and no client assets on a non-discretionary basis. These amounts were calculated as of December 31, 2010.

## Item 5 – Fees and Compensation

- A** We are a fee-only advisory firm, meaning we are compensated only by our clients and do not receive compensation or commissions from any other parties. We believe this method of compensation minimizes conflicts of interest.

For our investment advisory services, you pay us a quarterly fee in arrears. Your fee is based on the market value of your account on the last trading day of the quarter.

### STANDARD FEE SCHEDULE:

<u>Assets</u>	<u>Annual Fee</u>
\$0 - \$25,000,000	1.25 %
\$25,000,001 - \$50,000,000	1.00 %
over \$50,000,001	0.75 %

Each Client's specific fee schedule is documented in their investment advisory agreement. We may amend this fee schedule upon 30-days prior written notice. Fees may be negotiable in certain limited circumstances.

- B** Payment is due within five days from the date of the invoice. You may choose to give us authority to deduct your fees directly from your account. In such cases, we submit an invoice to your custodian showing the fee and we send you an invoice showing the fee, the value of the assets on which the fee is based and the specific manner in which the fee was calculated. We may liquidate securities in your account if it has insufficient cash to pay your fee.

### **C** MUTUAL FUND FEES

For the portion of your assets invested in mutual funds, you may be required to pay a proportionate share of the mutual funds' fees and charges. Those fees are in addition to the management fees we charge.

### OTHER FEES

You are also responsible for the following fees:

- (a) Brokerage commissions;
- (b) Custodial fees and service charges;
- (c) Stock transfer fees and similar charges incurred in connection with transactions in your account, including postage, copying, and shipping charges in excess of \$50.00 per quarter; and
- (d) Fees and costs for services above and beyond the ordinary course of our advisory services, including irregular valuations, account splitting, and other matters requiring the engagement and use of third-party accountants and tax professionals.

- D** If the advisory contract is terminated before the end of the billing period, the market value will be construed to equal the sum of the values of all assets in the account on the date of termination, not adjusted by any margin debit. Fees for partial quarters at the commencement or termination of this Agreement will be billed or refunded on a pro-rated basis contingent on the number of days the account was open during the quarter.
  
- E** As described above, we are a fee-only investment advisory firm paid on a percentage of Client assets managed. This means that no supervised person associated with us receives or accepts any compensation for the sale of securities or investment products.

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

We do not charge any performance-based fees for our services. Accordingly, this item is not applicable to our firm.

## **Item 7 – Types of Clients**

We provide investment advice to individuals, corporations, pension and profit sharing plans, and trusts, estates or charitable organizations. Because each Client is unique, they must be willing to be involved in the planning and ongoing processes. Such involvement does not have to be time consuming, however we want our Clients to remain informed and have a sense of security about their investments.

A minimum investment account size may apply at our discretion.

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

**A** We offer advice on investments primarily including (but not limited to) the following:

- Equity securities such as:
  - Exchange-listed securities
  - Securities traded over-the-counter
  - Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Investment company securities:
  - Mutual fund shares
- United States government securities
- Interests in partnerships investing in:
  - Real estate
  - Oil and gas interests
- Other types of investments:
  - Mutual Funds that invest in international equity securities and international fixed income securities

We primarily research and analyze securities using traditional fundamental analysis as well as technical analysis. The primary investment strategies used to implement investment advice given to Clients include long-term (securities held at least one year) and short-term (securities sold within a year) purchases, as well as trading (securities sold within 30 days). In certain limited situations to fit the needs of a Client, we utilize margin transactions.

The main sources of information we rely upon when researching and analyzing securities include traditional research materials such as financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses, filings with the Securities and Exchange Commission; and company press releases.

Clients assume all market risk involved in the investment of account assets under the Investment Advisory Agreement and understands that investment decisions made for this account are subject to various market, currency, economic, political and business risks.

We will use our best judgment and good faith efforts in rendering services to our Clients. However, we cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment decision or recommendation made by us will be profitable. Losses can and will occur. Clients are reminded that past performance is not an indication of future success, and that the risks of investing include the following:

Market Risk: The value of the holdings in your portfolio may decline over a short, or even an extended period of time, resulting in a decrease in the value of your investment; and

Management Risk: Your investment advisor (Rutherford Investment Management, LLC) may be incorrect in its judgment of the value of particular investments. The investments may not perform as anticipated. There is no assurance that your objectives will be achieved.

Other Risk factors may include but are not limited to, catastrophic events such as war, terrorism, natural calamity, market, credit risk, and management risk.

Except as may otherwise be provided by law, we are not liable to Clients for:

- any loss that Client may suffer by reason of any investment decision made or other action taken or omitted in good faith by us with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use;
- any loss arising from our adherence to Client's instructions; or
- any act or failure to act by a custodian of Client's account. However, nothing in this Agreement shall relieve us from any responsibility or liability we may have under state or federal statutes.

It is the responsibility of each Client to give us complete information and to notify us of any changes in financial circumstances or goals.

- C** Our advisory services generally recommend stocks, bonds and mutual funds for investment purposes.

## **Item 9 – Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. We have no information to disclose applicable to this Item.

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

Evergreen Capital Management Inc. subleases office space from Rutherford Investment Management. Russ McAlmond, President and Chief Investment Officer of Evergreen Capital Management, is authorized, and has agreed, to perform the role of stand-by manager for clients of Rutherford Investment Management in the case of incapacity. Evergreen Capital Management Inc. and Russ McAlmond have no ownership or management interest in our firm or operations.

## **Item 11 – Standard of Care Owed to Clients, Participation or Interest in Client Transaction & Personal Trading**

### **A**     STANDARD OF CARE OWED TO OUR CLIENTS

We subscribe to an ethical and high standard of conduct in all our business conduct in order to fulfill the fiduciary duty we owe to our Clients. Included in these ethical obligations is the duty to put our Client’s interests ahead of our own along with duties of loyalty, fairness, and good faith towards our clients.

### **B-D**    PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Rutherford or individuals associated with our firm may buy and sell some of the same securities for our own account that we buy and sell for our Clients. In all instances, where appropriate we will purchase a security for all of its existing accounts for which the investment is appropriate before purchasing any of the securities for our own account and, likewise, when it determines that securities should be sold, where appropriate will cause these securities to be sold from all of our advisory accounts prior to permitting the selling of the securities from our accounts. In some cases we may buy or sell securities for our own account for reasons not related to the strategies adopted by our Clients.

When we are newly engaged by an investment advisory Client for whom we expect to recommend securities in which our investment advisor representatives or principals hold a position, we will notify the new Client of any policies in respect to principals trading for their own account.

## Item 12 – Brokerage Practices

**A** Although Clients may direct us to use a broker-dealer of their choosing, we generally recommend that clients open brokerage accounts with Charles Schwab & Co., Inc. In recommending broker-dealers, we seek to obtain “best execution,” meaning that we seek to execute securities transactions for clients so that the total costs or proceeds in each transaction are the most favorable under the circumstances. The factors we consider when evaluating for best execution include:

- Execution capability;
- Commission rate;
- Financial responsibility;
- Responsiveness;
- Custodian capabilities;
- The value of any research services/brokerage services provided; and
- Any other factors that we consider relevant.

However, if the Client selects the broker-dealer of their own choosing, we may be unable to seek best execution of your transactions, and your commission costs may be different than those of our recommended broker-dealers. In addition, we may place your transactions after we place transactions for clients using our recommended broker-dealers.

Charles Schwab & Co. also provides us with the following products/services:

- *SchwabLink*, a product that allows us to communicate electronically with Schwab. For example, it allows us to download account information place and allocate trades, and submit advisory fees to Schwab.
- Research, which we may use to service all accounts, including accounts that do not execute trades with Schwab.
- While do not pay a fee for these products/services, all Client accounts may not be the direct or exclusive beneficiary of such products/services.

**B** We may buy or sell for ourselves the same securities that we buy or sell for clients. This practice is restricted by the following controls:

- We are required to uphold our fiduciary duty to our clients;
- We are prohibited from misusing information about our clients’ securities holdings or transactions to gain any undue advantage for ourselves or others;

- We are prohibited from buying or selling any security that we are currently recommending for client accounts, unless we participate in an aggregated trade with clients, or unless we place our orders after client orders have been executed; and
- We are required to periodically report our securities holdings and transactions to our Chief Compliance Officer, who must review those reports for improper trades.

### Item 13 – Review of Accounts

- A** All accounts are reviewed by William Rutherford. Mr. Rutherford generally reviews accounts on a daily basis to monitor the performance of individual securities and the overall performance of the account. On an annual basis, Mr. Rutherford reviews with each client the asset allocation strategy for each account for the following year.
- B** More frequent reviews may be triggered by a change in Client’s investment guidelines; tax considerations; large deposits or withdrawals; large security sales or purchases; loss of confidence in corporate management objectives; or, changes in the macro-economic climate.
- C** Clients receive monthly statements reflecting the securities holdings and month-end value of each account. On a quarterly basis, clients receive a report regarding the overall performance of the accounts managed by the Adviser, including Mr. Rutherford’s current analysis of economic and market conditions

## Item 14 – Client Referrals and Other Compensation

- A** As referenced in Item 12 above, Charles Schwab & Co. provides us with *SchwabLink*, a product that allows us to communicate electronically with Schwab that allows us to download account information place and allocate trades, and submit advisory fees to Schwab. Schwab also provides research, which we may use to service all accounts, including accounts that do not execute trades with Schwab.
  
- B** We compensate third-party (non-employee) solicitors for client referrals.

## **Item 15 – Custody**

We do not have custody of the assets in any client accounts. Accordingly, we have no liability to Clients for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. Clients understand that SIPC provides only limited protection for the loss of property held by a broker-dealer.

## Item 16 – Investment Discretion

INVESTMENT DISCRETION – Our investment advisory agreement gives us discretionary authority to make investment decisions for your account, without obtaining your specific consent before each decision, with the following limitations:

- ❖ We must make investment decisions in accordance with investment objectives documented in our investment advisory agreement, or with any other written directions or preferences you provide to us.
- ❖ We may aggregate client orders, so long as it is done for purposes of achieving best execution, and so long as no client is systematically advantaged or disadvantaged. Before aggregating client orders, we document the participating accounts and the allocation instructions. We submit allocation instructions to the broker-dealer before the market closes on the day of the order. We allocate aggregated orders to client accounts at the average price obtained. We allocate partially filled orders pro rata based on the size of the order placed by each account. If we judge that we cannot or should not allocate a partially filled order pro rata (e.g., if the quantity of securities obtained is too small or would not have a material impact if distributed among each account), then we apply the following procedures:
  - We allocate the order to client accounts only (i.e., no employees that participated in the order may receive any allocation); and
  - We document our allocation decision.

TRADE ERRORS – We have adopted the following policies and procedures to address the potential of trade errors:

- We will promptly correct all trade errors;
- We will bear any costs of correcting trade errors;
- We will allow clients to keep any gains resulting from trade errors;
- We will promptly notify a client if a trade error results in reimbursement to the client;
- We will not use a client’s account to correct a trade error unless the trade was originally intended for that client’s account;
- We will not use soft dollars to correct trade errors; and
- We will document trade errors.

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

We are not authorized to receive and vote proxies on securities held in the Client accounts.

## **Item 18 – Financial Information**

- A** We do not require prepayment of fees.
- B** We do have discretionary authority over certain Client’s funds or securities, however, we have no financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our Clients.
- C** We have not been the subject of any bankruptcy proceedings.

## Item 19 – Requirements for State-Registered Advisers

**A WILLIAM D. RUTHERFORD**, President/Owner and Investment Advisor Representative  
Year of Birth: 1939

### EDUCATION

University of Oregon – Bachelor of Science – 1961

Harvard Law School – LLB – 1964

### BUSINESS BACKGROUND

1997 to Present: Engaged in the business of providing investment advisory services through Rutherford Investment Management, LLC

12/97 to 2/98: Served as Chief Executive Officer of Fiberboard Asbestos Compensation Trust

9/95 to 2/96 Principal of Macadam Capital Partners, an investment banking firm

2/94 to 6/95: Served as Director of Special Projects with Metallgesellschaft Corp.

1/91 to 12/93: President of Societe Generale Touche Remnant, a U.S. subsidiary of a French bank engaged in investment management in New York City

7/87 to 12/90: CEO and President of ABDI, Inc., a U.S. subsidiary of a European bank consortium engaged in investment management in New York City

4/84 to 6/87 Treasurer, State of Oregon

1986 to 1987 Chairman of the Oregon Investment Council

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**JAMES M. ULATOWSKI**, Investment Advisor Representative  
Year of Birth: 1966

### EDUCATION

Portland State University – Bachelor of Science – 1991

Portland State University – Master of Business Administration – 1999

### BUSINESS BACKGROUND

5/98 to Present: Investment Advisor Representative, Rutherford Investment Management, LLC.

**B** Mr. Rutherford spends about 12 hours per year on each of the following community roles:

- ❖ Trustee for the Nature Conservancy of Oregon; and
- ❖ Investment Board Member for the Oregon Community Foundation

**C** We do not receive performance-based fees.

**D** As a result of the market collapse of 2001, two oral surgeons, with cooperating counsel, filed claims against our firm alleging mismanagement and unsuitable recommendations in the handling of their accounts. As disclosed in our ADV Part I, in 2005 a private arbitration panel awarded one of the oral surgeons \$105,000 in compensation and \$94,950 in attorney's fees. While we did not agree with the panel's decision, in order to resolve the matter and buy peace the award was paid. We welcome any inquiries from current or prospective Clients regarding this matter.

Also as disclosed in our ADV Part I, in 2006 a private arbitration panel awarded the other oral surgeon \$288,131 in compensation, \$161,500 in attorney's fees and \$6,573 in costs. While we did not agree with the panel's decision, in order to resolve the matter and buy peace the award was paid. We also welcome any inquiries from current or prospective Clients regarding this matter.

Despite the monumental market collapse of 2001, no other clients filed any claims and we have not been subject to any other arbitration claims or any other proceedings (civil, self-regulatory organization or administrative).

**E** We have not relationship or arrangements with any securities issuers.