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**ADV Part 2A, Firm Brochure**  
**Dated: September 4, 2018**

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This brochure provides information about the qualifications and business practices of Karn, Couzens & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at 860-676-2727 or [bob@karncouzens.com](mailto:bob@karncouzens.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.

Additional information about Karn, Couzens & Associates, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Karn, Couzens & Associates, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

Karn, Couzens & Associates' Chief Compliance Officer, Robert A. Karn, can address any questions that an existing or prospective client may have regarding this Brochure.

## **Item 2            Material Changes**

There have been material changes made to Karn, Couzens & Associates, Inc.'s ("KC&A") Part 2A Brochure since its prior Annual Amendment filing on September 27, 2017.

Item 4 has been updated with the following enhancements:

- Clarifications in regard to the types of advisory services provided by KC&A Advisory Representatives have been added. The "Advisory Representative as Manager Program" and the "VISION 2020 Wealth Management Platform – Advisor Managed Portfolios" are now described as two distinct programs offered by Advisory Representatives. Additional, non-material clarifications have been made to this section.
- Information related to services offered to Retirement Plans has been added. KC&A may provide "Retirement Plan Consulting" to plan fiduciaries and/or plan participants. This offering is a new element of this Disclosure Brochure.
- Additional information has been provided here in regard the "Third-Party Money Management" offerings that may be recommended and monitored by Advisory Representatives.

Item 5 has been updated with information concerning fees and charges related to the program changes made to Item 4 above. Corresponding information has been included in Item 5. Additional information has been included regarding ticket charges where ticket charges may apply. Enhanced descriptions are provided regarding the billing process and situations where clients may be billed in advance or arrears, and the nature of the account balance used for calculation purposed (quarter end, average daily balance, or where partial deposits or withdrawals occur).

Items 5, 12 and 14 have been updated to include enhanced disclosures related to the potential conflicts of interest that may arise with the selection of clearing and introducing broker dealers utilized by Karn, Couzens & Associates, Inc., brokerage practices and the recommendation of mutual funds.

Item 10 was updated to include a detailed description of the relationship among Karn, Couzens & Associates, Inc. Royal Alliance, Lightyear Capital, and Vision 2020.

Item 15 has been amended to disclose custody information in accordance with the use of standing letters of authorization.

KC&A's Chief Compliance Officer, Robert Karn, can address any questions regarding this Part 2A, including the disclosure additions and enhancements below.

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#### **Item 4            Advisory Business**

- A.** Karn, Couzens & Associates, Inc. (“KC&A”) is a corporation formed in Connecticut on December 22, 1987. KC&A was previously registered as an Investment Adviser with the Connecticut Department of Banking and has been registered with the United States Securities and Exchange Commission as an Investment Adviser since January 9, 2004. KC&A is principally owned by Jeffrey P. Couzens, Vice President; and Robert A. Karn, President and Chief Compliance Officer.
  
- B.** As discussed below, KC&A offers investment advisory and financial planning and consulting services to its clients (individuals, high net worth individuals, business entities, pension and profit-sharing plans, charitable organizations, etc.). Investment advisory services are provided on a discretionary basis.

#### **INVESTMENT MANAGEMENT SERVICES**

The client can engage KC&A to provide discretionary investment management services on a *fee-only* basis as described below. Before KC&A provides investment management services, an investment adviser representative (“Advisory Representative”) ascertains each client’s investment objectives, time horizon, financial situation, and risk tolerance (the “Client Profile”). Thereafter, KC&A allocates investment assets consistent with the Client Profile. KC&A primarily allocates client investment assets on a discretionary basis among mutual funds, exchange-traded funds (“ETFs”), individual securities, and unaffiliated asset allocation programs on a wrap or non-wrap fee basis (as described in Item 4.D below). Once allocated, KC&A provides ongoing monitoring and review of account performance and asset allocation for consistency with the Client Profile.

KC&A also offers proprietary asset allocation portfolios for clients. Each model portfolio is designed to meet specific client goals, including income, growth and income, growth and aggressive growth. Advisory Representatives work closely with clients profile to determine which model portfolio best suits their needs.

KC&A may also render investment advisory services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) self-directed individual employer-sponsored retirement plans. In so doing, KC&A either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. In such cases, client assets shall be maintained either at the specific insurance company that issued the variable life/annuity product which is owned by the client; or at the custodian designated by the sponsor of the client’s retirement plan.

KC&A's annual investment advisory fee shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of KC&A), KC&A may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

#### **Advisory Representative as Manager Program**

***THIS PROGRAM IS NO LONGER OFFERED AS OF JULY 2015. KC&A PROVIDES ONGOING INVESTMENT ADVISORY SERVICES TO EXISTING ACCOUNTS.***

The Advisory Representative as Manager Program is an asset allocation program offered by KC&A in which the Advisory Representative develops a portfolio of investments to meet each client’s needs.

Your Advisory Representative works with you to determine your Client Profile in addition to your instructions for reasonable investment or other account restrictions to construct a portfolio of investments designed to meet your individual needs. Your Advisory Representative has the option to allocate your portfolio amongst a mix of stocks, bonds, options, ETFs, mutual funds and other securities. Assets in the

Advisory Representative as Manager Program are custodied at Pershing, LLC (“*Pershing*”) and *Pershing* provides execution, clearing and custodial services for Program Investments.

Advisory Representatives conduct analysis and ongoing monitoring of your account, to ensure your portfolio remains consistent with your Client Profile. This includes periodic rebalancing and reassessment of investments held in your account. Rebalancing may involve the purchase or sale of securities, which may result in additional fees or charges, please refer to Item 5 below.

The Advisory Representative manages your account on a discretionary basis, which means the Advisory Representative purchases and sells securities without your prior approval. At all times the Advisory Representative does not have the ability to withdraw from your account or move assets to another custodian without your approval. For all programs noted herein (other than Retirement Plan Consulting services), discretion is limited to security selection, time of transaction, and amount.

Clients should be aware that in addition to the annual asset-based fee, transaction charges apply. Please refer to Item 5 for additional information.

### **VISION2020 Wealth Management Platform – Advisor Managed Portfolios**

The Wealth Management Platform – Advisor Managed Portfolios Program (the “Portfolios Program”)\* provides investment management of client assets through the process of asset allocation.

Your Advisory Representative will work with you to determine your Client Profile in addition to your instructions for reasonable investment or other account restrictions to construct a portfolio of investments designed to meet your individual needs. The Portfolios Program provides risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, and portfolio optimization and re-balancing tools to assist your Advisory Representative in the ongoing monitoring and management of your investment portfolio.

Your Advisory Representative has the option to allocate your portfolio amongst a mix of stocks, bonds, options, ETFs, mutual funds and other securities (“Program Investments”). Assets in the Portfolios Program are custodied at *Pershing* and *Pershing* provides execution, clearing and custodial services for Program Investments. This program is sponsored by Vision 2020 Wealth Management Corp. (“Vision 2020”), an SEC-Registered Investment Adviser. The Portfolios Program is offered as wrap fee or non-wrap fee program. KC&A only offers the non-wrap fee option; therefore the client pays transaction charges as described in Item 5 below.

KC&A offers the Portfolios Program on a discretionary basis, which means that the Advisory Representative can effect securities transactions without obtaining your prior consent regarding selection, timing, or size of transactions. Discretion does not apply to withdrawal or transfer of funds or assets in your account.

**\*For further Portfolios Program details, please see the Advisor Managed Portfolios Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in the Portfolios Program. Please read it thoroughly before investing.**

**Variable Annuity Management:** As part of the programs noted above, KC&A may provide advice related to the sub accounts of variable annuities. KC&A allocates client investment assets on a discretionary basis among the investment sub accounts of variable annuity products previously purchased by the client. Once allocated, KC&A provides ongoing monitoring and review of sub account performance and manages the sub accounts consistent with the Client Profile. KC&A includes the variable product assets as part of “assets under management” for the purposes of calculating its annual advisory fee (see Fee Table in section 5. Transaction charges generally do not apply purchases, redemptions, or other changes in sub accounts).

## **VISION2020 Wealth Management Platform – Genesis Model Portfolios Program**

The Wealth Management Platform – Genesis Model Portfolios Program (the “Models Program”) is a wrap-fee program that offers clients managed asset allocation models of mutual funds and ETFs diversified across various investment styles and strategies. This program is sponsored by Vision 2020. Assets in the Models Program are custodied at *Pershing* and *Pershing* provides execution, clearing and custodial services for Program assets. The client does not pay transaction charges for the Model Portfolios Program.

The Asset Allocation Models are constructed by third-party managers (“Program Managers”).\* Your Advisory Representative will work with you to determine your Client Profile and instructions for reasonable account investment or other restrictions to determine the appropriate Asset Allocation Model that meets your needs.. After the Asset Allocation Model is chosen, your Advisory Representative, with the assistance of the Model Program sponsor, opens a Model Program account. Your assets will be invested in the specific investments contained within the recommended Asset Allocation Model.

The Models Program is a discretionary management program, which means that the Program Managers can effect securities transactions without obtaining your prior consent regarding selection, timing, or size of transactions. Discretion does not apply to withdrawal or transfer of funds or assets in your account.

**\*For further Model Program details, including a full list of Program Managers, please see the Model Program Wrap Fee Program Brochure. We provide this brochure to you prior to or concurrent with your enrollment in the Model Program. Please read it thoroughly before investing.**

## **Retirement Plan Consulting**

KC&A offers non-discretionary retirement consulting services to employee benefit plans and their fiduciaries. The services are designed to assist the plan sponsor (the “Company”) in meeting its management and fiduciary obligations to the plan under the Employee Retirement Income Security Act of 1974 (“ERISA”). Retirement consulting services will consist of general or specific advice, and may include any one or a combination of the following:

1. Platform Provider Search and Plan Set-up
2. Plan Review
3. Plan Fee and Cost Review
4. Acting as Third-Party Service Provider Liaison
5. Assessment of Plan Investments and Investment Options
6. Plan Participant Education and Communication
7. Plan Benchmarking
8. Plan Conversion to New Vendor Platform
9. Assistance in Plan Merger

The services to be performed and related fees are determined with the Company in advance. Prior to engaging KC&A to provide pension consulting services, the Company shall enter into a Retirement Plan Services Agreement with KC&A setting forth the terms and conditions of the engagement, the scope of the services to be provided, and the relevant fees and fee-paying arrangements. The services outlined above that we provide are explained in more detail in the written agreement. KC&A shall provide additional disclosures about its services and fees, where required by ERISA. Refer to Item 5 for additional information regarding fees and charges.

When KC&A performs the agreed upon services, it will not be required to verify the accuracy or consistency of any information received from the Company.

For Retirement Plan Consulting services, KC&A serves in a non-discretionary ERISA fiduciary capacity with respect to some but not all of the services provided, which will be further explained in the Retirement

Plan Services Agreement between KC&A and the Company. The Company is always free to seek independent advice about the appropriateness of any recommendations made by KC&A.

- **Additional Retirement Plan Related Services**

**Trustee Directed Plans.** KC&A may be engaged to provide discretionary investment advisory services to ERISA Plans, whereby KC&A shall manage Plan assets consistent with the investment objectives designated by the Plan trustees. In such engagements, KC&A will serve as an investment fiduciary as that term is defined under ERISA. KC&A will generally provide services on an “assets under management” fee basis per the terms and conditions of a Retirement Plan Services Agreement between the Plan and KC&A.

**Participant Directed Retirement Plans.** KC&A may also provide discretionary investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a Retirement Plan Services Agreement between KC&A and the Plan. For such engagements, KC&A shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by KC&A), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision-making process.

**Client Retirement Plan Assets.** If requested to do so, KC&A may provide investment advisory services relative to an individual client’s 401(k) plan assets pursuant to an Investment Advisory Agreement. In such event, KC&A shall allocate (or recommend that the client allocate) the retirement account assets among the investment options available on the 401(k) platform. KC&A’s ability shall be limited to the allocation of the assets among the investment alternatives available through the plan. KC&A will not receive any communications from the plan sponsor or custodian, and it shall remain the client’s exclusive obligation to notify KC&A of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account.

### **Third-Party Money Management**

KC&A also offers access to third-party money managers (“Independent Managers”); therefore, you should review this disclosure brochure in addition to the disclosure brochure published by the Independent Manager (available from your Advisory Representative). In addition, Clients will be required to enter into an agreement with KC&A and the Independent Manager.

Your Advisory Representative will work with you to determine your Client Profile to determine if a third-party Independent Manager is right for you. In such situations, KC&A may act in the following capacities:

- 1) KC&A will recommend an Independent Manager and the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. KC&A shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and your Client Profile. In addition, your Advisory Representative shall be your main point of contact for discussions related to your Client Profile, the Independent Manager’s performance, any reasonable restrictions you would like to impose, transaction activity, and account performance; or
- 2) KC&A will recommend that Clients allocate Assets among the various mutual fund asset allocation models, underlying mutual funds, and/or independent investment manager programs offered through the Independent Manager. This may include asset allocation models, underlying individual mutual funds, or investment management programs that are not otherwise available to the general public. KC&A will have discretion to invest Client Assets in the various investments and programs offered by the Independent Manager. While KC&A does not have the ability to remove client assets from the custodian utilized by the Independent Manager, it does retain the ability through its discretionary

authority to move assets among investments and programs offered by the Independent Manager or terminate the Client's involvement in certain advisory programs offered by the Independent Manager.

KC&A shall perform pre-qualification, ongoing performance monitoring and ongoing due diligence of the Independent Managers. Factors which KC&A shall consider in recommending Independent Manager(s) include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. Assets will not be moved from the qualified custodian, or from one Independent Manager to another without the Client's prior written consent.

Fees charged by the Independent Managers are exclusive of, and in addition to, KC&A's investment management fee. In addition to KC&A's investment management fee, the client, relative to all mutual fund purchases, shall also incur charges imposed at the mutual fund level (e.g., management fees and other fund expenses).

Client Assets shall be custodied with the qualified custodian utilized by the Independent Manager. The custodian may be affiliated with the Independent Manager. Clients should refer to the Independent Manager's disclosure brochure for further information regarding the qualified custodian used by the Independent Manager.

**Please Note:** Unless otherwise indicated, the investment management fee charged by the Independent Manager(s) is separate from, and in addition to, KC&A's advisory fee as set forth in the Fee Table at Item 5 below. All fees will be disclosed to the client before entering into the Independent Manager engagement. A portion of the fee(s) may be subject to the terms and conditions of a separate agreement between the client and the Independent Manager(s). **KC&A's Chief Compliance Officer, Robert Karn, can address any questions that a client or prospective client may have regarding the above.**

#### **Financial Planning and Consulting Services (Stand-Alone)**

To the extent requested by a client, KC&A may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate, tax, or insurance planning, etc.) on a stand-alone separate fee basis. Before engaging KC&A to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with KC&A setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client before KC&A commences services (see Item 5 below for Financial Planning fee rates). If requested by the client, KC&A may recommend the services of other professionals for implementation purposes, including KC&A's representatives in their individual capacities as registered representatives of Royal Alliance, an SEC registered and FINRA member firm ("Royal") and/or licensed insurance agents. (See disclosures at Item 10.C.). **Please Note:** The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from KC&A. In addition, If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

Further, although KC&A's principal, Robert A. Karn, is licensed to practice law, he does not provide legal services to any of KC&A's clients, and no corresponding attorney- client relationship can be established between the client and Mr. Karn.

**Please Note - Conflict of Interest:** The recommendation by KC&A representatives that a client purchase a securities or insurance commission product from firm representatives in their individual capacities as representatives of Royal and/or as insurance agents, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend securities or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from KC&A representatives. Clients are reminded



that they may purchase securities and insurance products recommended by KC&A through other, non-affiliated broker-dealers and/or insurance agencies. **KC&A's Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above conflict of interest.**

## MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, KC&A may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. KC&A does not serve as an attorney or accountant, and no portion of its services should be construed as legal or accounting services. Accordingly, KC&A does not prepare estate planning documents or tax returns. To the extent requested by a client, KC&A may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.), including representatives of KC&A in their separate individual capacities as representatives of Royal, a FINRA member broker-dealer, or as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from KC&A and/or its representatives. **Please Note:** If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note-Conflict of Interest:** The recommendation by KC&A's representative that a client purchase a securities or insurance commission product through KC&A's representative in their separate and individual capacity as a registered representative of Royal and/or as an insurance agent, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products through such a representative. Clients are reminded that they may purchase securities and insurance products recommended by KC&A through other, non-affiliated broker-dealers and/or insurance agencies. **KC&A's Chief Compliance Officer, Robert Karn, can address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Retirement Rollovers-Potential for Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding the assets held in an existing retirement plan (and may engage in a combination of these options): (i) leave the assets in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over the assets to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If KC&A recommends that a client roll over their retirement plan assets into an account to be managed by KC&A, such a recommendation creates a conflict of interest. KC&A will earn an advisory fee on the rolled over assets, which may be an increase over current fees or other compensation associated with the retirement plan assets. No client is under any obligation to roll over retirement plan assets to an account managed by KC&A. **KC&A's Chief Compliance Officer, Robert A. Karn, can to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

**ERISA / IRC Fiduciary Acknowledgment.** If the client is: (i) a participant or beneficiary of a retirement plan ("Plan") subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code, with authority to direct the investment of assets in his or her Plan account or to take a distribution; (ii) the beneficial owner of an Individual Retirement Account ("IRA") acting on behalf of the IRA; or (iii) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Internal Revenue Code: then KC&A represents that it and its Advisory Representatives are fiduciaries under ERISA or the Internal Revenue Code, or both, with respect to any investment advice provided by KC&A or its Advisory Representatives or with respect to any investment recommendations regarding an ERISA Plan or participant or beneficiary account.

**Broker-Dealers/Custodians.** As discussed below at Item 12, KC&A shall generally recommend that Pershing and/or Royal serve as the broker-dealer/custodian for client investment management assets. Broker-dealers, such as Pershing and Royal, charge brokerage commissions and/or transaction fees for effecting securities transactions. In addition to KC&A's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Advisory Representatives are also Registered Representatives of Royal. For Individual Retirement Accounts held with Pershing, SunAmerica Trust Company may be used as the custodian of assets.

Other qualified custodians and broker-dealers may be involved with Independent Manager programs. Clients should refer to the disclosure brochure for the Independent Manager and the Investment Advisory Agreement.

**Use of Mutual and Exchange Traded Funds.** Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by KC&A independent of engaging KC&A as an investment advisor. However, if a prospective client determines to do so, he/she will not receive the KC&A's initial and ongoing investment advisory services. Please Note: In addition to KC&A's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Client Obligations.** In performing its services, KC&A shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. **Please note: each client is advised that it remains his/her/its responsibility to promptly notify KC&A if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising KC&A's previous recommendations and/or services.**

**Portfolio Activity.** KC&A has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, KC&A will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, and/or a change in the Client Profile. Based upon these factors, there may be extended periods of time when KC&A determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by KC&A will be profitable or equal any specific performance level(s).

**Disclosure Statement.** A copy of KC&A's written Brochure as set forth on Part 2A shall be provided to each client prior to, or contemporaneously with, the execution of an Investment Advisory Financial Planning and/or Retirement Plan Services Agreement.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by KC&A) will be profitable or equal any specific performance level(s). Past performance is not indicative of future results.

**Reporting Services.** KC&A, in conjunction with the data aggregation services provided by eMoney Advisor, LLC (a third-party service provider unaffiliated with KC&A) may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by KC&A (the "Excluded Assets"). **The client and/or his/her/its other advisors that maintain trading authority, and not KC&A, shall be exclusively responsible for the investment performance of the Excluded Assets.** KC&A's service relative to the Excluded Assets is limited to reporting and non-discretionary consulting services only, which does not include investment implementation. KC&A does not have trading authority for the Excluded Assets. As such, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the

other investment professional), and not KC&A, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. KC&A shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that KC&A provide discretionary investment advisory services (whereby KC&A would have trading authority) with respect to the Excluded Assets, the client may engage KC&A to do so pursuant to the terms and conditions of the Investment Advisory Agreement between KC&A and the client.

- C. KC&A shall provide investment advisory services specific to needs of each client. Before providing investment advisory services, an Advisory Representative ascertains the Client Profile for each client and develops an asset allocation that is consistent with the individual needs of the client. Thereafter, KC&A continuously monitors the asset allocation and makes recommendations consistent with the Client Profile. The client may, at any time, impose reasonable restrictions on the securities or types of securities used in the asset allocation. Clients shall notify KC&A **in writing** if they would like to impose such restrictions.
- D. KC&A does not sponsor a wrap fee program for its investment advisory services (a program in which the sponsor arranges for the client to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee). However, KC&A is a participating investment adviser in certain unaffiliated wrap and managed account fee programs. The wrap fee programs for which KC&A manages investment advisory accounts on a discretionary basis are sponsored by SEI Investments Company (“SEI”), AssetMark, Inc. (“AssetMark”), Vision 2020, and Royal. SEI, AssetMark, Vision 2020, and Royal are individually referred to as a “Sponsoring Firm” and collectively referred to as the “Sponsoring Firms.” With respect to the mutual fund asset allocation programs offered on a wrap fee basis in which KC&A is a participating investment adviser, clients pay their fees directly to the Sponsoring Firms who, in turn, remit a portion of those fees to KC&A. The advisory fees remitted to KC&A are based upon an annual percentage of assets under management in accordance with the fee schedule provided in Item 5.A below and are calculated by the Sponsoring Firms either on a quarterly or monthly basis and may be billed in advance or arrears as described in the Investment Advisory Agreement and Item 5.A below. Since the custodian/broker-dealer is determined by the Sponsoring Firm, KC&A will be unable to negotiate commissions or other transaction related costs, and/or seek better execution. As a result, wrap program clients may experience commissions, spreads on security prices, net securities prices, or other transaction costs that are different (higher or lower) than similar services purchased separately through alternative custodian/broker-dealer arrangements. Higher transaction or other costs adversely impact account performance.

**Wrap/Asset Allocation Programs:** In the event that KC&A is engaged to provide investment advisory services as part of an asset allocation/wrap-fee program, KC&A will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the Sponsoring Firm arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody, and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. If KC&A is engaged to provide investment advisory services as part of an asset allocation program, KC&A will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the Sponsoring Firm will determine the firm through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts. **KC&A’s Chief Compliance Officer, Robert Karn, can address any questions that a client or prospective client may have regarding the above.**

- E. As of June 30, 2018, KC&A had \$ 415,181,153 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

### **A. INVESTMENT MANAGEMENT SERVICES**

KC&A’s annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under KC&A’s management (up to a maximum of 1.00%). The fee is assessed and deducted

from client accounts quarterly and may be charged in advance or in arrears. It may be based on the average daily balance or the balance as of the end of the billing quarter depending on the program selected. The fee is charged on a tiered basis, as noted in the following “Fee Table” (refer to the Investment Advisory Agreement for more specific details):

Market Value of Portfolio		Annual Fee %
First	\$1,000,000	1.00%
From	\$1,000,001 to \$2,000,000	0.50%
Above	\$2,000,000	0.25%

**For example:** A client with \$1.5 million of assets under management will pay 1.00% on the initial \$1 million and 0.50% on the next \$500,000.

**Fee Dispersion.** KC&A generally imposes a \$250,000 minimum aggregate portfolio value for its investment advisory services. KC&A’s investment advisory fee is negotiable at the firm’s discretion, depending upon objective and subjective factors including, but not limited to: the amount of assets to be managed; overall client assets; portfolio composition; the scope and complexity of the engagement; personal financial circumstances; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with KC&A and/or its representatives; and negotiations with the client. KC&A, in its sole discretion, may also charge a lesser investment advisory fee and/or reduce or waive its aggregate account minimum requirement based upon these factors. **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. Also, certain clients may have fees different than those specifically set forth.

## 1. ADVISORY REPRESENTATIVE AS PROGRAM MANAGER

In the Advisory Representative as Manger Program, you are responsible for paying the advisory fee charged by KC&A as noted in the Fee Table. In addition to the advisory fee, you will incur transaction charges. You will pay a quarterly account fee, in arrears, based upon the average daily balance maintained in your account during the previous quarter. Your account fees are negotiable and will be debited from your account by the custodian. If you terminate your participation in this program, you will be entitled to a pro rata refund of any quarterly fees based upon the number of days you were in the program up to the termination date. Each of our Advisory Representatives negotiates their own account fee schedule. Mutual funds and exchange traded funds invested in the account have their own internal fees which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus).

Transaction charges include the following (subject to change, please request a current list of fees and charges from your Advisory Representative):

Advisory Representative as Program Manger Trading Fees		
Equity / ETF	\$0.00 to \$191.25 + 0.0675% of Principal	Per Transaction
Load Funds @ NAV	\$0.00 to \$32.50	Per Transaction
No Load Funds	\$0.00 to \$32.50	Per Transaction
Mutual Fund PIP / SWP	\$0.00	Per Transaction
Mutual Fund Exchange	\$0.00	Per Transaction
Fixed Income	\$0.00 to \$50.00	Per Transaction
UIT	\$0.00 to \$50.00	Per Transaction
Options	\$0.00 to \$45.00 + \$3.00/contract	Per Transaction
Confirmation Fee	\$4.00	Per Transaction

(ETF=Exchange Traded Fund, NAV=Net Asset Value, PIP=Periodic Investment Program, SWP=Systematic Withdrawal Program, UIT=Unit Investment Trust. Please ask your Advisory Representative about any terms that you may not understand)

## 2. VISION2020 WEALTH MANAGEMENT PLATFORM – ADVISOR MANAGED PORTFOLIOS PROGRAM

We offer Advisor Managed Portfolios with separate advisory fees and transaction charges (“Non-Wrap Account”). As such, in addition to the quarterly account fee described in the Fee Table for advisory services, separate per-trade transaction charges apply. You will pay a quarterly account fee, in arrears, based upon the average daily balance maintained in your account during the previous quarter. Your account fees are negotiable and will be debited from your account by the custodian. If you terminate your participation in this program, you will be entitled to a pro rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after the date upon which the notice of termination is received. Each of our Advisory Representatives negotiates their own account fee schedule. Mutual funds and exchange traded funds invested in the account have their own internal fees which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus).

Transaction charges include the following (subject to change, please request a current list of fees and charges from your Advisory Representative):

Advisor Managed Portfolios Program		
Equity / ETF	\$0.00 to \$9.00	Per Transaction
Load Funds @ NAV	\$0.00 to \$9.00	Per Transaction
No Load Funds	\$0.00 to \$9.00	Per Transaction
Mutual Fund PIP / SWP	\$0.00	Per Transaction
Mutual Fund Exchange	\$0.00	Per Transaction
Fixed Income	\$0.00 to \$9.00	Per Transaction
UIT	\$0.00 to \$9.00	Per Transaction
Options	\$0.00 to \$9.00	Per Transaction
Confirmation Fee	\$0.00	Per Transaction

(ETF=Exchange Traded Fund, NAV=Net Asset Value, PIP=Periodic Investment Program, SWP=Systematic Withdrawal Program, UIT=Unit Investment Trust. Please ask your Advisory Representative about any terms that you may not understand) **For complete fee details, including account fee schedule guidelines and a list of transaction charges, please see the VISION2020 Advisor Managed Portfolios Wrap Fee Program Brochure.**

## 3. VISION2020 WEALTH MANAGEMENT PLATFORM – GENESIS MODEL PORTFOLIOS PROGRAM

We offer the Model Program as an account with advisory fees and transaction charges combined in a single wrap fee. You will pay a quarterly account fee, in advance, based upon the market value of the assets held in your account as of the last business day of the preceding calendar quarter. Your account fees are negotiable and will be debited from your account by the custodian. If you terminate your participation in this program, you will be entitled to a pro rata refund of any prepaid quarterly fees based upon the number of days remaining in the quarter after the date upon which the notice of termination is received. Each of our Advisory Representatives negotiates their own account fee schedule. Mutual funds and exchange traded funds invested in the account have their own internal fees which are separate and distinct from the program account fees (for more information on these fees, see the applicable fund prospectus).

**For complete fee details, including account fee schedule guidelines, please see the VISION2020 Model Program Wrap Fee Brochure.**

#### **4. RETIREMENT PLAN CONSULTING**

Fees for Retirement Plan Consulting follow the same fee schedule as other programs (noted in the Fee Table above). The fees may be paid by the plan's record keeper directly from plan assets or individual participant accounts and are paid on a periodic basis, general quarterly. Like other programs, these fees are negotiable depending on size of plan, number of participants, and/or services offered. If the plan terminates its participation in this program, the plan will be entitled to a pro rata refund of any quarterly fees based upon the number of days remaining in the quarter after the date upon which the notice of termination is received. Mutual funds and exchange traded funds invested in the account have their own internal fees which are separate and distinct from the program account fees (for more information on additional fees imposed by mutual fund issuers, see the applicable fund prospectus). In addition, the record keeper responsible for administration of the plan may have additional fees or charges as noted in the agreement between the plan and the record keeper.

Fees may be paid in advance or arrears depending on the record keeper chosen by the plan and may be based on the average daily balance of plan assets, the total balance as of quarter end, or some other method. The exact method of calculation will be noted in the plan's Investment Advisory or Retirement Plan Services Agreement with KC&A.

Plan Sponsors receiving consulting services from KC&A may pay more or less than a client might otherwise pay if purchasing the services separately or through another service provider.

Plan Sponsors should refer to the fee disclosures provided by the record keeper for additional fees and charges that may be imposed by the record keeper for transaction and other activity.

#### **5. THIRD-PARTY MONEY MANAGEMENT**

KC&A charges an investment advisory fee for the services it provides under the Third-Party Money Management Program. The range of this fee is noted in the Fee Table. KC&A does not impose or receive any additional compensation for transaction activity, however clients should review the disclosure brochure provided by the third-party manager for additional information on fees and charges imposed by the third-party.

The fee charged by KC&A is in addition to the advisory fee charged by the third-party and in total, the combined advisory fees may exceed the amounts in the Fee Table.

#### **6. FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

If requested by the client, KC&A may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. KC&A's financial planning and consulting fees are negotiable, depending upon the professional rendering services in addition to the scope, and complexity of the services rendered. KC&A's financial planning and consulting fees generally range from \$3,000 to \$10,000 on a fixed-fee basis, or \$500 per hour on an hourly rate basis. Where the client has engaged KC&A to provide other investment advisory services, KC&A, in its sole discretion, may discount its financial planning fees.

- B.** Clients may elect to have KC&A's advisory fees deducted from their custodial account. Both KC&A's Investment Advisory or Retirement Plan Services Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of KC&A's investment advisory fee and to directly remit that management fee to KC&A in compliance with regulatory procedures. In the limited event that KC&A bills the client directly, payment is due upon receipt of KC&A's invoice. KC&A will generally deduct fees and/or bill clients quarterly in arrears, based upon the average daily balance of the assets in the clients' account during the applicable billing quarter. Other methods that may apply include billing in advance for certain programs or third-party money managers, and/or billing based on quarter end value of

assets. The method of billing for client accounts will be specifically described in the Investment Advisory Agreement.

- C. As discussed below, (except with respect to assets held with an Independent Manager), or unless the client directs otherwise, or an individual client's circumstances require, KC&A will generally recommend that Royal and/or Pershing serve as the broker-dealer/custodian for client investment assets. Broker-dealers charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to KC&A's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

In most instances, Royal and/or Pershing will collect, as paying agent for KC&A, the investment advisory fees to be paid to KC&A by the account custodian. Royal and/or Pershing will retain a portion of KC&A's fee as compensation for their administrative and supervisory functions. The portion of KC&A's fee retained by Royal and/or Pershing comes directly from KC&A's compensation, and therefore, will not increase execution or brokerage charges to the client or the fee the client has agreed to pay KC&A pursuant to the Agreement. A portion of the fee retained by Royal may be reallocated to other registered representatives of Royal who, as registered representatives of that broker-dealer, are responsible for the supervision of other representatives.

Please Note: Participants in a Sponsoring Firm's unaffiliated wrap program will not incur brokerage commissions and/or transaction fees in addition to their advisory fees. Clients should refer to the Disclosure Brochure for additional details related to fees and charges imposed by the Sponsoring Firm.

KC&A, in its sole discretion, may charge a lesser investment advisory fee and/or reduce or waive its aggregate account minimum requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). Please Note: As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

Additional account charges may apply, which may include but not be limited to the following fees:

- IRA account annual custodial fees
- Wire fees
- Check writing fees
- Account termination fees
- Account transfer fees
- Overnight delivery fees

Please refer to the corresponding Royal and/or Pershing account agreement information for further details.

- D. The Investment Advisory Agreement between KC&A and the client will continue in effect until terminated by either party by written notice in accordance with the terms of such Agreement. Upon termination, KC&A will debit the earned, but not yet billed, portion of its quarterly advisory fees that are billed in arrears (based upon the number of days services were provided during the billing quarter).

Any fees paid in advance will be refunded to the client on a pro-rata basis from the date of the termination of the Investment Advisory Agreement. If additions to, or withdrawals from, a client account in excess of \$10,000 in the Genesis Model Portfolios Program are made during any given quarter, the advisory fee will be adjusted on a pro-rata basis to the account from which the charge was debited. Adjustments are calculated as follows:

- Prior fees paid in advance for the remaining calendar days in the quarter, as of the date of the addition or withdrawal, will be refunded (“Prior Fees Paid”).
- Fees will be recalculated for the remaining number of calendar days as of the date of the addition or withdrawal (“Recalculated Fees”). Recalculated Fees are determined by pro-rating the applicable rate in the annual account fee schedule for the number of calendar days remaining in the quarter.
- The applicable rate for the Recalculated Fees will be determined based on the market value of the assets as of the date of the addition or withdrawal. This may result in a different rate for Recalculated Fees versus Prior Fees Paid for the same period.
- The net difference of the Recalculated Fees and the Prior Fees Paid may result in a credit or debit to the account.

With respect to financial planning and consulting services, KC&A generally requires one-half of the financial planning/consulting fee (estimated hourly or fixed) payable upon execution of the Financial Planning and Consulting Agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates the Financial Planning and Consulting Agreement, the balance of KC&A’s unearned fees (if any) shall be refunded to the client.

**E. Securities Commission Transactions.** In the event that the client desires, the client can engage certain of KC&A’s representatives, in their individual capacities as registered representatives of Royal, an SEC-registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Royal, Royal will charge brokerage commissions to effect securities transactions, a portion of which commissions Royal shall pay to KC&A’s representatives, as applicable. Prior to effecting any transactions, the client will be required to enter into a new account agreement with Royal. The brokerage commissions charged by Royal may be higher or lower than those charged by other broker-dealers. In addition, Royal, relative to commission mutual fund purchases, may also receive additional ongoing trailing commission compensation or other revenue sharing directly from the mutual fund company during the period that the client maintains the mutual fund investment.

**Conflict of Interest:** The recommendation that a client purchase a commission product from Royal presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client’s need. No client is under any obligation to purchase any commission products from KC&A’s representatives. **KC&A’s Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Please note:** Clients may purchase investment products recommended by KC&A through other, non-affiliated broker dealers or agents and should be aware that KC&A is limited to service offerings and investment vehicles that are approved by Royal. As such KC&A may be prohibited from offering products or services that may be available through other broker-dealers and custodians, some of which may be more suitable for a client’s portfolio than the products or services offered through Royal. Clients have the option of purchasing many of the products and services KC&A makes available through other firms. However, when purchasing these products and services away from KC&A, client will not receive the benefit of the advice and other services provided by KC&A. KC&A does not participate in broker-dealer related activity with FINRA members (i.e. other broker-dealers or custodians) other than Royal and Pershing.

KC&A does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products KC&A recommends to its clients.

When KC&A’s representatives sell an investment product on a commission basis, KC&A does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory *fee* basis, KC&A’s representatives do not also receive commission compensation for such advisory services or for transactions completed at Royal in advisory accounts. **However**, a client may engage



KC&A to provide investment advisory services on an advisory *fee* basis and separate from such advisory services purchase an investment product from KC&A's representatives on a separate commission basis.

Clients should be aware of various charges and fees associated with mutual fund transactions. This includes charges and fees that may be incurred by the client or the Advisory Representative.

Mutual funds charge various internal fees for managing the fund and pass along these costs to investors in several ways. Clients should refer to each fund's prospectus for details of the charges they may incur within each fund. KC&A attempts to select mutual funds with low internal costs when possible. However, the lowest cost fund may not be selected in all cases. Clients should be aware that mutual funds with higher internal costs may be selected if the Advisory Representative believes that factors such as fund performance, fund manager tenure, Morningstar or other ratings, or other due diligence factors are favorable enough to offset the costs. KC&A does not receive any additional compensation from any mutual funds, such as 12b-1 fees. Any receipt of 12b-1 fees will be credited to the client's account. Royal and Pershing may have arrangements with mutual fund companies to share in revenue or other compensation arrangements. Clients should know that KC&A is not part of those compensation arrangements and therefore does not receive additional compensation from those arrangements.

Clients may also pay for transactions in mutual funds. These charges range from \$0 to \$32.50 per transaction, typically only on the buy side (Refer to Item 5 above). Mutual fund redemptions generally do not have an associated transaction charge. These charges are paid to Royal and Pershing for processing purposes and Advisory Representatives do not receive any part of these charges. Advisory Representatives select the mutual funds that they believe are the best fit for the client based on various due diligence factors regardless of ticket charges. If several mutual funds meet the client's needs, the Advisory Representative will select the fund with the lowest ticket charge.

Clients should also be aware that Royal imposes a surcharge on Advisory Representatives for certain mutual funds that do not reimburse custodians (such as Pershing) for sub-transfer agent services provided. **Since the surcharge is imposed on the Advisory Representative and not the client, it creates a conflict of interest for the Advisory Representative.** Transactions using funds that do not have a surcharge are favorable to the Advisory Representative. However, Advisory Representatives seek to recommend mutual funds that meet the client's specific need's regardless of the surcharge. Clients should speak with their Advisory Representative if they have any concerns about surcharges.

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

Neither KC&A nor any supervised person of KC&A accepts performance-based fees.

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

KC&A's clients generally include individuals, high net worth individuals, pension and profit-sharing plans, business entities, and charitable organizations. KC&A generally imposes a \$250,000 minimum aggregate portfolio value for its investment advisory services. KC&A, in its sole discretion, may charge a lesser investment advisory fee and/or reduce or waive its aggregate account minimum requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. KC&A may utilize the following methods of security analysis:

- Charting - analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices;
- Fundamental - analysis performed on historical and present data, with the goal of making financial

- forecasts; and
- Technical – analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices.

KC&A may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases - securities held at least a year; and
- Short Term Purchases - securities sold within a year.

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by KC&A) will be profitable or equal any specific performance level(s).

- B.** KC&A’s methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis KC&A must have access to current/new market information. KC&A has no control over the dissemination rate of market information; therefore, unbeknownst to KC&A, certain analyses may be compiled with outdated market information, severely limiting the value of KC&A’s analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.
- C.** KC&A’s primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

Currently, KC&A primarily allocates client investment assets on a discretionary basis among mutual funds, ETFs, individual securities, and unaffiliated mutual fund asset allocation programs on a wrap-fee basis (as described in Item 4.D above) in accordance with the client’s designated investment objective(s).

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

KC&A has not been the subject of any disciplinary actions.

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

**Registered Representatives of Royal.** As disclosed above in Item 5.E., certain representatives of KC&A are also registered representatives of Royal in their respective separate and individual capacities.

Neither KC&A, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

- A. Broker Dealer.** As disclosed above in Item 5.E. certain of KC&A’s representatives are registered representatives of Royal. Clients may therefore engage those representatives, in their separate individual capacities, to effect securities brokerage transactions on a commission basis.

**Licensed Insurance Agents.** Certain of KC&A’s representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can therefore engage certain of KC&A’s representatives to effect insurance transactions on a commission basis.

**Please Note - Conflict of Interest:** The recommendation by KC&A representatives that a client purchase a securities or insurance commission product from firm representatives in their individual capacities as representatives of Royal and/or as insurance agents, presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend securities or insurance products based on commissions to be received, rather than on a particular client’s need. No client is under any obligation to purchase any securities or insurance commission products from KC&A representatives. Clients are reminded that they may purchase securities and insurance products recommended by KC&A through other, non-affiliated broker-dealers and/or insurance agencies. **KC&A’s Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Licensed Attorney.** Although not material to KC&A’s advisory business, Robert A. Karn is a licensed non-practicing attorney and a member of the Bar of the State of Connecticut. Mr. Karn does not provide any legal services to KC&A clients.

**KC&A, Lightyear Capital LLC, Vision 2020, and Royal.** KC&A offers investment advisory account programs that are sponsored by Vision 2020. Vision 2020 is a subsidiary of Advisor Group, Inc., a wholly-owned subsidiary of Advisor Group Holdings, Inc., which is owned by a consortium of investors that includes Lightyear Fund III, L.P. (an investment fund affiliated with Lightyear Capital, LLC., “Lightyear”) and PSPIB Lunar Investments, Inc. (a wholly-owned vehicle of the Public Sector Pension Investment Board). Royal, Vision 2020, and Lightyear are affiliated companies. KC&A representatives are registered with Royal to conduct securities business (broker-dealer registration required by the FINRA) and registered with KC&A as investment advisory representatives (investment advisor representative registration required by each state). In addition, Royal is the broker-dealer for accounts opened by KC&A. Royal also provides KC&A with tools and resources to assist KC&A and its Advisory Representatives in the ongoing management of client accounts.

- B. KC&A does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients other than the compensation paid via the Third-Party Management Program noted in Items 4 and 5. KC&A does not receive cash payments for client solicitations from investment advisors.

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

- A. KC&A maintains an investment policy relative to personal securities transactions. This investment policy is part of KC&A’s overall Code of Ethics, which serves to establish a standard of business conduct for all of KC&A’s representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request. In accordance with Section 204A of the Investment Advisers Act of 1940, KC&A also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by KC&A or any person associated with KC&A.
- B. Neither KC&A nor any related person of KC&A recommends, buys, or sells for client accounts, securities in which KC&A or any related person of KC&A has a material financial interest.
- C. KC&A and/or Advisory Representatives of KC&A may buy or sell securities that are also recommended to clients. This practice may create a situation where KC&A and/or representatives of KC&A are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market

price which follows the recommendation) could take place if KC&A did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of KC&A’s clients) and other potentially abusive practices.

KC&A has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of KC&A’s “Access Persons.” KC&A’s securities transaction policy requires that Access Person of KC&A must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with written reports detailing quarterly transactions as well as an annual holdings report, provided, however that at any time that KC&A has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. KC&A and/or representatives of KC&A may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where KC&A and/or representatives of KC&A are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, KC&A has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of KC&A’s Access Persons. KC&A also has procedures in place to ensure that its representatives do not receive a better price than KC&A clients.

## **Item 12            Brokerage Practices**

- A. In the event that the client requests that KC&A recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct KC&A to use a specific broker-dealer/custodian), KC&A generally recommends that investment advisory accounts be maintained at Royal and/or Pershing. Prior to engaging KC&A to provide investment advisory services, the client will be required to enter into a formal Investment Advisory Agreement with KC&A setting forth the terms and conditions under which KC&A shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Further, as discussed above, certain of KC&A’s representatives, in their respective individual capacities, are registered representatives of Royal. These representatives are subject to FINRA Rule 3280, which restricts registered representatives from conducting securities transactions away from their broker-dealer unless Royal provides written consent. Therefore, clients are advised that certain associated persons may be restricted to conducting securities transactions through Royal unless they first secure written consent from Royal to execute securities transactions through a different broker-dealer. Absent such written consent or separation from Royal, these representatives are prohibited from executing securities transactions through any broker-dealer other than Royal under Royal’s internal supervisory policies. KC&A is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

Factors that KC&A considers in recommending Royal and/or Pershing (or any other broker-dealer/custodian to clients) include historical relationship with KC&A, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by KC&A’s clients shall comply with KC&A’s duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where KC&A determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer services, including the value of research provided, execution capability, commission rates, execution speed, and responsiveness. Accordingly, although KC&A will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, KC&A’s investment advisory fee. KC&A’s best

execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close. However, KC&A will seek to obtain the lowest cost share class available at the time that is consistent with client needs.

### **1. Non soft-dollar Research And Additional Benefits**

KC&A does not receive soft-dollar benefits in connection with client securities transactions. However, other benefits are received by KC&A for requiring that clients custody their accounts with Royal. Those benefits and related conflicts of interest are described here.

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker- dealer/custodian, KC&A may receive from Royal and/or Pershing (or another broker-dealer/custodian, investment platform, mutual fund sponsor, annuity fund sponsor, and/or unaffiliated investment manager), without cost (and/or at a discount) support services and/or products, certain of which assist KC&A to better monitor and service client accounts maintained at such institutions.

Included within the support services that may be obtained by KC&A may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel expenses and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by KC&A in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist KC&A in managing and administering client accounts. **Others do not directly provide such assistance, but rather solely assist KC&A to manage and further develop its business enterprise and do not provide direct benefit to clients.**

KC&A's clients do not pay more for investment transactions effected and/or assets maintained at Royal, Pershing, or any other entity as a result of this arrangement. There is no corresponding commitment made by KC&A to Royal and/or Pershing or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**KC&A's Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

**Forgivable Loans-Conflict of Interest.** As discussed above, certain of KC&A's representatives are registered representatives of Royal. From time-to-time Royal provides retention incentives to Advisory Representatives who are affiliated with Royal in the form of forgivable and repayable loans ("Forgivable Loans"). These Forgivable Loans represent a significant economic benefit to Advisory Representatives who receive them. In 2016, KC&A principals, Robert Karn and Jeffrey P. Couzens and Advisory Representative, James Couzens each received a Forgivable Loan from Royal. The terms of the Royal Forgivable Loans require that each individual remains affiliated with Royal for a period of three (3) years, terminating as of December 31, 2019, before the loans are forgiven. The Forgivable Loans are not contingent upon the Firm or its representatives achieving any predetermined production levels.

Proceeds from the loans are meant to provide KC&A and its Advisory Representatives with working capital to maintain and grow their practice (e.g. technology and marketing expenses), pay for office space and related expenses, and/or satisfy outstanding debt.

KC&A is sensitive to any perceived conflict of interest and takes steps to ensure that the loans do not affect its decisions for clients. KC&A recommends the use of Royal clearing and custodial arrangements based on

the benefits that such services provide to clients, rather than the economic benefit obtained from the Forgivable Loans. Clearing and custodial arrangements with Royal, any of Royal's affiliates as described herein do not and will not in any way affect, relate, or pertain to, the Royal Forgivable Loans. KC&A principals, Robert Karn and Jeffrey P. Couzens and Adviser Representative, James Couzens each participate in this program. **KC&A's Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest the arrangements may create.**

**Shareholder of Parent Organization-Conflict of interest.** KC&A principals, Robert Karn and Jeffrey P. Couzens, individually, are shareholders of Lightyear, the parent organization of Royal. Together, Messrs. Karn and Couzens own approximately .00005% of Lightyear. Regardless, given the relationship between Messrs. Karn and Couzens, Lightyear and Royal, this infinitesimal ownership does create the potential for a conflict of interest. **KC&A's Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest the arrangement may create.**

2. KC&A does not receive referrals from broker-dealers.
3. KC&A does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and KC&A will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by KC&A. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs KC&A to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through KC&A.

**Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**KC&A's Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that KC&A provides investment advisory services to its clients, the transactions for each client account generally will be effected independently, unless KC&A decides to purchase or sell the same securities for several clients at approximately the same time. Securities transactions effected independently will likely receive different prices, therefore one client may receive a price that is more or less favorable the other client transactions. KC&A may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among KC&A's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. KC&A shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom KC&A provides investment supervisory and/or investment advisory services, account reviews are conducted on an ongoing basis by KC&A's investment Advisor Representatives and/or

Chief Compliance Officer. All clients are advised that it remains their responsibility to advise KC&A of any changes in their investment objectives and/or financial situation or if they wish to impose reasonable restrictions on investments or other account restrictions. For those clients to whom KC&A provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis as initiated by the client. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with KC&A on at least an annual basis.

- B. KC&A may also conduct account reviews on a non-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. KC&A may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.(1) above, KC&A may receive an indirect economic benefit from Royal and/or Pershing (or another broker-dealer/custodian, investment platform, mutual fund sponsor, annuity fund sponsor, and/or unaffiliated investment manager) including, without cost (and/or at a discount), support services and/or products. In addition, Royal sponsors the “Elite Partner Program.” In this program, selected vendors will be invited to pay additional marketing fees to Royal for its enhanced marketing and distribution efforts. As part of such compensation, such vendors will, at no additional charge, be invited to participate in Royal’s educational seminars included in Royal’s “Source” publication and will also be granted access to lists containing Royal’s registered representatives such as KC&A’s associated persons and marketing information. In addition, ticket charges for purchasing such funds may be reduced or waived. A list of Royal’s Elite Focus Program members is available to clients upon request. However, KC&A receives no additional compensation in this regard

Royal Alliance provides travel, lodging, meals and incidental expenses for certain of its representatives that are on its National Advisory Board or qualify for Royal Court or Royal Council status, the latter of which are based upon production of individual representatives and/or their management groups. This broker/dealer relationship may present a conflict of interest as it may incentivize KC&A representatives to recommend that clients engage Royal Alliance as broker/dealer based on KC&A’s representatives receipt of such benefits. **KC&A’s Chief Compliance Officer, Robert A. Karn, can address any questions pertaining to this issue.**

KC&A’s clients do not pay more for investment transactions effected and/or assets maintained at Royal and/or Pershing as a result of this arrangement. There is no corresponding commitment made by KC&A to Royal and/or Pershing or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement.

In addition, KC&A offers clients various products sponsored by many different mutual fund families and other investment companies (“Investment Companies”), focusing on some of the largest product providers that offer a broad spectrum of investment products. Each Investment Company has access to KC&A’s Advisory Representatives and may meet with KC&A staff and Advisory Representatives periodically to provide training, educational presentations, product information, information on industry trends, and new investment ideas. This may include training for Advisory Representatives and support staff to assist with office operations and processing, which benefits KC&A.

Investment Companies may provide business entertainment during these meetings in the form of meals or events, which provides an economic benefit to KC&A and its Advisory Representatives. This includes reimbursement for travel and lodging when the Investment Company sponsors an event away from KC&A offices. Clients should be aware of the potential conflict of interest this creates. Clients do not pay KC&A

or its Advisory Representatives extra compensation, nor do they pay more to purchase Investment Companies through KC&A other than the fees and charges described within this Brochure. Advisory Representatives are instructed to purchase Investment Companies that are consistent with the Client Profile regardless of any additional economic benefit provided by Investment Companies to the Firm or its Advisory Representatives.

**KC&A's Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

B. Neither KC&A nor any of its related persons compensate any person for client referrals.

#### **Item 15 Custody**

KC&A (Royal on behalf of KC&A) shall have the ability to deduct its advisory fee from the client's Pershing, third-party managed account, and/or plan record keeper platform account on a quarterly basis. In addition, certain clients have established asset transfer authorizations which permit the qualified custodian to rely upon instructions from KC&A to transfer client funds or securities to third parties. These arrangements are also disclosed at ADV Part 1, Item 9, but in accordance with the guidance provided in the SEC's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination. These two situations provide KC&A with limited custody of client assets as defined by the Securities and Exchange Commission. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from Pershing, the third-party money manager, or plan record keeper at least quarterly, which reflect activity in Client accounts. Clients should review this information thoroughly and regularly to ensure that advisory fees are deducted in accordance with your Investment Advisory Agreement with KC&A and standing instructions are followed and valid.

**Please Note:** To the extent that KC&A provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by KC&A with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of KC&A's advisory fee calculation.

**KC&A's Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

#### **Item 16 Investment Discretion**

The client can determine to engage KC&A to provide investment advisory services on a discretionary basis. Prior to KC&A assuming discretionary authority over a client's account, client shall be required to execute an Investment Advisory Agreement, naming KC&A as client's attorney and agent in fact, granting KC&A full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage KC&A on a discretionary basis may, at any time, impose restrictions, **in writing**, on KC&A's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe KC&A's use of margin, etc.).

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

A. KC&A does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted; and (2)



making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact KC&A to discuss any questions they may have with a particular solicitation.

**Item 18            Financial Information**

- A. KC&A does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. KC&A is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. KC&A has not been the subject of a bankruptcy petition.

**KC&A's Chief Compliance Officer, Robert A. Karn, can address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**