



Item 1 – Cover Page

Karn, Couzens & Associates, Inc.

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September 2011

This Brochure provides information about the qualifications and business practices of Karn, Couzens & Associates, Inc. ("KC&A", "us", "we", "our"). If you ("client", "your") have any questions about the contents of this brochure, please contact us at (860) 676-2727. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. Additional information about Karn, Couzens & Associates, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov (click on the link, select "investment adviser firm" and type in our firm name). Results will provide you with both Parts 1 and 2 of our Form ADV.

Item 2 – Material Changes

This is KC&A's "initial" filing of its Form ADV Part 2 or "Disclosure Brochure" dated September, 2011, pursuant to amendments made to rules promulgated under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and the form formerly known as Form ADV Part II. This Disclosure Brochure was developed in response to new requirements adopted and imposed by the SEC under the Investment Advisers Act of 1940 (Advisers Act).

For future filings, this section of the Disclosure Brochure will address only those "material changes" that have been incorporated since our last delivery or posting of this Disclosure Brochure on the SEC's public disclosure website (IAPD) at www.adviserinfo.sec.gov.

We may, at any time, update this Disclosure Brochure and send to you an updated copy including a summary of material changes, or a summary of material changes that includes an offer to send you a copy (either by electronic means (email) or in hard copy form).

If you would like another copy of this Disclosure Brochure, please download it from the SEC website as indicated above or you may contact our Chief Compliance Officer, Robert A. Karn, at (860) 676-2727 or by email at bob@karncouzens.com.

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Item 4 – Advisory Business

Karn, Couzens & Associates, Inc. (“KC&A”, “us”, “we”, “our”) was organized as a corporation under the laws of the State of Connecticut on December 22, 1987, and is equally owned by Robert A. Karn and Jeffrey P. Couzens. We are registered as an investment adviser with the U. S. Securities and Exchange Commission since January 9, 2004 and have filed our application to notice file as an investment adviser with the Connecticut Department of Banking, in order to provide the investment advisory products and services described within this document. We are also notice filed with the States of Florida, Louisiana, Maine, New York, and Texas. As of June 30, 2011, we have 275 clients with \$179,627,169 of assets under management on a discretionary basis.

We offer financial planning and investment management services to individuals including high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. This Disclosure Brochure provides you with information regarding our qualifications, business practices, and the nature of advisory services that should be considered before becoming our advisory client.

Please contact Robert A. Karn, Chief Compliance Officer, if you have any questions about this Brochure.

Individuals associated with us are appropriately licensed and qualified to provide advisory services on our behalf. Such individuals are known as Investment Adviser Representatives (IARs or Associated Persons). These individuals that render investment advisory services must have earned a college degree and/or have substantive investment-related experience in addition to all the required investment-related licenses and/or designations.

Our IARs are registered representatives of Royal Alliance Associates, Inc. (“Royal”), a licensed full service securities broker/dealer and investment advisor under federal and state securities laws. Royal is a member of the Financial Industry Regulatory Authority (FINRA) and Securities Investor Protection Corporation (SIPC). Securities transactions for Royal's brokerage clients are executed through National Financial Services LLC and Pershing LLC.

Below are descriptions of the investment advisory and financial planning services that we offer. For more detail on any product or service please reference the advisory agreement, or speak with your IAR.

Financial Planning and Investment Management Services

Karn, Couzens & Associates, Inc. may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). We shall discuss our recommendations, which may include topics such as insurance, taxes, retirement needs, investments, estate planning, etc. with you. KC&A may also provide advice about any type of investment held in a client's portfolio at the beginning of the advisory relationship. Our recommendations may be implemented, at your sole discretion, with the professional adviser(s) of your choosing (including your broker, accountant, attorney, etc.).

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 (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. KC&A may recommend the services of itself, its associated persons in their individual capacities as registered representatives of a broker-dealer, and/or other professionals for implementation purposes. Clients are advised that a conflict of interest exists if KC&A recommends its own services. The client is under no obligation to act upon any of the recommendations made by KC&A and/or engage the services of any such recommended professional, including KC&A itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from us. Moreover, 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, or revising our previous recommendations and/or services.

Currently, we intend to primarily allocate our client's investment management assets, on a discretionary and/or a non-discretionary basis among individual debt and equity securities, mutual funds, exchange-traded funds, variable annuities, and/or variable life insurance in accordance with the client's investment objectives.

We may also recommend that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment manager(s) either directly or through a wrap fee program ("Independent Manager(s)"), based upon the stated investment objectives of the client. The terms and conditions under which you shall engage the Independent Manager(s) shall be set forth in separate written agreements between (1) you and us and (2) you and the designated

Independent Manager(s) and/or wrap fee program sponsor. We shall continue to render advisory services to you relative to the ongoing monitoring and review of account performance.

KC&A shall generally recommend that clients utilize the brokerage and clearing services of Royal Alliance Associates (“Royal”) for investment management accounts.

KC&A may only implement its investment management recommendations after the client has arranged for and furnished KC&A with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions shall include, but are not limited to, Royal, any other broker-dealer recommended by KC&A, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “Financial Institution(s)”).

In addition to our written disclosure statement, you shall also receive the written disclosure statement of the designated Independent Manager(s) and wrap fee program sponsor (if applicable).

KC&A also may render non-discretionary investment management services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, we either direct or recommend the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. Your assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by you, or at the custodian designated by the sponsor of your retirement plan.

Investment Management Services under Third Party Advisory Services:

Third Party Management Programs

We may offer you programs through any number of custodians/providers including, but not limited to SEI Investments, Genworth Financial, Clarke Capital and others as appropriate. These comprehensive, personal investment management programs provide you with access to Independent Manager(s) who will provide investment advice to your portfolios consisting of individual debt and equity securities, mutual funds. In the event the client participates in one or more of these programs, KC&A shall provide its investment management services, arrange for the services of other Independent Manager(s) and brokerage transactions under a single annualized fee. Participants may pay a lower or higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the Program’s terms and conditions (including fees) are contained in the program(s) wrap fee brochure(s) (now known as the Form ADV Part 2A Appendix 1). The written disclosure statement shall be

provided to each client pursuant to Rule 204-3 of the Investment Advisers Act of 1940, as amended. You should read it thoroughly prior to investing.

VISION2020 Advisor Program

In addition to the aforementioned investment advisory products and services, we also offer our clients the VISION2020 Advisor Program (the “Program”). The Program provides comprehensive investment management of client assets through the provision of asset allocation planning software as well as execution, clearing and custodial services. With respect to its asset allocation services, the Program utilizes Morningstar to provide clients access to risk tolerance assessment, efficient frontier plotting, fund profiling and performance data, as well as portfolio optimization and re-balancing tools. The Program may be offered by KC&A on a discretionary basis. In a discretionary account, we may purchase or sell load waived, no-load mutual funds and other equity and debt securities for client accounts without obtaining specific client approval for each transaction. The Program is sponsored by Royal.

You are advised to promptly notify us if there are ever any changes in your financial situation or investment objectives, or if you wish to impose any reasonable restrictions upon our management services.

Item 5 – Fees and Compensation

Karn, Couzens & Associates, Inc., depending upon the engagement, offers its services on a fee basis which may include hourly and/or fixed fees as well as fees based upon assets under management. Alternatively, certain of KC&A's associated persons may offer brokerage services under a commission arrangement. Prior to engaging KC&A to provide any of the foregoing investment advisory services, you will be required to enter into one or more written agreements with KC&A setting forth the terms and conditions under which we shall render its services (collectively the "Agreement") including the terms and conditions of the engagement and the scope of the services to be provided and the portion of the fee that is due from the client prior to KC&A commencing services.

Comprehensive Financial Planning and Consulting Services

We will charge a fixed fee and/or hourly fee for these services. KC&A's financial planning and consulting fees are negotiable, but generally range from \$1,000 to \$3,000 on a fixed fee basis and/or \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. 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.

Generally, KC&A requires one-half of the financial planning/consulting fee (estimated hourly or fixed) payable upon entering the written 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 KC&A's financial planning and/or consulting services, the balance of KC&A's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services the client shall be entitled to a full refund.

Investment Management Services

In the event the client determines to engage KC&A to provide investment management services, KC&A shall do so on a fee basis. If engaged, we shall charge an annual fee based upon a percentage of the market value of the assets being managed by us. Our annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. However, KC&A shall not receive any portion of these commissions, fees, and costs. Our annual fee shall be prorated and charged quarterly, in arrears, based upon the market value of

the assets on the last day of the previous quarter. The annual fee shall vary depending upon the market value of the assets under management as follows:

PORTFOLIO VALUE	ANNUAL FEE
up to \$1,000,000	1.00%
1,000,001 to \$2,500,000	0.40%
above \$2,500,000	*

* The fee schedule is customized based on services needed.

KC&A generally imposes a minimum portfolio value for its investment management services. KC&A, in its sole discretion, may waive its stated account minimum or charge a lesser management fee.

VISION2020 Advisor Program

The VISION2020 Advisor Program is offered as a “wrap account” which bundles advisory, administrative, and transaction charges into one asset-based fee. Alternatively, the transaction charges can be unbundled from the advisory and administrative fees. The total Program fee will range to a maximum of 2.50% in the Program. Asset-based fees will also range to a maximum of 2.50% in the unbundled program; however, clients will pay separate transaction charges. The complete schedule of Program fees is set forth in the Program’s brochure which will be provided by KC&A to clients of the Program prior to or concurrent with their engagement in the Program. Clients should read it thoroughly before investing.

Potential Conflicts of Interest:

In the event you desire, you can engage certain persons associated with KC&A (but not KC&A) to render securities brokerage services under a commission arrangement. Under this arrangement, you may implement securities transactions through certain of our associated persons in their respective individual capacities as registered representatives of Royal. Brokerage commissions may be charged by Royal to effect these securities transactions and thereafter, a portion of these commissions may be paid by Royal to such associated persons. Ticket charges may be negotiable in certain circumstances. In addition, certain of KC&A’s associated persons (as applicable), may, from time to time, receive compensation for the recommendation and introduction of

investment products, or 12b-1 distribution fees from investment companies in connection with the placement of clients' funds into certain investment companies. Therefore, the receipt of this compensation may affect KC&A's associated persons' objectivity in recommending products to its clients.

For accounts covered by ERISA (and such others that KC&A, in its sole discretion deems appropriate), we may modify the foregoing commission arrangement to allow for its investment advisory services to be rendered on a fee-offset basis. In this scenario, KC&A may offset its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by our associated persons in their individual capacities as registered representatives of Royal.

In most instances, Royal will collect, as paying agent for KC&A, the investment advisory fees to be paid to KC&A by the account custodian, and Royal, will retain a portion of KC&A's fee as compensation for Royal's administrative and supervisory functions. The portion of KC&A's fee retained by Royal 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 re-allowed to other registered representatives of Royal who, as registered representatives of the broker-dealer, are responsible for the supervision of other representatives and assist the broker-dealer with the functions described above.

Other Fees and Expenses:

Royal enables KC&A to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

Clients may incur certain charges imposed by the Financial Institution(s) and other third parties such as fees charged by Independent Managers, custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The brokerage commissions and/or transaction fees charged by Royal or any other designated broker-dealer are exclusive of and in addition to KC&A's fee except as provided for in any applicable wrap fee program.

The investment management fees charged by the designated Independent Manager(s), together with the fees charged by the wrap fee program sponsor and corresponding designated broker-dealer/custodian of your assets, may be exclusive of, and in addition to, our investment advisory fee set forth above. As discussed above, you may incur additional fees other than those charged by KC&A, the designated Independent

Manager(s), wrap fee program sponsor (if applicable), and corresponding broker-dealer and custodian.

Other Disclosures:

In computing the market value of assets, fund shares will be calculated at their respective net asset values as of the valuation date in accordance with each fund's prospectus. Any such valuation shall not be deemed a guarantee of any kind with respect to the value of those assets. In the event that additions to, or withdrawals from, the account are made during any given quarter, the applicable account fee will be adjusted on a pro-rata basis, based on the market value of the assets at such time to reflect the addition or withdrawal.

You may make additions to and withdrawals from the account at any time, subject to KC&A's right to terminate an account that falls below its minimum portfolio size. Clients may withdraw account assets on notice to KC&A, subject to the usual and customary securities settlement procedures. However, KC&A designs its portfolios as long-term investments and assets withdrawals may impair the achievement of your investment objectives.

Additions may be in cash or securities provided that KC&A reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. Transferred securities shall be liquidated without regard to any transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

For the initial quarter of investment management services, the first quarter's fees shall be calculated on a pro rata basis. Our annual fee shall be prorated through the date of termination of the Agreement, and any remaining balance shall be charged or refunded to you, as appropriate, in a timely manner.

KC&A's Agreement and/or the separate agreement with the Financial Institution(s) may authorize us through the Financial Institution(s) to debit the your account for the amount of KC&A fee and to directly remit that management fee to us in accordance with applicable custody rules. The Financial Institution(s) recommended by KC&A have agreed to send a statement to you, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to us.

Any client who has not received a copy of KC&A's written disclosure statement at least forty-eight (48) hours prior to executing the Agreement shall have five (5) business days subsequent to executing the Agreement to terminate KC&A's services without penalty.

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

We do not charge advisory fees on a share of the capital gains or capital appreciation of the funds or securities in a client account (so-called performance based fees). Our compensation structure is disclosed in detail in Item 5 above.

Item 7 – Types of Clients

We provide financial planning and investment management services to individuals including high net worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

As a condition for starting and maintaining a relationship, KC&A shall generally impose a minimum portfolio size of \$250,000. KC&A, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, account composition, related accounts, and pre-existing clients, account retention, pro bono activities, etc. We shall only accept clients with less than the minimum portfolio size if, in our sole opinion, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. KC&A may aggregate the portfolios of family members to meet the minimum portfolio size.

We do not impose a minimum annual fee. Certain Independent Manager(s) may, however, impose more restrictive account requirements and varying billing practices than KC&A. In such instances, we may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s) or wrap fee program sponsor.

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

Your investment portfolio will be customized to help you accomplish your financial goals and objectives. After developing a thorough understanding of your risk tolerance and short and long-term goals, we will work together to create an investment portfolio designed specifically for you. You have the opportunity to place reasonable restrictions or constraints on the way your account is managed; however, such restrictions may affect the composition and performance of your portfolio. For these reasons, performance of the portfolio may not be identical with our average client.

We maintain a disciplined long term approach to investing. Investment alternatives may include mutual funds, exchange traded funds (ETFs), individual stocks, individual bonds, certificates of deposit (CDs), municipal and government securities including variable life and variable annuities. The selection and use of these investment alternatives may depend on your financial situation. When applicable, we will rebalance your portfolio periodically to control risk, take profits and enhance tax efficiency. We will reduce or eliminate positions due to lack of performance, to reduce concentrations in a security or sector of the market, to achieve certain tax benefits, to capture profits and to tactically re-allocate holdings.

Mutual funds are selected to provide diversification across asset classes and to manage the primary risk factors associated with investing that include inflation, interest rate, currency exchange rate, liquidity, business risk and market volatility.

When selecting these investments, a comprehensive review of the available options in each asset class is undertaken. Both objective and subjective factors are used. Data that is publicly available as well as purchased from trusted sources is analyzed to narrow the list of suitable options. Factors include but are not limited to: the track record of the manager/management team, tenure of the manager/management team, risk and return characteristics of the portfolios, style consistency, valuation multiples, modern portfolio theory (MPT), statistics, and duration and quality for fixed income investments. Cost factors of each fund are also considered.

The final step is to create the overall allocation of each fund into the complete portfolio. This is achieved by analyzing stock overlap, country and region allocation, allocation to the specific style of investment (large, mid and small capitalization), and assessing how the overall portfolio is weighted towards value or growth for the equity portfolio, and duration and yield for the fixed income portfolio.

Once the portfolios have been created, there are ongoing reviews to ensure that the portfolios continue to meet their objectives. If changes are warranted, individual funds will be replaced.

There are inherent risks involved for each investment strategy or method of analysis we use and the particular type of security we recommend. Investing in securities involves risk of loss which you should be prepared to bear.

Item 9 – Disciplinary Information

We do not have any legal, financial or other “disciplinary” item to report. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a Client / Adviser relationship, or to continue a Client /Adviser relationship with us.

Item 10 – Other Financial Industry Activities and Affiliations

Neither KC&A nor any of our management persons are registered (except as stated below), or have an application pending to register as a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

In addition, neither KC&A nor any of our management persons have any arrangement that is material to its advisory business or to our clients with an affiliated person that is a:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker,
- Investment company,
- Other investment adviser or financial planner,
- Futures commission merchant (or commodity pool operator or commodity trading advisor),
- Banking or thrift institution,
- Accountant or accounting firm,
- Insurance company or agency,
- Pension consultant,
- Real estate broker or dealer, or
- Sponsor or syndicator of limited partnerships.

However, associated persons of KC&A are registered representatives of Royal, a registered broker dealer member FINRA & SIPC and investment advisor with various state regulatory agencies. While KC&A does not sell such securities products to its investment advisory clients, KC&A does permit its associated persons, in their individual capacities as registered representatives of Royal, to sell securities products to its investment advisory clients. A conflict of interest exists to the extent that KC&A recommends the purchase of securities where KC&A's associated persons receive commissions or other additional compensation as a result of KC&A's recommendations.

KC&A's associated persons currently devote approximately thirty percent (30%) of their time to commission securities brokerage business.

Robert A. Karn is a registered attorney and a member of the bar in the State of Connecticut. We discern no conflict of interest regarding Mr. Karn being an attorney as he is non-practicing. Additionally, he renders no legal opinions, drafts no legal documents, and performs no acts nor provides any services an attorney would engage in.

Additionally, we are licensed to sell life, accident & health, variable annuities, variable life, credit, and travel. Certain of our associated persons, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that KC&A or its associated persons recommend the purchase of insurance products where KC&A or its associated persons receive insurance commissions or other additional compensation. You are under no obligation to purchase insurance products through them and are free to choose any particular insurance agency or IAR and may effect any such transactions where you desire.

KC&A's associated persons currently devote approximately ten percent (10%) of their time to commission insurance business.

Other than what is described in items 4 and 5 above, we do not recommend or select other investment advisers for our clients or receive compensation directly or indirectly from those advisers.

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

We have adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“Code of Ethics”). The Code of Ethics adopted and implemented by KC&A applies to the activities of KC&A, a Registered Investment Adviser, under the Investment Advisers Act of 1940 (as amended—the Advisers Act). All employees of KC&A are deemed by the Advisers Act to be supervised persons¹ and are therefore subject to this Code of Ethics. In carrying on its daily affairs, KC&A and all of its associated persons shall act in a fair, lawful and ethical manner, in accordance with the rules and regulations imposed by KC&A’s governing regulatory authority.

We have created a Code of Ethics which establishes standards and procedures for the detection and prevention of certain conflicts of interest including activities by which persons having knowledge of the investments and investment intentions of KC&A might take advantage of that knowledge for their own benefit. We have in place Ethics Rules (the “Rules”), which are comprised of the Code of Ethics and Insider Trading policies and procedures. The Rules are designed to ensure that our personnel (i) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; (ii) at all times place the interests of our clients first; (iii) disclose all actual or potential conflicts; (iv) adhere to the highest standards of loyalty, candor and care in all matters relating to its clients; (v) conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and (vi) not use any material non-public information in securities trading. The Rules also establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

In accordance with Section 204A of the Advisers Act, our Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by KC&A or any of its associated persons. The Code of Ethics also requires

¹ Supervised person means any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment adviser, or other person who provides investment advice on behalf of the investment adviser and is subject to the supervision and control of the investment adviser.

that certain of KC&A's personnel (called "Access Persons"²) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings. Current and prospective clients may contact us to request a copy of our Code of Ethics.

Unless specifically permitted in KC&A's Code of Ethics, none of KC&A's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of KC&A's clients.

When KC&A is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when KC&A is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

We do not buy nor sell for itself securities that it also recommends to clients. However, KC&A's are permitted to buy or sell securities that it also recommends to clients consistent with our policies and procedures.

We, or a related person, do not recommend to you, nor buy or sell for your accounts, securities in which we (or a related person) have a material financial interest.

We, or a related person, may invest in the same securities (or related securities, e.g., warrants, options or futures) that we (or a related person) recommend to you. Additionally, we, or a related person, may recommend securities to you, or buy or sell securities for your accounts, at or about the same time that we (or a related person) buy or sell the same securities for our own (or the related person's own) account. Your transactions will always take precedence over our own or any related persons'

² Access person means any of your supervised persons who has access to nonpublic information regarding any clients' purchase or sale of securities, or nonpublic information regarding the portfolio holdings of any reportable fund, or who is involved in making securities recommendations to clients, or who has access to such recommendations that are nonpublic. If providing investment advice is your primary business, all of your directors, officers and partners are presumed to be access persons

transactions. Records will also be maintained of all securities products bought or sold by us, the related persons or related entities. Such records will be available for inspection upon request.

Files of securities transactions affected for our related persons will be maintained for review should there be a conflict of interest. Our principal will review all securities transactions of our related persons to ensure no conflicts exist with client executions. To prevent conflicts of interest, all our employees must comply with our Written Supervisory Procedures, which imposes restrictions on the purchase or sale of securities for their own accounts and the accounts of certain related persons.

A copy of our privacy policy notice and a written disclosure statement that meets the requirements of Rule 204-3 of the Investment Advisers Act of 1940, as amended shall be provided to you prior to or contemporaneously with the execution of the Agreement.

Item 12 – Brokerage Practices

In a fee-based arrangement, the client may implement securities transactions through certain associated persons of KC&A's, in their respective individual capacities as registered representatives of Royal. In return for providing certain administrative and supervisory functions, Royal may receive a portion of KC&A's investment management fee. However, at all times KC&A will be acting as the investment adviser to the client and not Royal.

Factors which KC&A considers in recommending Royal or any other broker-dealer, to clients include their respective financial strength, reputation, execution, pricing, research, and service. However, because of KC&A's relationship with Royal, all securities transactions are processed through Royal consequently KC&A cannot assure best execution of those securities transactions. In seeking best execution, the determinative factor is not always the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the execution capability, commission rates, and responsiveness. Accordingly, although KC&A will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for the client's account transactions. Additionally, this would present a conflict of interest to the extent that associated persons of KC&A could receive commissions for effecting securities transactions through Royal.

While KC&A maintains to achieve that the commissions paid by our clients shall comply with our duty to obtain best execution, a client may pay commissions that are higher than another broker-dealer might charge to effect the same transactions.

If the client requests us to arrange for the execution of securities brokerage transactions for the client's account, we shall direct such transactions through broker-dealers that we reasonably believe will provide best execution. We shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

As discussed above, certain associated persons in their respective individual capacities are registered representatives of Royal. These associated persons are subject to NASD Rule 3040 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 associated persons 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.

In selecting or recommending a broker-dealer, we do not consider, whether we or a related person receive client referrals from a broker-dealer or third party.

We do not receive products, research, or services (i.e., soft dollars) that it would consider a factor in utilizing a particular broker-dealer. However, KC&A may receive from Royal, without cost, computer software and related systems support, which allow KC&A to better monitor client accounts maintained at Royal. KC&A may receive the software and related support without cost because KC&A renders investment management services to clients that, in the aggregate, maintain a certain level of assets at Royal.

Additionally, we do not have directed brokerage arrangements, nor do we aggregate the purchase or sale of securities for various accounts or execute transactions on a principal or agency cross basis.

Item 13 – Review of Accounts

For those clients to whom we provide investment supervisory and/or investment management services, KC&A monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. Additionally, reviews may be conducted due to material changes to lifestyle and/or financial situation, death or disability. For those clients to whom KC&A provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of KC&A’s IARs. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with us and to keep us informed of any changes thereto. KC&A shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom KC&A provides investment advisory services will also receive a written report from us that may include such relevant account and/or market-related information such as an inventory of account holding and account performance as agreed upon with each client.

Those clients to whom we provide financial planning and/or consulting services will receive reports from us summarizing our analysis and conclusions as requested by the client or otherwise agreed to in writing by KC&A.

Item 14 – Client Referrals and Other Compensation

We do not receive an economic benefit from a non-client for providing investment advice or other advisory services to our clients, nor have any arrangement under which we or a related person directly or indirectly compensate any person who is not our supervised person, or receive compensation from another for client referrals.

Refer to Items 5, 10, and 12 above for details of our compensation structure as well as any other compensation our IARs may receive in their capacities as registered representatives of Royal and as licensed insurance agents.

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, we receive no additional compensation in this regard.

Item 15 – Custody

We do not have custody of client funds or securities; however, we will be granted authority, by written consent from you, to deduct the advisory fees directly from your account. The custodian will send to you, at least quarterly, an account statement identifying the amount of funds and each security in the account at the end of period and setting forth all transactions in the account during that period including the amount of advisory fees paid directly to us. You should compare the account statements you receive from the qualified custodian with those you receive from us.

Item 16 – Investment Discretion

In order to manage portfolios effectively, we believe we should have the authority to determine without obtaining specific client consent, the securities to be bought and sold and/or the amount of securities to be bought or sold for your account, and the commission rates to be paid to a broker or dealer for securities transactions.

You have the right to place reasonable restrictions on such authority. Any restrictions must be submitted to us in writing. Execution of the client agreement grants us permission to exercise this authority. In managing investment portfolio, we act in a manner in keeping with what we understand and believe to be in your best interest.

Item 17 – Voting Client Securities (i.e., Proxy Voting)

We do not have, nor will we accept authorization to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients should contact their custodian or a transfer agent with questions about a particular solicitation.

Item 18 – Financial Information

We have no financial condition that is reasonably likely to impair our ability to meet contractual commitments to you given that we do not have custody of client funds or securities, or require or solicit prepayment of fees more than \$1,200 per client and six months or more in advance. In addition, we are not currently, nor at any time in the past ten years, been subject of a bankruptcy petition.

Item 19 – Requirements for State-Registered Advisers

Karn, Couzens & Associates, Inc. is an SEC registered investment adviser; therefore this section is not applicable.