

# DISCLOSURE BROCHURE

COVER PAGE  
THE INVESTMENT ADVISORS ACT OF 1940 RULE 204-3  
FORM ADV PART 2A

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REGISTERED INVESTMENT ADVISOR

OFFERING:  
INVESTMENT MANAGEMENT  
FINANCIAL PLANNING

## ITEM 1

This Disclosure Brochure provides information about the qualifications and business practices of KNOX Capital Advisors, LLC, which should be considered before becoming a client. You are welcome to contact us should you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Knox Capital Group is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.

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BROCHURE  
DATED

1  
JANUARY  
2011



## MATERIAL CHANGES

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ITEM 2

There have been no material changes made to this document since the last revision date indicated on the cover of this Disclosure Brochure.



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## ADVISORY BUSINESS

ITEM 4

### Who We Are

KNOX Capital Advisors, LLC (hereinafter referred to as “the Company”, “we”, “us” and “our”) is a registered investment advisor<sup>1</sup> organized in March of 2004 as a Utah Limited Liability Company to assist you, our client<sup>2</sup>, implement fiscally responsible practices that are uniquely tailored to achieve your financial goals.

#### Owners

The Company is controlled by the following person:

Name	Title	CRD#
Crimson Holdings, LLC	Holding Company	None
Brodie D. Barnes	Managing Member & Chief Compliance Officer	2368626
Stanley M. Kimball	Managing Member	4138612

#### Assets Under Management

As of December 31, 2010, our assets under management totaled:

Client Discretionary Managed Accounts..... \$103,500,000

We do not offer non-discretionary investment management services.

### Our Mission

We are your financial guardian providing economic advice. Our mission is to diligently pursue the highest standards of fiduciary duty and to hold in trust your financial goals and objectives as if they were our own. We will work with you as your advocate, assisting you with navigating the maze of financial alternatives and discerning offers of false promise and those that are inconsistent with your expectations.

### What We Do

We provide investment management services and financial planning solutions that stress fiscal responsibility and shrewd planning that is not always about the accumulation of assets, which we believe has little to do with real happiness, but what is best for your personal health and well-being.

Some of the best advice we could ever offer you is that success, achievement, and contentment in life have little to do with personal wealth but are instead related to lifestyle

<sup>1</sup> The term “registered investment advisor” is not intended to imply that KNOX Capital Advisors, LLC has attained a certain level of skill or training. It is used strictly to reference the fact that we are “Registered” as an “Investment Advisor” with the United States Securities & Exchange Commission - and “Notice Filed” with such other State Regulatory Agencies that may have limited regulatory jurisdiction over our business practices.

<sup>2</sup> A client could be an individual and their family members, a family office, a foundation or endowment, a corporation and/or small business, a trust, a guardianship, an estate, another fiduciary or any other type of entity to which we choose to give investment advice.



choices. These lifestyle choices are your unique values, life goals, and plans. Therefore the economic solutions we develop based on your lifestyle choices, whether investment management or financial planning, reflect how *you* define true wealth not us. Our services include:

- ❖ Advice on how to best navigate the current economic and investment environment.
- ❖ The construction of a financial plan, when necessary, to evaluate the investing and financial options available to you based upon your defined goals.
- ❖ The design of an asset allocation guideline unique to your predefined goals and objectives.
- ❖ Implementation of the investment and risk management strategies necessary to attain your financial goals.
- ❖ Monitoring the investment performance of such management strategies.

## How We Get to Know You

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We get to know you through one-on-one consultations to discuss issues such as your current income and expenses, career, personal goals, investment return expectations and prior investment experience.

With the complexity of today's marketplace, it is critical for us to understand who you are and what you want to accomplish financially. We must have a clear picture of your unique financial composition and risk tolerance so that we can develop a successful investment plan and tailored asset allocation guideline. If you have difficulty expressing your monetary needs or do not truly have a grasp of your overall personal finances, a financial plan may be suggested before proceeding with any investment services.

Our meetings with you to discuss your finances, and, if necessary, develop a financial plan, will help to eliminate much of the guesswork in achieving the security and independence you desire and simplify your financial alternatives. In return, we will have:

- ❖ Defined and narrowed objectives and investment options;
- ❖ Identified areas of greatest distress;
- ❖ Developed a strategy for addressing concerns about the future;
- ❖ Cultivated peace of mind; and,
- ❖ Created a unique picture of your overall economic personality.

Once your financial parameters have been identified, we will prepare either an Investment Policy Statement or a general asset allocation plan that outlines what asset mix is most suitable for your unique investment expectations and risk tolerance. Regardless, the intent in designing such plans will guide us in the management of your account(s), and be a standard against which to measure future results and to make modifications where necessary.

## Services We Offer

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### Portfolio Management

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We manage diversified portfolios of primarily equity ("stock") positions, fixed income ("bond") instruments, investment company ("mutual fund") products, and Exchange Traded Funds ("ETFs"), to achieve the best return on your investment capital relative to your investment parameters. Investment parameters are defined as your personal benchmarks and tolerance to risk.



You will find further description of our management style under Item 8 below, "Methods of Analysis, Investment Strategies & Risk of Loss".

### Portfolio Monitoring

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Third-party money managers ("Portfolio Manager") can be recommended for you to choose whose investment disciplines most closely resemble your investment objectives, time horizon, and risk tolerance. Under this arrangement, we are not involved in the day to day management of your assets maintained with a Portfolio Manager(s), we will supervise your portfolio and will make recommendations to you regarding the Portfolio Manager(s) as market factors and your personal goals dictate.

In addition, we will perform any initial qualifying analysis that may be required by the Portfolio Manager(s) including any professional, administrative and clerical duties prior to opening any accounts and any follow-up thereafter. The Portfolio Manager(s) may have little or no direct contact with you.

### Financial Planning

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Financial planning is one of the most important services that successful people use to create an extraordinary personal life and business career. However it requires a lifetime commitment, not only from us, the Financial Planner, but from you as well.

Our planning process helps to identify and/or clarify purpose, personal and family core values, needs, and priorities and align your financial decisions with your goals in all areas of your life. We recognize three primary life stages in our planning:

1. Asset Accumulation
2. Asset Protection
3. Family Legacy, Social Capital Legacy

Our financial planning process includes an evaluation of the investment and financial options available to you based upon your defined lifestyle choices. Planning includes: (i) attempting to make optimal decisions; (ii) projecting the consequences of these decisions for you in the form of a financial plan - a working blueprint; and, (iii) implementing the protocol to achieve the objectives of the plan. Once complete the plan is then used to compare future performance against the working blueprint.

#### *Financial Planning Composition*

A financial plan can be comprehensive - a mutually defined review of your personal financial needs; or, targeted - a review, analysis and evaluation of a core area of financial need. In general, our financial planning may encompass one or more of the following areas of financial need as communicated by you:

- ❖ Identify and clarify personal and family core values, mission, vision, and goals.
- ❖ Preparation of the financial plan/roadmap, which encompasses your:
  - Current financial situation.
  - Liquidity and asset preservation needs.
  - Wealth accumulation and growth.
  - Wealth distribution and transfer.

More specifically the financial plan/roadmap may include, but is not limited to the following modules:

- Financial Statements - Cash Flow and Balance Sheet.
- Savings and Emergency Reserves.



- Asset Allocation and Investment Portfolio Analysis.
- Potential Income Tax consequences in collaboration with your tax advisor.
- Risk Management and Insurance Analysis.
- Retirement and Income Analysis.
- Long-Term Healthcare.
- Estate and Family Legacy Planning.
- Business Succession Planning.
- ❖ Outline of recommendations, strategies, solutions and resources.
- ❖ Prioritizing and implementing the written action plan.
- ❖ Investment consultations that allow us to create and implement a customized investment strategy tailored to your long-term investment goals.
  - Prepare a professional investment proposal that can include a written Investment Policy Statement, if requested.
  - Access to our open-architecture platform with a variety of investment management solutions.
- ❖ Facilitate meetings with you and/or advisors or specialists within our professional network.
- ❖ Coordinate and facilitate meetings with family members, business associates, partners or other key individuals to assist with implementing your action plan.

### *The Financial Planning Process*

We incorporate the following financial planning process, consisting of six (6) steps, while working with you. This process has been set forth by the Certified Financial Planner Board of Standards, Inc.

1. Establishing and defining our relationship.
2. Gathering your personal data, including goals.
3. Analyzing and evaluating your financial status.
4. Developing and presenting financial planning recommendations and/or alternatives.
5. Implementing the financial planning recommendations.
6. Monitoring the financial planning recommendations.

## FEES & COMPENSATION

ITEM 5

### Investment Programs

Our tailored investment strategies focus on matching your defined investment parameters with a portfolio style designed to meet your goals and objectives, risk tolerances and time frames. Such investment strategies may or may not include a combination of the following programs depending on your qualifications.

#### Aggressive Growth & Growth Portfolios

**OBJECTIVE** - The Aggressive Growth and Growth Portfolios seek to achieve maximum investment returns rotating between market sectors based on quantitative analysis and technical and fundamental research. This program is an active approach to managing your portfolio using the sector specific mid-cap, small-cap, and global stocks, ETFs, as well as the use of hedge funds.



**MANAGEMENT FOCUS** - Aggressive Growth and Growth Portfolios provides you with long-term capital appreciation.

**Style:** Actively Managed – Aggressive, Strategic, and Disciplined  
**Account Minimum:** \$100,000  
**Key Benefits:** Sector exposure with risk management.

### Balanced Portfolio

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**OBJECTIVE** - The Balanced Portfolio seeks to have nearly equal exposure to both the stocks and bonds. The primary goal is to secure both growth through stock selections and income through bonds. Stocks will be selected in publicly traded companies with a strong history of earnings and good future prospects, with a preference for dividends. Bonds will consist mainly of high grade corporate bonds with regular coupons, and municipal bonds. Cash balances may be invested in money market accounts or CD's.

**MANAGEMENT FOCUS** - The Balanced Portfolio produces income with the potential for capital growth.

**Style:** Actively Managed – Individual Securities  
**Account Minimum:** \$100,000  
**Key Benefits:** Income plus potential for growth.

### Income & Growth Portfolio

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**OBJECTIVE** - The Income & Growth Portfolio seeks to invest in stocks that provide income through dividends. This program is an actively managed portfolio of up to 20 individual, dividend paying growth stocks.

**INVESTMENT FOCUS** - The Income & Growth Portfolio produces income with the potential for capital growth.

**Style:** Traditional Asset Allocation – Low Turnover  
**Account Minimum:** \$100,000  
**Key Benefits:** Above average returns, tax efficient, and minimal risk.

### Conservative

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**OBJECTIVE** - The Conservative is a risk-averse investment strategy that seeks to preserve portfolio values by diversifying investment in lower risk securities. This program provides a passive approach to managing your portfolio using primarily large-cap stocks, ETF, bonds, mutual funds and money market securities.

**INVESTMENT FOCUS** - The Income Portfolio seeks to provide you with long-term capital appreciation through a passively managed portfolio strategy.

**Style:** Traditional Asset Allocation – Low Turnover  
**Account Minimum:** \$100,000  
**Key Benefits:** Stable investment returns, tax efficient, and below average risk.



### Investment Programs Fee Schedule

The asset-based portfolio management fees for each of the Investment Programs (Aggressive Growth & Growth, Balanced, Income & Growth, and Conservative) above represents the maximum annual percentage charged in each tier for managing your portfolio. Our management fee is calculated based on the aggregate fair market value of your account on the last business day of the previous calendar quarter multiplied by 1/4<sup>th</sup> of the corresponding annual percentage rate (i.e.,  $1.50\% \div 4 = 0.375\%$ ).

We retain discretion to negotiate the management fee under 1.50% on a client-to-client basis depending on the nature of the portfolio managed. Generally, fee breaks will occur as assets in your portfolio increase past the following tiers:

Account Value	Annual Fee Rate Not to Exceed
Up to \$500,000 .....	1.50%
\$500,001 to \$2,500,000 .....	1.25%
\$2,500,001 to \$5,000,000 .....	1.00%
\$5,000,001 to \$10,000,000 .....	0.85%
Over \$10,000,000 .....	0.75%

We have the option to waive the minimum initial investment of \$100,000 to open any Investment Program account. The management fee will be fully disclosed to you in an Investment Advisory Agreement prior to conducting any portfolio management services.

### Protocols for Investment Programs

The following protocols establish how we handle our Investment Program accounts and what you should expect when it comes to: (i) managing your account(s); (ii) your bill for investment services; (iii) minimum account size qualifications; (iv) withdrawing funds; and (v) other fees charged to your account(s).

#### *Discretion --*

We will establish discretionary trading authority on all management accounts to execute securities transactions at anytime without your prior consent or advice.

#### *Billing --*

Your account will be billed quarterly in advance based on the aggregate fair market portfolio value of the assets in your account on the last business day of the previous calendar quarter. For the first billing quarter, if the management account was not opened at the beginning/end of the quarter, the fee will be based upon a pro-rata calculation of the fair market value of your assets to be managed for the period.

Advisory fees will be taken first from any money market funds or balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

#### *Investment Program Account Minimums --*

Regarding the minimum account size required to open one of the Investment Programs listed above, we retain discretion to accept accounts of smaller value.



### *Withdrawals --*

If you should withdrawal assets from your account between billing cycles, we will not make partial refunds of your management fees. Withdrawing assets from your account, in most cases, will require modifications and adjustments to your investment allocation.

### *Fee Exclusions --*

The above fees for all our management services are exclusive of any charges imposed by the custodial firm, such as: (i) any Exchange/SEC fees; (ii) service or account charges, including, debit balances or postage/handling fees; and/or, (iii) transaction fees earned by the custodial firm for securities transactions.

In addition, all fees paid to us for management services are separate from any fees and expenses charged to shareholders of mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: 12b-1 fees. Redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

## Termination of Investment Program Services

To terminate investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received at least 30 days prior to the date of termination. Such notification should include the date the termination will go into affect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the last/first day of a calendar quarter, you shall be entitled to a pro-rated refund of the prepaid quarterly management fee based upon the number of days remaining in the quarter after the termination notice goes into affect. Once the termination of investment advisory services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

## Portfolio Monitoring

Most portfolio management accounts will be matched with a pre-selected group of third-party money managers ("Portfolio Manager") to manage your account. We will recommend Portfolio Managers for you to choose whose investment disciplines most closely resemble your investment objectives, time horizon, and risk tolerance.

### Monitoring Fee

Portfolio monitoring fee is provided on an asset-based fee arrangement. Our monitoring fee is calculated based on the aggregate market value of your account on the last business day of the previous calendar quarter multiplied by  $1/4^{\text{th}}$  of the corresponding annual percentage rate (i.e.,  $1.50\% \div 4 = 0.375\%$ ). The monitoring fee applies to all assets that you wants us to monitor.



Generally, fee breaks will occur as assets in your portfolio monitored account increase past the following tiers:

Account Value	Annual Fee Rate Not to Exceed
Up to \$500,000 .....	1.50%
\$500,001 to \$2,500,000 .....	1.25%
\$2,500,001 to \$5,000,000 .....	1.00%
\$5,000,001 to \$10,000,000 .....	0.85%
Over \$10,000,000 .....	0.75%

Billing, deposits and withdraws, fee exclusions, and termination follow the same protocols as disclosed above under “Protocols for Investment Services” and “Termination of Investment Program Services”.

### Portfolio Managers Fee Structure

The Portfolio Managers who will be used to manage your account(s) will disclose their fees for management services in their Disclosure Brochure (the Portfolio Manager’s Form ADV: Part 2A Firm Brochure, or if they are a wrap fee program, Form ADV: Part 2A Appendix 1), which we will provide you prior to opening an account. The fees that will be charged to your account(s) will include:

1. The Portfolio Manager’s management fee (generally not to exceed an annual fee of 0.75%) will be billed separately from our Monitoring Fee; and,
2. Trading commissions and/or account charges, depending on if the Portfolio Manager is “wrapping” all the fees, which may be imposed by the custodian or broker/dealer used to custody your account(s).

The Portfolio Manager’s Disclosure Brochure contains all pertinent disclosures relating to their management services, fee structure for such services, and their termination provisions - you are encouraged to carefully review these disclosures.

## Financial Planning

How we charge to develop a financial plan depends on the size, complexity, and nature of your personal and financial situation and the amount of time it will take to analyze and summarize the plan and perform the services you desire.

### Planning Fees

#### *Comprehensive --*

Comprehensive financial planning is a coordinated effort between you and us, the financial planner, to identify purpose, personal and family core values, financial needs and life goals then integrate these ideals into various strategies - budgeting, tax planning, insurance, retirement and estate planning, investment management, and more depending on your desired needs.

The cost to prepare a comprehensive financial plan will not exceed \$200,000.00, for a 12 consecutive month period to complete the planning process. Such fee will be fully



disclosed up-front in a Financial Planning Agreement ("Agreement"), which will include the cost<sup>3</sup> to review your financial information and prepare the coordinated financial plan. We require one-half the fee be paid at the time the Agreement is signed, with the remaining balance due upon completion of the financial plan<sup>4</sup>. If the plan is not completed and implemented by you within this time period, the Annual Retainer Agreement planning fee, referenced in the following paragraph, will apply for on-going services.

### *Targeted--*

Targeted financial planning focuses on review, analysis and evaluation of a core area of financial need as may be requested by you. The targeted planning fee will be billed at a rate not to exceed \$500.00 per hour<sup>5</sup>. All fees will be completely itemized in a billing statement to the client, or as otherwise predetermined in a proposal, engagement letter and/or by retainer.

### Annual Retainer Fee

It is important to note that any planning is kinetic (always in motion) and alive. A financial plan is a roadmap that is only as good as how well it reflects your current economic position to then guide you on a clear path to a future financial destination. However you can veer off course, intentionally or unintentionally, as circumstances in your life take you down another path. Our annual financial plan review is designed to systematically address these unexpected diversions and continually keep you on the right road headed to your future financial destination.

Therefore, we strongly suggest that the overall financial plan be reviewed not less than on an annual basis. If you elect an Annual Retainer Agreement, we will notify you of the annual cost to perform the desired work at the beginning of each year. Such retainer fee will be equal to one-half of the coordinated financial planning fee we original charged and billed on a quarterly basis.

### Termination of Financial Planning Services

You can terminate the Agreement at any time prior the presentation of the any financial planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed to in the Agreement. If you have prepaid any fees, such fees will be returned on a pro-rata basis. After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.

Targeted financial planning can be terminated at any time. We will bill you for any services rendered from the date of the last bill up to the date of termination at the agreed upon hourly rate.

<sup>3</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.

<sup>4</sup> The recommendations made in a financial plan are generally completed within 90 to 180 days from you signing the Agreement. However, implementing the plan using outside professionals (i.e., attorneys, CPAs, etc...) may require additional time that is out of our control. Therefore when we refer to the completion of the financial plan, we are referring to us (you and KNOX Capital Advisors, LLC) finalizing your financial benchmarks/objectives before approaching any outside professional.

<sup>5</sup> For hourly rate targeted planning, we require a minimum of a four hour consultation to address any of your personal and financial needs. In addition if we were to bill you at a rate of \$500.00 per hour, this hourly rate may be higher than those fees charged by other investment advisors. Therefore, it is possible that you might be able to contract for the same or similar services elsewhere at lower costs.



## Securities Transactions for Compensation

All of our supervised persons acting as Investment Advisor Representatives (RAs), are licensed Registered Representatives of KCG Securities, LLC, an Introducing Broker-Dealer (member FINRA/SIPC), allowing them to sell listed/unlisted securities and investment company and variable insurance products to you and earn sales commissions from such transactions.

Accepting commissions creates a conflict of interest to our fiduciary duty to be impartial with our advice and to keep your interests ahead of our own. The incentive for the RA is to recommend investment products based on the compensation received, rather than on your needs. Therefore, to maintain our fiduciary responsibility we are providing the following disclosures and options:

- ❖ RAs will not receive commissions associated with those accounts we manage. However, there are instances where you could request separate brokerage services from us that are unrelated to your managed accounts. In such cases, the RA licensed with KCG Securities will receive commissions from the brokerage services associated with this separate transaction.
- ❖ It is our policy to fully disclose, prior to execution of such transactions, the fact that the RA will receive commissions associated with the purchase or sale of the securities.
- ❖ You do not have to accept our recommendation to purchase or sell the security through KCG Securities. You retain the option to execute the security transaction through the broker-dealer of your choice.

Notwithstanding these potential conflicts, we strive to serve your best interest and maintain our fiduciary responsibility by making you aware of circumstances that could adversely affect the management of your account(s) in compliance with the Investment Advisor Act of 1940, Rule 275.206.

KCG Securities, LLC is an affiliated company. See Item 10, “Other Financial Industry Activities & Affiliations” below under “Brokerage Activities & Affiliations” for additional disclosure.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We serve as the sole investment advisor to two (3) private investment funds: the KNOX Prime Fund, LLC and the KNOX Opportunity Fund, LLC (the “Funds”). For more information on these Funds, please see “Private Investment Partnerships” under Item 10 below, “Other Financial Industry Activities & Affiliations”.

The fee structure for the Funds is performance-based. For you to participate you must be defined to be one of the following: (i) an “accredited investor”, as defined in Rule 501 of Regulation D under the 1933 Act; (ii) a “qualified client” as defined in Rule 205-3 under the 1940 Investment Advisor Act; or (iii) a “qualified purchaser” under Section 2(a)(51) of the 1940 Investment Company Act.

### Performance-Based Management Conflicts

With the performance-based management structure of the Funds, we can earn a substantially higher fee over our Investment Programs or Portfolio Monitored accounts. This creates a potential conflict of interest to our fiduciary duty to be impartial with our advice and to keep



your interests ahead of our own when making investment recommendations to you. In addition, the incentive to earn a performance-based fee could affect the objectivity in the direct management of the Funds in the following ways:

- ❖ The performance-based fee structure of the Funds creates greater incentive for us to be more aggressive so as to achieve higher returns (“Churning” the account). When this is done, you absorb a greater risk of possible loss from excessive trading costs and general Fund expenses while we would only lose the potential of a performance-based management fee.
- ❖ Focus on Funds could consume much of our time and our Investment Programs or Portfolio Monitored accounts could lose out on valuable time that should be devoted to all investment accounts.

Notwithstanding these potential conflicts, we strive to serve your best interest and maintain our fiduciary responsibility by making you aware of circumstances that could adversely affect the management of your account(s) in compliance with the Investment Advisor Act of 1940, Rule 275.206.

## TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Item 4, the “Advisory Business” section. Our minimum account size for portfolio management is disclosed above under “Investment Programs” in Item 5 above in the, “Fees & Compensation” section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

Our advisory services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your investment objectives, time horizon, and risk tolerance to yield an effective investment allocation strategy and then match the strategy with one or a combination of our Investment Programs using primarily equity (“stock”) positions, fixed income (“bond”) instruments, investment company (“mutual fund”) products, and Exchange Traded Funds (“ETFs”) to design your unique investment strategy.

In addition, depending on your risk tolerance, we may also recommend using the following investment vehicles to achieve your desired investment objective: leveraged index funds, closed-end funds, REITs, hedge funds, derivatives, private placements and other publicly traded securities. However, these investment vehicles bring on a whole different risk dynamic. If we recommend investment in one of these securities, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

### Methods of Analysis

In analyzing stocks, bonds, mutual funds, and ETFs we will use a combination of analysis techniques to gathering information and to guide us in our management decisions.

#### Fundamental Analysis

Fundamental analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-



earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

### Technical Analysis

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Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

### Cyclical Analysis

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Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit timing strategies. Coupling cyclical analysis with technical analysis helps to ensure the most favorable buy/sell signal.

Fundamental analysis provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while technical analysis is short-term focusing on the statistics generated by market activity. Cyclical analysis provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

## Investment Strategy

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We are not bound to a specific investment strategy or ideology for the management of your investment portfolio except for how such strategy might affect the risk tolerance levels we pre-defined for you during the getting-to-know-you process as well as in your Investment Policy Statement. However, our investment strategies generally incorporate these methodologies:

### Modern Portfolio Theory

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Modern Portfolio Theory ("MPT")<sup>6</sup> is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk then construct a portfolio that maximizes your expected return for that given level of risk. Our investment methodology follows five (5) basic premises, each of which is derived from MPT.

1. You, as with all clients, are inherently risk-averse.
2. The markets are basically efficient.
3. The focus of attention is shifted away from individual securities analysis to consideration of portfolios as a whole, predicated on explicit risk-reward parameters.
4. For any level of risk that you are willing to accept, there is a rate of return that should be targeted.
5. Portfolio diversification is not so much a function of how many issues are involved, but more a function of the relationships and proportions of each asset to its correlating asset.

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<sup>6</sup> Modern Portfolio Theory was developed and introduced by Harry M. Markowitz in his paper "Portfolio Selection" published in 1952 by the *Journal of Finance*.



## Asset Allocation

Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive Asset Allocation derivatives that we may use.

## Managing Risk

With the ever-evolving dynamics of our U.S. financial markets, the economy, and the influence of global emerging markets, we feel that a more proactive approach to managing investments is necessary to achieve the long-term returns you desire. In an ideal world we would want to “buy-and-hold” a security forever, enjoying the long-term growth of the investment. In today’s economic environment this is an unrealistic expectation. Conventional “buy-and-hold” strategies are not designed to reduce your exposure in fluctuating or declining financial markets. For this reason the investment strategy we will use to manage our Investment Programs will not be tied to a specific investment ideology except for how such strategy might affect your risk tolerance.

We believe successful investing and risk management is comprised of five basic premises:

- ❖ **Preserve Capital** - Keep losses minimal while maximizing overall returns.
- ❖ **Liquidity** - Invest in securities that are actively traded in the financial markets.
- ❖ **Performance** - Provide consistent performance - maintain investment objectives.
- ❖ **Intensity** - Success comes with a focused and disciplined investment strategy.
- ❖ **Simplicity** - Keep it simple.

## DISCIPLINARY INFORMATION

ITEM 9

There are no legal or disciplinary events to report at this time that are material to your evaluation of our advisory business.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

### Financial Industry Affiliations

Brodie D. Barnes and Stanley M. Kimball, are principal executive officers to various financial industry business entities in addition to serving as the Managing Members of the Company, KNOX Capital Advisors, LLC (See Item 4, “Advisory Business” above under “Who We Are”).

Mr. Barnes and Mr. Kimball in one or more companies may: (i) be a member on the Board of Directors, an officer or partner in which they will provide operational oversight and perform other managerial duties; (ii) act simply as a passive shareholder; and/or (iii) provide additional services as a representative of that entity. These personal business interests are separate and distinct from the operations of this Company, including certain advising and consulting activities that are beyond the scope of services we provide. Those businesses that Mr. Barnes and Mr. Kimball are involved in are listed as follows:

- ❖ **Crimson Holding, LLC** - Crimson Holdings is a conglomerate that wholly owns this Company, KNOX Capital Advisors, LLC, and KNOX Capital Insurance, LLC. Crimson



Holdings provides management oversight to these entities. Mr. Barnes and Mr. Kimball are equal controlling partners.

- ❖ **KNOX Capital Insurance, LLC** - The KNOX Capital Insurance is an independent company that has entered into selling agreements with several insurance companies to offer insurance products to prospective clients and receives commission income from such transactions. KNOX Capital Insurance is wholly owned by Crimson Holdings, LLC.
- ❖ **KNOX Prime Management, LLC** - KNOX Prime Management is the Managing Member of Knox Prime Fund, LLC, providing management and operational oversight to Knox Prime Fund, LLC, a Utah Limited Liability Company organized to manage a select group of Hedge Funds, investment strategies, and private investments. KNOX Prime Management is wholly owned by Crimson Holdings, LLC.
- ❖ **KNOX Capital Group, Inc** - KNOX Capital Group provides employee leasing functions for other corporations and small businesses. Mr. Barnes and Mr. Kimball are equal controlling partners.
- ❖ **KNOX Opportunity Management, LLC** - KNOX Opportunity Management is the Managing Member and has ultimate responsibility for the management and control of the affairs of KNOX Opportunity Fund, LCC, a Utah Limited Liability Company organized to manage growth equity investments, small and middle market acquisitions, leveraged buyouts, strategic investment in small and mid-cap private and public companies, and investments in oil and gas and real estate opportunities. Mr. Barnes and Mr. Kimball are controlling partners.
- ❖ **KCG Securities, LLC** - KCG Securities is a broker-dealer providing individual investors and corporations with traditional and non-traditional brokerage services. Mr. Barnes and Mr. Kimball and other Investment Advisor Representatives of the Company are licensed Registered Representatives to sell securities products to you and other clients through KCG Securities. Mr. Barnes and Mr. Kimball together are controlling partners.
- ❖ **Tri-Star Land Company, LLC** - Tri-Star owns residential and commercial properties throughout the Western United States. Tri-Star manages residential and commercial real estate properties. Mr. Barnes is a controlling partner in this venture.
- ❖ **S.M. Kimball & Associates, CPA, Inc** - S.M. Kimball & Associates is a full service CPA firm providing accounting services to individuals and business clients. Mr. Kimball is the President of the CPA firm.

### **Conflicts of Interest Working with Affiliated Entities**

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Referrals to or from only those entities in which Mr. Barnes and Mr. Kimball have ownership creates a potential conflict of interest to our fiduciary duty to be impartial with our advice and to keep your interests ahead of our own. As control persons, shareholders or agents in each of the above named entities, Mr. Barnes and Mr. Kimball are able to influence the direction of investment activities, the sale of securities, purchase of life insurance products, and real estate transactions. This in turn will lead to increased personal revenues in the form of advisory/consulting fees, salaries, bonuses, commissions, incentive programs, and income/dividend returns. Therefore before accepting our recommendation to engage an affiliated company, you should consider other options to ensure that the service from our affiliate is comparable or equivalent to the service you might receive from another company.



## Private Investment Partnerships

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As the investment advisor to these Funds, we are responsible for the management of the investment portfolios based to each Fund's unique investment objectives and those trading strategies deemed to possess the optimal combination of earnings potential. The investment trading strategies of the Funds are briefly described below:

- ❖ **KNOX Prime Fund, LLC** - The objective of the Prime Fund is both capital appreciation and preservation through investment into other Hedge Funds and select private investments. The Fund's investments may include, but are not limited to, marketable and non-marketable securities, the purchase of securities and other investments in undervalued entities; and other securities, futures and derivatives transactions.
- ❖ **KNOX Opportunity Fund, LLC** - The objective of the Opportunity Fund is to generate long-term value by (i) leveraging its management team's experience; (ii) assessing an investment's potential and performing the necessary due diligence; and, (iii) developing strategies and implement operating improvements as active participants in the Opportunity Fund's portfolio companies.

## Conflicts of Interest Investing in the Funds

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As the sole investment advisor to the Funds, the Company and our officers and directors will receive some economic benefit, such as: advisory/consulting fees, salaries, bonuses, and income/dividend returns should you choose to invest in any of the Funds. Therefore such recommendation by our offers and directors could be biased and a conflict of interest. Before investing, you should carefully consider the advice you are being given.

For more information on the potential conflicts, refer to the Confidential Private Placement Memorandum for each of the Funds.

## Investment Limitations and General Considerations

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The Company, through its officers and directors, may solicit you or other clients if you are considered to be: (i) an "accredited investor", as defined in Rule 501 of Regulation D under the 1933 Act; (ii) a "qualified client" as defined in Rule 205-3 under the 1940 Investment Advisor Act; or (iii) a "qualified purchaser" under Section 2(a)(51) of the 1940 Investment Company Act. The Fund is not open to the general public.

Should we determine that you fit the criteria to invest in the one of the Funds, a Confidential Offering/Private Placement Memorandum ("Memorandum") will be provided to you. This Memorandum discloses all possibilities for conflicts of interest and inherent risks, which are necessary for you to make an informed decision. Also as an investor in the Funds, you will be given a right to rescind your subscription and receive a full refund of your investment within three (3) business days after entering into a Subscription Agreement.



## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, we have an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, our Code of Ethics establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### Cross Transactions for Clients

There may be instances where we could recommend a security you hold in your account for an Agency Cross Transaction. Cross transactions occur when market orders of a security are crossed between you and another of our clients or between you and the broker-dealer - one on the buy side, the other on the sell side - without first offering the security to the general public to fill the order. These transactions can be self-dealing and can be considered fraudulent because it could potentially create conflicting loyalties and responsibilities regarding the parties involved in the transaction due to the possibility that the Registered Representative of the broker-dealer could charge excessive commissions or mark-ups when no third-party is involved.

However, even though the SEC restricts investment advisors on self-dealing transactions involving you and our other clients, such activities are allowable under the Adviser Act Rules, Section 206(3)-2, provided certain guidelines are followed. We have implemented the following guidelines to comply with this Rule:

1. You sign our Agency Cross Transaction Disclosure agreeing to such activities.
2. We send you, at least annually, a summary of all agency cross transactions conducted in your account that includes the amount of commissions or other remunerations we received.
3. We direct our broker-dealer to send you a written confirmation at or before completion of the order detailing the nature of the transaction, source and amount of commission, and the name of the party on the other side of the transaction.

We will comply completely with these provisions of the law and make such disclosures to you. These transactions will only be used when they are beneficial to both buyer and seller.



## Client Transactions

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We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

### Participation or Interest

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Other than the opportunity to invest in the KNOX Prime Fund, LLC and/or the KNOX Opportunity Fund, LLC (the "Funds"), it is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Mr. Brodie D. Barnes, and such investment is not in violation of any FINRA, SEC, and/or State rules and regulations.

### Trading Allocation

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Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as "best execution") for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

If you would like more detailed information on our trading allocation policies a copy of our Group Trading Allocation Procedures is available for review upon request.

### Personal Trading

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Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, purchased or sold in your account. In these situations where investment purchases for you are also made in an employee's account, we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative (RA), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Mr. Barnes reviews these holdings on a regular basis.



3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See “Trading Allocation” above) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Mr. Barnes to ensure that such activities do not impact upon your security or create conflicts of interest.

### Class Action Policy

The Company, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

### Insider Trading

The Company is in compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and has set-up internal controls to guard your personal information.

## BROKERAGE PRACTICES

ITEM 12

### Custodial Services

#### Shareholder Services Group, Inc.

The Company maintains a custodial relationship Shareholder Services Group, Inc. (“SSG”), an FINRA licensed broker-dealer (member FINRA/SIPC). SSG clears its securities transactions on a fully disclosed basis through Pershing, LLC (member FINRA/NYSE/SIPC), which is a subsidiary of BNY Securities Group Company.

We have selected SSG as the custodian of choice based on their competitive transaction charges, our familiarity with their trading platforms, and on-line services and desktop software for account administration and operational support, including electronic trading, account forms and applications, market data, trading authorization, accounting and reporting, and other relevant administration and support services for us to assist with the management of your account.

#### TD Ameritrade, Inc.

We also maintain custodial arrangements with TD Ameritrade, Inc. (“TD Ameritrade”), a licensed broker-dealer (member FINRA/SIPC), through their division TD Ameritrade Institutional for investment advisors.

TD Ameritrade provides us access to their trading platforms, on-line services and desktop software for account administration and operational support, including electronic trading, account forms and applications, market data, trading authorization, accounting and



reporting, and other relevant administration and support services for us to assist with the management of your account.

We are not a subsidiary of, or affiliated with, SSG, Pershing, or TD Ameritrade. We have sole responsibility for investment advice rendered, and advisory services are provided separately and independently from these custodial firms.

### Direction of Transactions and Commission Rates (Best Execution)

Since we do not recommend, suggest or make available a selection of custodians, other than SSG and TD Ameritrade for you to choose to custody your account(s), best execution may not always be achieved and you may pay higher transaction fees. Furthermore since we only use SSGs and TD Ameritrade's custodial services, we may not be able to provide you complete institutional services if you elect to use another broker-dealer.

There will be no attempt by us to recommend SSG or TD Ameritrade solely on the lowest commission rates available. Your investment needs, general reputation, trading capabilities, investment inventory, the financial strength, and our personal experience working with SSG and TD Ameritrade has been considered, among other items, in suggesting these firms to you.

### Selection of Portfolio Managers

We will make available a select group of Portfolio Managers from which you may choose to manage your account(s). We will assist you in determining which will provide the most effective financial growth based upon your stated investment objectives and risk tolerance level.

While we have exercised our best efforts evaluating the investment performance and cost of service offered by these Portfolio Managers, we make no representation that the Portfolio Manager in which we refer you has the best investment performance or has the lowest portfolio management costs. In addition, your selection of such Portfolio Managers will be limited to those with whom we have entered into service agreements. Therefore, it is possible that you might be able to contract for similar services elsewhere or separately, with higher performance at lower cost.

## REVIEW OF ACCOUNTS

ITEM 13

### Investment Program Reviews

Each account is reviewed on an ongoing basis by the supervised person over your account to ensure that your needs and objectives are being met. All accounts are reviewed in accordance with your stated investment objectives and guidelines as it pertains to the objectives of the Investment Program. Any adjustments made to your predefined guidelines are dictated by your Investment Policy Statement or your asset allocation plan, whichever has been prepared for you. Cash needs will be adjusted as necessary. Reallocation is based on the objectives of the Investment Program. If your risk tolerance and investment objectives change, we will suggest a different Investment Program for your managed account.

You will receive monthly statements from Shareholder Services Group, Inc. or TD Ameritrade, Inc. where your account(s) will be custodied. Each statement will summarize the specific investments currently held, the value of your portfolio and account transactions.



## Portfolio Monitored Account Reviews

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Should your account be managed by a third-party money manager ("Portfolio Manager"), the supervised person assigned to your account will continuously evaluate their performance. We understand your goals and tolerance for risk may change over time; therefore, even though we are not involved in any way with the day to day management of your assets maintained with a Portfolio Manager(s), your portfolio will be monitored and we will make recommendations to you regarding the Portfolio Manager(s) as market factors and your personal goals dictate.

## Financial Planning Reviews

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The financial planner who has/is designing your financial plan will work closely with you to be sure the action points identified in the financial plan have been or are being properly executed. Once the action points have been completed, the financial plan should be reviewed at least annually. Material changes in your lifestyle choices, personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, it is your responsibility to communicate these changes to us so that the appropriate adjustments can be made.

## CLIENT REFERRALS & OTHER COMPENSATION

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ITEM 14

### Referral Compensation

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We may directly compensate persons/firms for client referrals, provided that those persons are qualified and have entered a solicitation agreement with us. Under such arrangements, if you were referred to us by a solicitor, the solicitor will provide complete information on our relationship and the compensation that solicitor will receive should you choose to open an account. In no case will the fee that you pay be higher than it would be if you had dealt directly with us.

## CUSTODY

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ITEM 15

### Pooled Investments

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As previously mentioned, we serve as the sole investment advisor to the KNOX Prime Fund, LLC and the KNOX Opportunity Fund, LLC (the "Funds"), private investment partnerships to manage assets. Brodie D. Barnes and Stanley M. Kimball are also the managing partners of the General Partners to each of the Funds (See Item 10, "Other Financial Industry Activities & Affiliations" above under "Financial Industry Affiliations" for more information.).

In this situation where we act as both the General Partner, through Mr. Barnes and Mr. Kimball, and investment advisor to the Funds, we have legal ownership of, and access to, funds and securities and thus have custody of client assets. By virtue of our position as the indirect General Partner, we have authority to dispose of funds and securities inappropriately in the Funds, where we are also serving as the investment advisor, without the client ever knowing what had happen.



To comply with the 1940 Act Custody Rule 206(4)-2 safeguards regarding pooled investment vehicles, the Funds will:

- ❖ Be subject to an audit (as defined in Section 2(d) of Article 1 of Regulation S-X [17 CFS 210.1-02(d)]) at least annually.
- ❖ Ensure the independent public account performing the audit is subject to regular annual inspection by the PCAOB, in accordance to the rules of the PCAOB.
- ❖ Distribute the audited financial statements prepared in accordance with Generally Accepted Accounting Principles to all limited partner within 120 days of the end of the fiscal year.
- ❖ Upon liquidation of all assets in the Funds, should one of them close, have a final audited financial statement prepared and promptly distributed to all limited partners after the completion of such audit.

### Related Person Acting as a Qualified Custodian

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KCG Securities, LLC is an Introducing Broker-Dealer (member FINRA/SIPC) that is defined under the 1940 Act Custody Rule 206(4)-2 to be a “Qualified Custodian”. Brodie D. Barnes and Stanley M. Kimball together are controlling partners of KCG Securities (See Item 10, “**Other Financial Industry Activities & Affiliations**” above under “**Financial Industry Affiliations**” for more information.) and therefore “Related Persons” as defined under the Custody Rule.

Situations where a related person provides custody arrangements can present greater risk to advisory clients than if an Investment Advisor maintained those client assets with an independent qualified custodian. The scenario of the Investment Advisor using a related person as the qualified custodian increases the potential for assets to be misappropriated as a result of potential collusion with the affiliated custodian. Therefore to address these custodial risks, the SEC requires an Investment Advisor who has a related person who is a qualified custodian to obtain from the related person an annual internal control report, which would include an opinion from an independent public accountant with respect to the related person's custody controls.

To comply with the 1940 Act Custody Rule 206(4)-2 safeguards requirements regarding related persons acting as a qualified custodian, we have implemented the following procedures:

- ❖ Prepare and maintain a Control Report that address control objectives and associated controls related to the areas of client account setup and maintenance, among other things.
- ❖ Submit to an annual surprise inspection (irregular from year to year) by a PCAOB compliant independent public accountant of the funds or securities of which we have custody.
- ❖ Ensure the independent public account performing our annual surprise inspection is also subject to regular annual inspection by the PCAOB, in accordance to the rules of the PCAOB.

If you would like more information on our internal Control Report, a copy is available for your review upon request.



## Account Statements

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We do not take possession of or maintain custody of funds or securities managed in our Investment Program accounts, but will simply monitor the holdings within in your portfolio and trade your account based on stated investment objectives and guidelines. Possession and custody of your funds and/or securities shall be maintained directly with Shareholder Services Group, Inc. or TD Ameritrade, Inc. as indicated above under Item 12, “**Brokerage Practices**”.

SSG and/or TD Ameritrade will send monthly statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. You are encouraged to verify the transaction activities disclosed to you in your statement.

## INVESTMENT DISCRETION

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ITEM 16

### Securities and Amount Bought or Sold

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We execute an Investment Advisory Agreement with you, which set forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

## VOTING CLIENT SECURITIES

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ITEM 17

We are hereby expressly precluded from voting proxies. You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy solicitations received by the custodian will be immediately forwarded to you for your evaluation and decision.

## FINANCIAL INFORMATION

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ITEM 18

We are not required to include financial information in our Disclosure Brochure since we do not bill client accounts six (6) months or more in advance for more than \$1,200.

**END OF DISCLOSURE BROCHURE**