

**Part 2A of Form ADV: Firm Brochure**

**Krauss Whiting Capital Advisors LLC**

4 Landmark Square  
Stamford, Connecticut 06901-2500

Telephone: 203.964.1700

Email: [takrauss@krausswhiting.com](mailto:takrauss@krausswhiting.com) (Due to firewalls and other email filter techniques employed by us, please do not assume that an email has been received until we acknowledge it.)

Web address: <http://www.krausswhiting.com>

06/28/2012

This brochure provides information about the qualifications and business practices of Krauss Whiting Capital Advisors LLC. If you have any questions about the contents of this brochure, please contact us at 203.964.1700 or [takrauss@krausswhiting.com](mailto:takrauss@krausswhiting.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Krauss Whiting Capital Advisors LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 109588.

Registration as an investment adviser does not imply a certain level of skill or training.



## **Item 2    Material Changes**

The SEC adopted new rules and rule amendments under the Investment Advisers Act of 1940 to implement provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. As a result, we are no longer eligible for SEC registration and are in the process of switching from federal to state oversight. Once the transition is complete, our investment advisory business will be regulated by the Connecticut Department of Banking, Securities Division.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page.....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	5
Item 6	Performance-Based Fees and Side-By-Side Management .....	6
Item 7	Types of Clients .....	6
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Item 9	Disciplinary Information .....	9
Item 10	Other Financial Industry Activities and Affiliations .....	9
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading ..	9
Item 12	Brokerage Practices.....	11
Item 13	Review of Accounts.....	13
Item 14	Client Referrals and Other Compensation .....	14
Item 15	Custody .....	14
Item 16	Investment Discretion.....	14
Item 17	Voting Client Securities .....	15
Item 18	Financial Information .....	16
Item 19	Requirements for State-Registered Advisers.....	16

## Item 4 Advisory Business

Krauss Whiting Capital Advisors LLC is a state-registered investment adviser with its principal place of business located in Connecticut. The firm began conducting business in 1999. ("Krauss Whiting," "the firm," "we" and "us" all refer in this brochure to Krauss Whiting Capital Advisors LLC, a Connecticut limited liability company.)

Krauss Whiting's principal owners (each controlling over 25%) are:

- Theodore A. (Ted) Krauss, General manager and portfolio manager
- James S. (Jim) Whiting, Tax and accounting adviser

W. Ward Whipple is also an owner of the firm and our principal portfolio manager. Donna Boyers and Cheryl Wolf are other key participants in our advisory service team. More information about our credentials is available at [www.krausswhiting.com](http://www.krausswhiting.com).

The firm offers the following advisory services to our clients:

### INDIVIDUAL PORTFOLIO MANAGEMENT

Our firm provides asset management of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal **Investment Policy Statement**. We often refer to that document by its initials (IPS) and we create and manage each portfolio based on that statement. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background. Our services are considered to be "non-continuous" because we do not manage each account on an uninterrupted basis.

We manage these advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Once the client's portfolio has been established, we generally review the portfolio at least quarterly, and, if necessary, rebalance the portfolio on an annual basis, based on the client's individual needs.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed and over-the-counter securities
- Foreign issuers

- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- United States government and municipal securities, and
- Mutual fund shares

Because some types of investments involve certain additional degrees of risk, they will only be recommended when consistent with clients' stated investment objectives, tolerance for risk and liquidity--all as documented in their investment policy statements, as described above.

## **FINANCIAL PLANNING**

We offer financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service may receive a written report which provides them with detailed financial plans designed to help them achieve their financial goals and objectives. Much of the financial planning services provided by us consists of *ad hoc* consultation focused on a particular issue or client inquiry.

In general, the financial plan can address any or all of the following areas:

**PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.

**TAX and CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.

**INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.

**INSURANCE:** We review existing policies to consider proper coverage for life, health, disability, long-term care, liability, home and automobile.

**RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.

**DEATH and DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.

**ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest clients work closely with their attorney, accountant, insurance agent, and/or

stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

A formal financial plan is typically presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. Our recommendations are usually generic.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2011, we were actively managing \$27,320,549 of clients' assets on a discretionary basis, plus \$747,397 on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **PORTFOLIO MANAGEMENT SERVICES FEES**

The annualized fee for Portfolio Management Services is charged as a percentage of assets under management, according to the following schedule:

<i>Assets Under Management</i>	<i>Annual Fee</i>
First \$1,000,000	1.0%
Next \$1,000,000	0.75%
All over \$2.0 million	0.50%

Fees are generally subject to an annual \$2,500 minimum for each client relationship. See also Item 17 (Voting Client Securities) concerning possible additional fees relating to proxy services.

### **FINANCIAL PLANNING FEES**

Krauss Whiting's financial planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our financial planning fees are calculated and charged on an hourly basis, ranging from \$200 to \$320 per hour. Although the length of time it will take to provide a financial plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

The client is billed monthly in arrears, as earned, or upon completion depending on the situation.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice.

**Mutual Fund Fees:** All fees paid to Krauss Whiting for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's accounts. Please refer to the "Brokerage Practices" section (Item 12) of this brochure for additional information.

**ERISA:** We are deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act (ERISA), and regulations under the Internal Revenue Code of 1986 (the Code), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, we can only charge fees for investment advice for which we and any related persons do not receive any commissions or 12b-1 fees. We do not receive any 12b-1 fees.

**Advisory Fees in General:** Clients should note that similar advisory services may be available from other registered investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

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

We do not charge performance-based fees, thereby avoiding the conflict of interest caused by side-by-side management of clients' accounts that are subject to differing fee arrangements that we could find more rewarding than others.

## Item 7 Types of Clients

Krauss Whiting provides advisory services to the following types of clients:

- Individuals (other than high-net-worth individuals)
- High-net-worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charities, and
- Trusts and estates

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of equities, bonds, cash and other investments that is consistent with each client's investment policy statement. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of various allocations will change over time due to market movements and, if not rebalanced, will no longer be materially consistent the client's investment policy statement.

**Mutual Fund and ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a



mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in other funds in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Margin transactions.** With your written authorization, we will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** Consistent with your investment policy statement, we may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A *call* gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the

option expires.

- A put gives the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We may use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We may also use "covered calls," in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Management personnel of our firm are also partners in the accounting firm of Krauss Whiting CPAs LLP, where they are individually licensed and practicing Certified Public Accountants providing accounting services for separate and typical compensation.

Krauss Whiting CPAs LLP typically recommends Krauss Whiting Capital Advisors LLC to accounting clients in need of advisory services. Conversely, Krauss Whiting Capital Advisors LLC typically recommends Krauss Whiting CPAs LLP to advisory clients in need of accounting services. Accounting services provided by Krauss Whiting CPAs LLP are separate and distinct from our advisory services, and are provided for separate and typical compensation. There are no referral fee arrangements between our firms for these recommendations. No Krauss Whiting Capital Advisors LLC client is obligated to use Krauss Whiting CPAs LLP for any accounting services and conversely, no accounting client is obligated to use the advisory services provided by us. Krauss Whiting CPAs LLP's accounting services include the authority to sign checks or otherwise disburse funds on any of our advisory client's behalf.

With the exception of our affiliated CPA firm, we and our related persons are not engaged in other financial industry businesses and have no other industry affiliations.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Krauss Whiting and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code of Ethics.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Krauss Whiting's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by calling Ted Krauss at 203.964.1700.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Krauss Whiting and individuals associated with our firm are prohibited from engaging in principal and agency-cross transactions.

Our firm and individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related persons may have an interest or position in a certain securities that may also be recommended to clients.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek **best execution** for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts may be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolios where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security on any trading day prior to transactions being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.

5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

For discretionary clients, Krauss Whiting requires that such clients authorize us to determine the broker-dealer and custodian to use, and to approve the costs that will be charged for the clients' transactions and custody. See also Item 16 (Investment Discretion) below.

These clients must also notify us of any limitations on this discretionary authority. Clients may amend their limitations as desired, subject to our agreement that the limitations are appropriate. Such instructions and amendments must be provided to us in writing.

Krauss Whiting will make block trades where possible and when advantageous to clients. This blocking of trades permits the trading of securities in multiple client accounts, so long as transaction costs are shared fairly among all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Krauss Whiting will typically aggregate trades among clients whose accounts can be traded at a given broker, and may rotate or vary the order of brokers through which it places trades for clients, often depending on the custody arrangements made on a client-by-client basis. Krauss Whiting's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's investment agreement with Krauss Whiting or the firm's order allocation policy.
- 2) The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Krauss Whiting to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of "20-20 hindsight." Best execution includes the duty to seek the best quality of execution, as well as the best net price.

- 4) Prior to entry of an aggregated order, a written notation of the intended allocation must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order or other pre-trade written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made at our discretion to avoid having odd amounts of shares held in any client account, or to avoid excessive charges in smaller accounts. With the benefit of hindsight, such allocation decisions may benefit one client over another.
- 6) Generally, each client that participates in the aggregated order will do so at the average price for all separate transactions made to fill the order, and will share in the commissions on a pro rata basis in proportion to the client's participation, subject to commissions policies that may be controlled by the broker/custodian. Under the client's agreement with the custodian or broker, transaction costs may be based on the number of shares traded for each client, the value of the client's account, or some other factor outside our control.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) For each account in which an aggregated transaction occurs, the client's account records reflect the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified in Krauss Whiting's records as well as in the records of brokers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) We strive to ensure that no client is favored over another in the trade allocation process.

Krauss Whiting may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we may recommend that clients establish accounts at Schwab and other broker-dealers, it is the client's decision to custody assets with Schwab or any other custodian. Krauss Whiting is independently owned and operated, and not affiliated with any broker-dealer or custodian.

Schwab provides Krauss Whiting with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. (We exceed the \$10 million requirement.) These services are not contingent upon our firm committing to Schwab any specific amount of business (such as trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other

transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab and other brokers also make available to our firm additional products and services that benefit Krauss Whiting but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Broker products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

Some brokers also offer other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Brokers may make available, arrange and/or pay third-party vendors for the types of services rendered to Krauss Whiting. Brokers may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Brokers may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at a particular broker, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided, which may create a potential conflict of interest.

## **Item 13 Review of Accounts**

### **INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** We review client portfolios regularly in the ordinary course of our work and more comprehensively, generally once per quarter. Clients each receive monthly statements showing all securities owned directly from the qualified custodians holding those securities. We encourage clients to review those statements closely themselves and contact us with any possible questions.

**REPORTS:** We report regularly to clients through phone calls, email and other means, varying the timing and nature of such reporting according to the clients' preferences and needs. The data

provided by custodians on monthly statements, as described above, is also an important reporting means for us.

## **FINANCIAL PLANNING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for financial planning clients unless otherwise agreed in writing.

**REPORTS:** Financial planning clients may receive an initial financial plan. Additional reports will not typically be provided unless requested as part of a continuing engagement.

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

The success of our business is heavily dependent on referrals from satisfied clients. We encourage clients and others to refer business to us and are grateful to receive such recognition from those sources of new business. Krauss Whiting's policy is not to engage solicitors or to pay persons outside our firm for referring potential clients to us.

We do not accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the services we provide to clients.

### **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On a monthly basis, the custodian is required by us to send to the client a statement showing all transactions within the account during the reporting period.

Because custodians do not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be any error on their statements. You may always do so by email to [ChiefComplianceOfficer@krausswhiting.com](mailto:ChiefComplianceOfficer@krausswhiting.com). (Due to firewalls and other email-filtering software employed by us, do not assume that an email has been received unless we acknowledge it.)

### **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

determine the security to buy or sell; and/or

determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign an investment agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

We do not vote proxies for any of our clients unless specified in writing as part of our investment agreement with them. Clients always have the right to vote proxies themselves and we encourage them to do so. We also encourage clients to elect electronic delivery of proxy materials, in part because it is friendly to the environment. This Item 17 comprises a complete statement of our proxy voting policies and procedures.

When asked, we will vote proxies in the best interests of its clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision on how to vote a proxy, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third party to cast a vote.

Clients may request, in writing, information on how proxies their shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her accounts, we will promptly provide such information to the client.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's accounts, including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

We will also not vote proxies in ERISA accounts unless plan documents specifically require the plan trustee to obtain independent professional services for such voting. For timely guidance, as may be desired, clients who are ERISA plan trustees should contact their assigned Krauss Whiting adviser.

Clients may, at their election, choose to receive proxies related to their own accounts, in which case we may consult with clients as requested. We typically vote proxies only when requested on a case-by-case basis. We charge for these services as an additional fee at standard hourly rates.

When asked to vote proxies, we will do so in the best interests of clients and in accordance our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time (but not a copy of each related proxy statement which are available online), a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and, at the client's expense, retain an independent third party to cast the vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting their adviser by telephone, email, or in writing. Clients may request, in writing, information on how proxies for their shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for their accounts, we will promptly provide such information to the client.



We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's accounts, including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make reasonable efforts to forward such notices in a timely manner.

For accounts where we do not vote proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets where to forward all proxies and shareholder communications relating to their investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business. Clients can instruct us to vote proxies according to particular criteria (for example, to always vote with management, or to vote for or against a proposal to allow a so-called "poison pill" defense against a possible takeover). These requests must be made in writing. Clients are always encouraged to call their Krauss Whiting adviser concerning any possible questions about voting client securities. Our procedures are subject to change on a case-by-case basis to meet clients' needs and desires.

## **Item 18 Financial Information**

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Krauss Whiting has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Krauss Whiting has never been the subject of a bankruptcy petition.

## **Item 19 Requirements for State-Registered Advisers**

A. The following individuals are the principal executive officers and management persons of Krauss Whiting:

- Theodore A. Krauss, Managing Member & Chief Compliance Officer
- W. Ward Whipple, Member & Chief Investment Officer
- James S. Whiting, Member

Information regarding the formal education and business background for each of these individuals is provided in their respective Brochure Supplements (ADV Part 2B).

B. Krauss Whiting is not engaged in any business activity other than giving investment advice.

C. Neither Krauss Whiting nor our supervised persons are compensated for advisory services with performance-based fees.

D. We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted. Our firm and our management personnel have no reportable disciplinary events to disclose.

E. Neither Krauss Whiting nor our management personnel have a relationship or arrangement with any issuer of securities.