

**Firm Brochure**  
(Part 2A of Form ADV)

**Krueger & Catalano Capital Partners, LLC**

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Houston, TX 77055**

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**[www.kruegercatalano.com](http://www.kruegercatalano.com)**

February 7, 2013

This brochure provides information about the qualifications and business practices of Krueger & Catalano Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us by phone at: 713.784.3878 or by email at [info@kruegercatalano.com](mailto:info@kruegercatalano.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 Krueger & Catalano Capital Partners, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 Summary of Material Changes**

The following is a Summary of the Material Changes to the Part 2A disclosure brochure for Krueger & Catalano Capital Partners, LLC which have occurred since the filing of our last annual updating amendment on March 6, 2012.

We disclosed that we are the sponsor and portfolio manager to the Krueger & Catalano Curbstone Group Portfolio Management Program, a wrap fee program.

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## **Advisory Business**

### **Firm Description**

Krueger & Catalano Capital Partners, LLC, ("Krueger & Catalano" or the "Firm") has been providing investment advisory services since 2006.

Krueger & Catalano Capital Partners, LLC is an investment adviser providing three distinct services to its clients. First, the Firm provides investment management of separately managed accounts through Wrap Fee Programs described below and in our Wrap Fee Program Brochures. Second, the Firm provides consulting services on an hourly or fixed-fee basis, on investment matters and, occasionally, on non-investment matters. Lastly, Krueger & Catalano provides its investment management services to K&C Curbstone Partners, LP, a private pooled investment vehicle.

### **Principal Owners**

Krueger & Catalano Capital Partners, LLC is wholly owned by Kruecat Ventures, LP. Ryan Krueger and Michael Catalano are limited partners of Kruecat Ventures, LP.

### **Types of Advisory Services**

*Wrap Fee Programs:* Krueger & Catalano is the sponsor and portfolio manager of the Krueger & Catalano Portfolio Management Program and the Krueger & Catalano Curbstone Group Portfolio Management Program (the "Programs"). Through the Programs, Krueger & Catalano provides discretionary portfolio management services to separately managed accounts for a single fee that includes Krueger & Catalano's investment advisory fee and custodial transaction fees. Clients should refer to the Krueger & Catalano Wrap Fee Program Brochures for a complete description and details of the Programs.

*Consulting Services:* Krueger & Catalano may provide consulting services on investment and non-investment related items. We may provide written reports, analysis or recommendations on specific subjects requested by clients. The scope of such engagements will vary on a case by case basis depending on the needs and objectives of the client.

*Managing Pooled Investment Vehicles:* An affiliate of Krueger & Catalano Capital Partners, LLC, Krueger & Catalano Partners, LP, is the general partner ("General Partner") of K&C Curbstone Partners, LP ("the Fund"), a pooled investment vehicle. The General Partner has executed an Agreement with Krueger & Catalano Capital Partners, LLC to provide its investment services to the Fund. The Firm uses a long/short equity investment strategy and may invest in futures, hard assets and foreign and private investments. The Fund uses MS Howells & Co. as a prime broker, with Pershing, LLC acting as the executing broker. In addition, the Firm trades the futures for the Fund through Morgan Stanley Smith Barney, LLC.

This is not a solicitation for investment in K&C Curbstone Partners, LP which is only offered by private placement memorandum and other offering documents to certain sophisticated investors who are "accredited investors" as defined under Rule 501(a) under the Securities Act of 1933 and "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940, as amended. Investors and prospective investors should refer to the offering documents for the Fund for detailed disclosure of the investments, objectives, fees, risks and other relevant information.

### **Types of Agreements**

Prior to engaging Krueger & Catalano to provide any investment advisory services, the client is required to enter into a written agreement with Krueger & Catalano setting the terms and conditions under which Krueger & Catalano shall render its services.

The client or Krueger & Catalano may terminate the Agreement by written notice to the other party.

### Assets Under Management

As of December 11, 2012, we have approximately \$157,000,000 in discretionary assets under management.

### **Fees and Compensation**

#### Description

Consulting Services: Krueger & Catalano's fees for consulting services may be charged on an hourly or fixed fee project basis. Fees and fee paying arrangements are negotiable and will vary on a case by case basis deepening on the scope and complexity of the services to be provided.

K&C Curbstone Partners, LP: As Manager of K&C Curbstone Partners, LP, Krueger & Catalano receives a management fee of 0.25% per quarter (approximately 1% per annum) of the balance in each limited partner's capital account, payable quarterly in advance based on the limited partner's capital account at the beginning of the quarter. An affiliate of the firm, Krueger & Catalano Partners, LP, as general partner of the Fund, receives a performance fee at the end of each fiscal year equal to 20% of the net profit allocated to the capital account of each Limited Partner (including unrealized gains and losses) for the relevant period, to the extent those net profits exceed the limited partner's unrecouped losses. Investors and prospective Investors should refer to Fund's offering documents for a complete disclosure on the fees associated with investing in the Fund.

Please see Krueger & Catalano's wrap fee brochure for the fees associated with the Krueger & Catalano Portfolio Management Program.

### **Performance-Based Fees**

An affiliate of the firm, Krueger & Catalano Partner, LP, as general partner of K&C Curbstone Partners, LP, receives a performance fee at the end of each fiscal year equal to 20% of the net profit allocated to the capital account of each Limited Partner (including unrealized gains and losses) for the relevant period, to the extent those net profits exceed the limited partner's unrecouped losses. Investors and prospective Investors should refer to Fund's offering documents for a complete disclosure on the fees associated with investing in the Fund.

Performance-based fees may create an incentive for our firm to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, the principals of our firm are responsible for ensuring that investments are suitable for the Fund.

Performance based fees also may create an incentive for our firm to overvalue investments that lack a market quotation. To address this possible conflict, we have adopted policies and procedures that require our firm to "fairly value" any investments that do not have a readily ascertainable value.

We advise clients who are charged performance-based fees (K&C Curbstone Partners, LP and clients who participate in the Krueger & Catalano Curbstone Group Portfolio Management Program) at the same time that we advise clients, through the Krueger & Catalano Portfolio Management Program, who are not charged performance-based fees. This is known as "side-by-side management," which may create a possible conflict of interest. Side-by-side management might provide an incentive for our firm to favor accounts for which we are charged a performance-based fee. For example, we may have an incentive to allocate limited investment opportunities, such as initial public offerings, to clients who are charged performance-based fees over clients who are charged asset-based fees only. To address this conflict of interest, we have instituted policies and procedures that require our firm to allocate investment opportunities (if they are suitable) in an effort to avoid favoritism among our clients, regardless of whether the client is charged performance fees.

## **Types of Clients**

### Description

Krueger & Catalano Capital Partners, LLC generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities, or pooled investment vehicles.

## **Account Minimums**

Krueger & Catalano does not impose a minimum account size for consulting services. Investors in the Fund are required to make an initial minimum investment of \$250,000 which may be waived in our discretion.

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

### Consulting Services

When providing consulting Services, we do not generally advocate an investment strategy per se or recommend specific securities; however we may refer to fundamental and technical analysis as described below based upon our investment philosophy of long only equity allocation amongst various sectors.

- **Fundamental Analysis** - Fundamental Analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Technical Analysis**- Technical Analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

### Risk of Loss

All investments have certain risks that are borne by the investor. The Firm's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of loss than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of default, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

#### K&C Curbstone Partners, LP

Investors and prospective investors should refer to the Fund's offering documents for disclosure regarding the methods of analysis, investment strategies and risk of loss regarding investing in the Fund.

#### Krueger & Catalano Wrap Fee Programs

Client and prospective clients should refer to the Krueger & Catalano Wrap Fee Program brochures for a description of the Methods of Analysis, Investment Strategies and Risk of Loss associated with the Programs.

### **Disciplinary Information**

Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

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

Krueger & Catalano Partners, LP a related person under common control and ownership with our firm, is the General Partner of K&C Curbstone Partners, LP, (the "Fund"), a pooled investment vehicle. Krueger & Catalano also provides investment advisory services to the Fund. The fees associated with investing in the Fund and the compensation received by Krueger & Catalano Partners, LP/ Krueger & Catalano associated with the Fund are separate and apart from the fees for our other services.

Some individuals associated with Krueger & Catalano are licensed as independent insurance agents and will earn commission-based compensation for selling insurance products. Insurance commissions earned by these individuals are separate and in addition to our advisory fees. This practice presents a conflict of interest as associated persons who are licensed insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any associated persons of our firm and you may use the insurance agent of your choosing.

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

### Code of Ethics

Krueger & Catalano strives to comply with applicable laws and regulations governing our practices. Therefore, Krueger & Catalano's Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Krueger & Catalano's goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of Krueger & Catalano's Associated Persons are expected to adhere strictly to these guidelines. Krueger & Catalano's Code of Ethics also requires that certain persons associated with Krueger & Catalano obtain pre-clearance on certain securities transactions and submit reports of their personal account holdings and transactions to a qualified representative of Krueger & Catalano who will review these reports on a periodic basis. Persons associated with Krueger & Catalano are also required to report any violations of our Code of Ethics. Additionally, Krueger & Catalano maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with Krueger & Catalano.

Krueger & Catalano's Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at 713-784-3878.

### Participation or Interest in Client Transactions

Clients of the firm may be solicited to invest in K&C Curbstone Partners, LP and are hereby advised that we may have an incentive to recommend the Fund given that our associated persons or related entities have made an investment into the Fund.

### Personal Trading

Krueger & Catalano or persons associated with Krueger & Catalano may buy or sell securities for clients at the same time Krueger & Catalano or persons associated with Krueger & Catalano buy or sell such securities for our own account. We may also combine our orders to purchase securities with client orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of clients and potentially receive more favorable prices than clients will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over client account in the purchase or sale of securities.



## Brokerage Practices

### Selecting Brokerage Firms

Krueger & Catalano currently utilizes the brokerage and custodial services of independent qualified custodians ("Financial Institutions") Morgan Stanley Smith Barney and Pershing, LLC for Fund transactions

Krueger & Catalano considers the range and quality of the products the custodian offers, the technical support provided, execution quality, commission rates, and the financial responsibility and responsiveness of the custodian to both Krueger & Catalano and its Clients. Krueger & Catalano recognizes its responsibility to attain best execution and recognizes that limiting its custodial relationships may affect its ability to provide best execution on a trade-by-trade basis.

### Soft Dollars

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Krueger & Catalano in its investment decision-making process. Such research generally will be used to service all of Krueger & Catalano's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest. In 2010, Soft Dollars were used to purchase Bloomberg subscriptions and research. Soft Dollars were generated through trades placed through MS Howells for the Fund. Soft Dollar statements are reviewed on a monthly basis by the Chief Compliance Officer.

Other Benefits from Trading: Financial Institutions may provide Krueger & Catalano, without cost to Krueger & Catalano, computer software and related systems support, which allow Krueger & Catalano to better monitor client accounts maintained at or traded through Financial Institutions. Krueger & Catalano may receive the software and related support without cost because Krueger & Catalano renders investment management services to clients that maintain assets or utilize brokerage services at Financial Institutions. The software and related systems support may benefit Krueger & Catalano, but not its clients directly. In fulfilling its duties to its clients, Krueger & Catalano endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Krueger & Catalano's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Krueger & Catalano's choice of one broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

Additionally, Krueger & Catalano may receive the following benefits from Financial Institutions: receipt of duplicate client confirmations and bundled duplicate statements, access to a trading desk that exclusively services its Registered Investment Advisor Group participants, access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to clients' accounts, and access to an electronic communication network for client order entry and account information.

### Order Aggregation

Generally, the Firm will aggregate orders with respect to the same security purchased for different clients. When orders are aggregated, each participating account receives the average share price for the transaction, based upon each account's participation in the transaction, subject to the Firm's discretion depending on factual or market conditions. Clients participating in block trading may include proprietary or related accounts. Such accounts are treated as client accounts and are neither given preferential nor inferior treatment versus other client accounts. Allocations of orders among client accounts must be made in a fair and equitable manner.

## **Review of Accounts**

### Periodic Reviews

Krueger & Catalano monitors the Fund's portfolio as part of an ongoing process. For those clients to whom consulting services are provided, reviews are conducted on an "as-needed" basis. Such reviews are conducted by one of Krueger & Catalano's licensed professionals. All investment advisory clients are encouraged to discuss their needs, goals and objectives with Krueger & Catalano and to keep Krueger & Catalano informed of any changes thereto.

### Regular Reports

Consulting clients will receive reports as agreed to between the firm and the client. Investors in the Fund receive a copy of the audit of the Fund on an annual basis with their K-1. Investors also receive monthly reports of estimated Fund performance and estimated capital account values from the Fund's administrator, Alps Price Meadows.

## **Client Referrals and Other Compensation**

### Incoming Referrals

We may directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

## **Custody**

An affiliate of Krueger & Catalano Capital Partners, Krueger & Catalano Partners, LP, is the General Partner of K&C Curbstone Partners, LP. The General Partner has the authority to withdraw assets from the Fund; therefore the GP is deemed to have custody of the Fund's assets. The Fund is audited by Spicer Jeffries, LLP on an annual basis and audited financials are provided to the investors annually. Limited partners in K&C Curbstone Partners also receive monthly reports of estimated Fund performance and estimated capital account values from the Fund's administrator, Alps Price Meadows.

## **Investment Discretion**

### Discretionary Authority for Trading

Krueger & Catalano Capital Partners, LLC manages the Fund's account on a discretionary basis and has authority to select the securities to be purchased/sold and the amount of securities to be purchased/sold without obtaining any investor's approval.

For individual clients, Krueger & Catalano manages accounts on a discretionary basis through the Krueger & Catalano Portfolio Management Program and the Krueger & Catalano Curbstone Group Portfolio Management Program. (See Krueger and Catalano's Wrap Fee Program Brochures for further details).

## **Voting Client Securities**

### Proxy Votes

Krueger & Catalano votes proxies on behalf of the Fund. The Firm expects to vote proxies on an exception basis, casting votes in a manner consistent with the best interest of the Fund. A brief summary of our proxy voting policy is as follows:

- Krueger & Catalano will vote proxies only on an exception basis.
- In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Krueger & Catalano maintains with persons having an interest in the outcome of certain votes, Krueger & Catalano will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of the Fund and are not the product of such conflict.

For clients who only receive consulting services, Krueger & Catalano will not vote proxies. In most cases, you will receive proxy materials directly from the account custodian.

## **Financial Information**

### Financial Condition

Krueger & Catalano Capital Partners, LLC does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

## **Information Security Program**

### Privacy Notice

Krueger & Catalano collects certain nonpublic personal identifying information about its Clients (such as their name, address, social security number, etc.) from information provided on questionnaires, applications and other forms as well as communications (electronic, telephone, written or in person) with them or their authorized representative (such as their attorney, accountant, etc.). Krueger & Catalano also collects information about Clients' brokerage accounts and transactions (such as purchases, sales, account balances, inquiries, etc.). Krueger & Catalano does not disclose the nonpublic personal information collected about its Clients to anyone except in furtherance of its business relationship with them and then only to those persons necessary to effect the transactions and provide the services that are authorized by the Client (i.e., the custodian, etc.) or as otherwise required by law.

As also permitted by law, Krueger & Catalano may disclose certain information about its Clients to third parties that perform administrative services for Krueger & Catalano. These third parties are prohibited from using or sharing the information for any other purpose. If Clients decide at some point to terminate its services, Krueger & Catalano will continue to adhere to its privacy policy, as may be amended from time to time. Krueger & Catalano also maintains physical, electronic and procedural safeguards that comply with applicable federal or state standards to protect the nonpublic personal information of its Clients.

# THE KRUEGER & CATALANO CURBSTONE GROUP PORTFOLIO MANAGEMENT PROGRAM

Sponsored

By

KRUEGER & CATALANO CAPITAL PARTNERS, LLC

8401 Westview Drive

Houston, TX 77055

(713) 784-3878

February 7, 2013

This Wrap Fee Program Brochure provides information about the qualifications and business practices of Krueger & Catalano Capital Partners, LLC. If you have any questions about the contents of this Brochure, please contact us at 713-784-3878. 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 Krueger & Catalano Capital Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Krueger & Catalano Capital Partners, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Generally, Krueger & Catalano Capital Partners, LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

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## **Item 4 Services, Fees and Compensation**

### **Advisory Business**

Krueger & Catalano Capital Partners, LLC ("Krueger & Catalano") is a registered investment adviser based in Houston, Texas. Krueger & Catalano is organized as a limited liability company and has been providing investment advisory services since 2006.

Krueger & Catalano is the Sponsor and Portfolio Manager for the Krueger & Catalano Curbstone Group Portfolio Management Program (the "Program"), a fee only platform whereby Krueger & Catalano provides portfolio management services for a single all-inclusive fee that includes Krueger & Catalano's investment advisory fee and brokerage transaction and custodial fees.

### **Program Participation**

To participate in the Program you must:

1. Complete a client profile that describes your financial needs, investment objectives, time horizon and risk tolerance, as well as any other factors relevant to your specific financial situation (the Client "FORM" or New Account Questionnaire) and any other supporting documentation for the Program.
2. Complete the investment advisory agreement (the "Agreement") with Krueger & Catalano.
3. Complete a new account agreement with Pershing, LLC or another broker-dealer approved by Krueger & Catalano for participation in the Program ("Broker-Dealer").
4. Open a securities brokerage account with the Broker-Dealer ("Account") and deposit those Client assets designated for participation in the Program ("Program Assets") into the account.

### **Custody**

All Program accounts will be maintained at an independent qualified custodian. Please refer to the Brokerage Practices section below for further information.

### **Investment Advisory Process**

Our investment advice is tailored to meet your needs and investment objectives. After we analyze information which you have provided to us in the Client FORM or New Account Questionnaire, we will assist you in developing an appropriate investment strategy that enables us to give you continuous and focused investment advice. Once we construct an investment portfolio for you, which may be based on or invested according to model strategies developed by the firm, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

We will contact clients periodically to encourage them to provide Krueger & Catalano with information regarding changes to their financial situation or investment objectives. Krueger & Catalano will periodically reassess the current Investment Strategy based on any other information provided by the Client regarding their Client FORM or New Account Questionnaire.



All Clients are encouraged to contact or meet, at least annually, with Krueger & Catalano to comprehensively review their Account performance, update their profile and determine whether changes should be made to their Investment Strategy.

### **Management of Your Portfolio**

All Clients in the Program shall grant Krueger & Catalano discretionary authority to buy, sell and otherwise trade securities for their Account and to liquidate previously purchased securities that the Client has transferred to their Account. Discretionary authority is typically granted by the investment advisory agreement you sign, a power of attorney, or trading authorization forms. You may limit Krueger & Catalano's discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing Krueger & Catalano with your restrictions and guidelines in writing.

Assets in the Client's Account designated for a particular Investment Strategy shall be managed by one of Krueger & Catalano's investment professionals in accordance with the Client's Investment Strategy.

### **Program Fees**

Krueger & Catalano provides its investment management services and arranges for brokerage transactions under a single annualized fee. For participants in the Program, Krueger & Catalano charges an annual fee based upon a percentage of the market value of the assets managed by Krueger & Catalano that includes all commissions or transaction fees which otherwise would be incurred by the Client.

The Program Fee is payable quarterly, in advance, based upon the market value of the assets in the Account as valued by the custodian on the last day of the previous quarter. Additional deposits and withdrawals of funds and/or securities to the Program may be made to or from the Account at any time. Program Fees are calculated *pro rata* for partial billing periods, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. If the Program is terminated during the quarter, the Program Fee will be used to cover trading costs associated with the account and will not be refunded.

For the Income Generating Value Investment Strategy, we charge an annual management fee that ranges from 1.0% to 1.5%. The fee is negotiable, in Krueger & Catalano's discretion, based upon the size and type of assets in the account. The Program fee is payable quarterly in advance based on the portfolio valuation as determined by the account custodian at the close of market on the last business day of each period.

We may also charge performance-based fees in addition to our standard annual management fee, whereby we accrue a quarterly performance fee on each account's quarterly net profit. (Net profit is defined as net realized and unrealized gains less management fees. Net realized and unrealized gains consist of capital gains and losses, distributions, return of capital, ordinary income and losses.)

The performance based fee of 15% is paid quarterly in arrears. The fee is calculated anew at the end of each calendar quarter based on performance for that quarter only. Each quarter will have a "high-water mark" that must be reached such that any loss from the prior quarter must be "made up" before the performance fee will be accrued. The "high-water mark" will be reset on an annual basis to the initial amount deposited into the account (net of any additions/withdrawals initiated by the Client). After the performance fee at year end (if any) is paid, all net profits remaining in the account above the initial amount deposited (net of any additions/withdrawals initiated by the Client) will be distributed to the

Client at that time. To qualify for the performance-based fee, Clients must certify in writing in the Client agreement that they are a "qualified client" pursuant to Rule 205(3) under the Investment Advisers Act of 1940.

Lower fees for comparable services may be available from other sources. Special circumstances may cause fees to vary from the above schedule. Krueger & Catalano reserves the right to negotiate fees with clients and may charge higher or lower fees than those described above, so clients receiving the same service from the adviser may be paying different fees.

Krueger & Catalano will deduct the Program Fee directly from your account through the qualified custodian holding your funds and securities. Krueger & Catalano will deduct the Fee only when you have given Krueger & Catalano written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

### **Other Charges**

Clients incur certain charges imposed by third parties in addition to the Program Fee. Such charges include but are not limited to charges imposed directly by a mutual fund purchased in the Client's Account which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), certain deferred sales charges on mutual funds, broker-dealer commissions on bond transactions (markups/markdowns), charges for cross transactions (see cross transactions under Item 9 below), transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage and securities transactions.

Krueger & Catalano may also charge an initial set-up fee for accounts requiring extensive liquidation and repositioning. This fee is determined on an account-by-account basis and is clearly defined in any applicable client's Investment Advisory Agreement. Additionally, if a client terminating the Investment Advisory Agreement requires that all assets be liquidated prior to transferring out, the client will be assessed a fee to cover the cost of this liquidation.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, Krueger & Catalano may invest, or recommend that you invest in mutual funds and exchange traded funds. The fees that you pay to Krueger & Catalano for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, Krueger & Catalano, and others.

### **Terminating Participation in the Program**

Either the Client or Krueger & Catalano may terminate the Client's participation in the Program at any time upon receipt of written instruction to that effect. In the event of termination, the Program Fee proportional to the number of days remaining in the quarter will first be used to cover trading costs associated with the account and only the remainder (if any) will be refunded.

Immediately, upon notice of the death of a Client, active management of the account will cease until such time as Krueger & Catalano receives instruction from a court of appropriate jurisdiction or a court-appointed executor of the Client's estate.

### **Types of Investments**

We primarily offer advice on individual equity securities, municipal and corporate bonds, mutual funds, and options. You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Wrap Fee Program Disclosures**

- Participating in a Wrap Fee Program may cost more or less than if you paid separately for investment advice, brokerage or other services. The factors which bear on the relative cost of the Program include the trading activity in your account and the size of your account.
- Krueger & Catalano receives compensation as a result of your participation in the Program. The amount of this compensation may be more than what Krueger & Catalano would receive if you paid separately for investment advice and brokerage and therefore Krueger & Catalano may have a financial incentive to offer the Program over other services.

### **Compensation for the Sale of Securities or Other Investments**

Some persons providing investment advice on behalf of Krueger & Catalano are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of Krueger & Catalano who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with Krueger & Catalano.

Any material conflicts of interest between you and Krueger & Catalano, or our employees are disclosed in this Brochure. If at any time, additional material conflicts of interest develop, Krueger & Catalano will provide you with written notification of the material conflicts of interest or an updated Brochure.

## **Item 5 Account Requirement, and Types of Clients**

In general, Krueger & Catalano requires a minimum of \$300,000 to open and maintain an advisory account. At our discretion, Krueger & Catalano may waive this minimum account size. For example, Krueger & Catalano may waive the minimum if you appear to have significant potential for increasing your assets under our management. Krueger & Catalano may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

The Program is open to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

## Item 6 Portfolio Manager Selection and Evaluation

Krueger & Catalano is both the sponsor and portfolio manager of the Krueger & Catalano Curbstone Group Portfolio Management Program. Our fee for acting as portfolio manager is stated above and Krueger & Catalano will not charge you additional fees for participating in the program.

### Our Methods of Analysis and Investment Strategies

Krueger & Catalano may use one or more of the following methods of analysis and investment strategies when providing investment advice to you:

- **Fundamental Analysis** - Fundamental Analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Technical Analysis** - Technical Analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.
- **Options Trading/Writing** - a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option. The trading of options may be highly speculative and may entail more risk than those present when investing in other types of securities. Prices of options are generally more volatile than prices of other types of securities. When trading in options, you may run the risk of losing the entire investment in a relatively short period of time. In more risky options strategies, an investor could theoretically have an unlimited risk of loss.
- **Long Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

Krueger & Catalano's Income generating value investment strategy is focused on the energy, materials and agriculture sectors. A portion of the portfolio is focused entirely on investments in energy publicly traded partnerships, also known as master limited partnerships (MLPs). The other portion of the portfolio is a combination of (1) long value investments in the energy, materials and agriculture sectors (2) selling put and call options around those positions, and (3) buying protective puts and put spreads on the above sectors and on the broader markets.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance.

We may also utilize margin when managing accounts. In a margin transaction, you borrow money to purchase a security, in which case the security serves as collateral on the loan. Margin accounts present special risks because you can lose more money than you deposit in your account, the custodian can force the sale of securities in your account and can sell securities without contacting you.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, Krueger & Catalano determines investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

As a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

All investment programs have certain risk. The firm's investment approach constantly keeps the risk of loss in mind however, clients should be aware of the following risks of participating in the Program:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed

income securities.

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Proxy Voting**

Krueger & Catalano may agree to vote proxies on behalf of Clients in the Program. The firm expects to vote on an exception basis, casting proxy votes in a manner consistent with the best interest of its Clients. Absent special circumstances, which are fully described in Krueger & Catalano's Proxy Voting Policies and Procedures ("Proxy Voting Policy"), all proxies will be voted consistent with the guidelines established and described in Krueger & Catalano's Proxy Voting Policy, which may be amended from time to time. At any time, a Client may contact Krueger & Catalano at the telephone number on the cover page of this Brochure to request information about how we voted proxies for that Client's securities or to get a copy of the Krueger & Catalano's Proxy Voting Policy. We do not accept direction from you on voting a particular proxy.

A brief summary of Krueger & Catalano's Proxy Voting Policy is as follows:

- Krueger & Catalano is responsible for monitoring corporate actions, making voting decisions in the best interest of Clients and ensuring that proxies are submitted in a timely manner.
- Krueger & Catalano will vote according to its Proxy Voting Policy, which includes specific examples of voting decisions for the types of proposals that are most frequently presented, including composition of the board of directors, approval of independent auditors, management and director compensation, anti-takeover mechanisms and related issues, changes to capital structure, corporate and social policy issues, and issues involving mutual funds.
- Although the Proxy Voting Policy is a general guideline, certain issues will be considered on a case-by-case basis based upon the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Krueger & Catalano shall devote an appropriate amount of time and resources to monitor these changes.



- In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Krueger & Catalano maintains with persons having an interest in the outcome of certain votes, Krueger & Catalano will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its Clients and are not the product of such conflict.

## **Performance Fees**

We charge performance-based fees to "qualified clients" having a net worth greater than \$2,000,000 or for whom we manage at least \$1,000,000, immediately after entering an agreement for our services. Performance-based fees are fees based on a share of capital gains or capital appreciation of a client's account. The amount of the performance based fee we charge is described in the "Advisory Business" section in this brochure.

An affiliate of our firm, Krueger & Catalano Partners, LP, is the General Partner of K&C Curbstone Partners, LP (the "Fund"), a pooled investment vehicle. As general Partner to the Fund, Krueger & Catalano Partners, LP is entitled to receive a performance based fee as described in the offering documents for the Fund.

We manage accounts that are charged performance-based fees while at the same time managing accounts (perhaps with similar objectives) that are not charged performance-based fees ("side-by-side management"). Performance-based fees and side-by-side management may create conflicts of interest, which we have identified and described in the following paragraphs.

Performance-based fees may create an incentive for our firm to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, a senior officer of our firm periodically reviews accounts to ensure that investments are suitable and that the account is being managed according to the client's investment objectives and risk tolerance.

Performance based fees may also create an incentive for our firm to overvalue investments which lack a market quotation. In order to address such conflict, we have adopted policies and procedures that require our firm to "fairly value" any investments, which do not have a readily ascertainable value.

Side-by-side management might provide an incentive for our firm to favor accounts for which we receive a performance-based fee. For example, we may have an incentive to allocate limited investment opportunities to the Fund who is charged performance-based fees over clients who are charged asset based fees only. To address this conflict of interest, we have instituted policies and procedures that require our firm to allocate investment opportunities (if they are suitable) in an effort to avoid favoritism among our clients, regardless of whether the client is charged performance fees.

## **Item 7 Client Information Provided to Portfolio Managers**

This section does not apply because Krueger & Catalano is both the sponsor and portfolio manager to the Wrap Fee Program.

## **Item 8 Client Contact with Portfolio Managers**

This section does not apply because Krueger & Catalano is both the sponsor and the portfolio manager to the Wrap Fee Program.

## **Item 9 Additional Information**

### **Disciplinary Information**

Neither Krueger & Catalano nor our principal owners have any reportable legal or disciplinary events, material or otherwise.

### **Other Financial Industry Activities and Affiliations /Participation in Client Transactions**

Messrs. Krueger & Catalano are principals of Krueger & Catalano Partners, LP, which is the General Partner for K&C Curbstone Partners, LP, a pooled investment vehicle. Therefore, Krueger & Catalano Partners, LP, a related person under common control and ownership with our firm, is the General Partner of K&C Curbstone Partners, LP (the "Fund"), a pooled investment vehicle. Krueger & Catalano also provides investment advisory services to the fund. The fees associated with investing in the Fund and the compensation received by Krueger & Catalano Partners, LP/ Krueger & Catalano associated with the Fund are separate and apart from the fees charged for providing advisory services to separately managed accounts. Clients of the Program may be solicited to invest in K&C Curbstone Partners, LP and are hereby advised that we may have an incentive to recommend the Fund given that our associated persons or related entities have made an investment into the Fund. The Fund is offered to certain sophisticated investors only by way of private offering memorandum and other documents. Investors and prospective investors should refer to such documents for a complete description of the fees, investment objectives, risks and other relevant information.

Some individuals associated with Krueger & Catalano are licensed as independent insurance agents and will earn commission-based compensation for selling insurance products. Insurance commissions earned by these individuals are separate and in addition to our advisory fees. This practice presents a conflict of interest as associated persons who are licensed insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any associated persons of our firm and you may use the insurance agent of your choosing.

Krueger & Catalano also may provide consulting services to its Clients outside of this Program. Fees for such other services may be based upon hourly fees or fixed fees. The terms and conditions for these other services are set forth in Krueger & Catalano's Form ADV Part 2A.

### **Description of Our Code of Ethics**

Krueger & Catalano strives to comply with applicable laws and regulations governing our practices. Therefore, Krueger & Catalano's Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Krueger & Catalano's goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of Krueger & Catalano's Associated Persons are expected to adhere strictly to these guidelines. Krueger & Catalano's Code of Ethics also requires that certain persons associated with Krueger & Catalano obtain pre-clearance on certain securities transactions and submit reports of their personal account holdings and transactions to a qualified representative of Krueger & Catalano who will review these reports on a periodic basis. Persons associated with Krueger & Catalano are also required to report any violations of our Code of Ethics. Additionally, Krueger & Catalano maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with Krueger & Catalano.



Krueger & Catalano's Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at 713-784-3878.

### **Personal Trading Practices**

Krueger & Catalano or persons associated with Krueger & Catalano may buy or sell securities for you at the same time Krueger & Catalano or persons associated with Krueger & Catalano buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

### **Reviews of Accounts**

Ryan Krueger and/or Michael Catalano, Managing Members, or another qualified representative of our firm, will monitor your accounts on an ongoing basis and will conduct account reviews at least annually and upon your request to ensure that the advisory services provided to you are consistent with your current/stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

Clients in the Program will receive a report directly from the custodian that may include such relevant Portfolio and/or market-related information such as an inventory of the investments in the Client's Portfolios and Portfolio performance on at least a quarterly basis.

### **Client Referrals and Other Compensation**

We may directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

Please refer to the *Brokerage Practices* section below for disclosures on research and other benefits our firm and/or our affiliates firm may receive from broker-dealers.

### **Brokerage Practices**

Krueger & Catalano recommends "qualified custodians" for Clients' accounts, with each Client signing a separate agreement with the custodian. We currently recommend brokerage and custodial services of M.S. Howells & Co. ("MSH") and its clearing firm Pershing, LLC. In recommending a custodian, Krueger & Catalano considers the range and quality of the products the custodian offers, the technical support provided, execution quality, commission rates, the financial responsibility and responsiveness of the custodian to both Krueger & Catalano and its Clients. Krueger & Catalano recognizes its responsibility to attain best execution and recognizes that limiting its custodial relationships may affect its ability to provide best execution on a trade-by-trade basis. However, Krueger & Catalano evaluates its entire custodial relationship in assessing best execution on a Client-by-Client basis. Although Krueger & Catalano has not entered into any formal soft-dollar arrangements, the following is provided in the interest of full disclosure.

Krueger & Catalano may receive access to research, proprietary account management and data transmission services offered by brokers and/or the applicable custodian to enable Krueger & Catalano to trade Clients' accounts electronically. The applicable custodian also may provide Krueger & Catalano with educational and compliance material, such as newsletters and access to seminars and conferences.

Factors which Krueger & Catalano considers in recommending M.S. Howells & Co. ("MSH"), which has an agreement with Pershing, LLC, to clients include their respective financial strength, reputation, execution, pricing, research and service.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Block Trades**

Generally, the Firm will aggregate orders with respect to the same security purchased for different clients. When orders are aggregated, each participating account receives the average share price for the transaction, based upon each account's participation in the transaction, subject to the Firm's discretion depending on factual or market conditions. Clients participating in block trading may include proprietary or related accounts. Such accounts are treated as client accounts and are neither given preferential nor inferior treatment versus other client accounts. Allocations of orders among client accounts must be made in a fair and equitable manner.

## **Financial Information**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$500 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

## **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the profit will be allocated to you.

## **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

## **Policies and Procedures Regarding Privacy of Client Information**

Krueger & Catalano collects certain nonpublic personal identifying information about its Clients (such as their name, address, social security number, etc.) from information provided on questionnaires, applications and other forms as well as communications (electronic, telephone, written or in person) with them or their authorized representative (such as their attorney, accountant, etc.). Krueger & Catalano also collects information about Clients' brokerage accounts and transactions (such as purchases, sales, account balances, inquiries, etc.). Krueger & Catalano does not disclose the nonpublic personal information collected about its Clients to anyone except in furtherance of its business relationship with them and then only to those persons necessary to effect the transactions and provide the services that are authorized by the Client (i.e., the custodian, etc.) or as otherwise required by law.

As also permitted by law, Krueger & Catalano may disclose certain information about its Clients to third parties that perform administrative services for Krueger & Catalano. These third parties are prohibited from using or sharing the information for any other purpose. If Clients decide at some point to terminate its services, Krueger & Catalano will continue to adhere to its privacy policy, as may be amended from time to time. Krueger & Catalano also maintains physical, electronic and procedural safeguards that comply with applicable federal or state standards to protect the nonpublic personal information of its Clients.

# THE KRUEGER & CATALANO PORTFOLIO MANAGEMENT PROGRAM

Sponsored

By

KRUEGER & CATALANO CAPITAL PARTNERS, LLC

8401 Westview Drive  
Houston, TX 77055

(713) 784-3878

February 7, 2013

This Wrap Fee Program Brochure provides information about the qualifications and business practices of Krueger & Catalano Capital Partners, LLC. If you have any questions about the contents of this Brochure, please contact us at 713-784-3878. 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 Krueger & Catalano Capital Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Krueger & Catalano Capital Partners, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

The following is a Summary of the Material Changes to the Part 2A, Appendix 1 Wrap Fee Brochure for Krueger & Catalano Capital Partners, LLC which have occurred since the filing of our last annual updating amendment on March 6, 2012.

We disclosed that Krueger & Catalano charges an annual Program Fee ranging between 0.5% and 2.50%. The Program fee is negotiable, in Krueger & Catalano's discretion, based upon the size and type of assets in the account.

We disclosed the following pertaining to engaging in cross transactions:

For certain fixed income transactions, it may be the case that we engage in cross transactions between two or more managed accounts. This would occur where one client desires or needs to purchase certain fixed income securities which another client desires or needs to sell. In such transactions, a potential conflict of interest exists in that one client may be disadvantaged by the transaction. For example, we could cause a transaction in a bond to occur at a price above the market price for such bond that would then be available on the open market, which would benefit the selling account and harm the buying account. We generally only engage in cross transactions where both parties receive equal or more favorable prices as would be available in the open market. As a fiduciary, we effect cross transactions only when clients are informed of the terms of the transaction and such transactions are consistent with our duty to obtain best execution. When we engage in a cross transaction, the seller will be charged a commission by the broker dealer.

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## **Item 4 Services, Fees and Compensation**

### **Advisory Business**

Krueger & Catalano Capital Partners, LLC ("Krueger & Catalano") is a registered investment adviser based in Houston, Texas. Krueger & Catalano is organized as a limited liability company and has been providing investment advisory services since 2006.

Krueger & Catalano is the Sponsor and Portfolio Manager for the Krueger & Catalano Portfolio Management Program (the "Program"), a fee only platform whereby Krueger & Catalano provides portfolio management services for a single all-inclusive fee that includes Krueger & Catalano's investment advisory fee and brokerage transaction and custodial fees.

### **Program Participation**

To participate in the Program you must:

1. Complete a client profile that describes your financial needs, investment objectives, time horizon and risk tolerance, as well as any other factors relevant to your specific financial situation (the Client "FORM" or New Account Questionnaire) and any other supporting documentation for the Program.
2. Complete the investment advisory agreement (the "Agreement") with Krueger & Catalano.
3. Complete a new account agreement with Fidelity Institutional Wealth Services or another broker-dealer approved by Krueger & Catalano for participation in the Program ("Broker-Dealer").
4. Open a securities brokerage account with the Broker-Dealer ("Account") and deposit those Client assets designated for participation in the Program ("Program Assets") into the account.

### **Custody**

All Program accounts will be maintained at an independent qualified custodian. Please refer to the Brokerage Practices section below for further information.

### **Investment Advisory Process**

Our investment advice is tailored to meet your needs and investment objectives. After we analyze information which you have provided to us in the Client FORM or New Account Questionnaire, we will assist you in developing an appropriate investment strategy that enables us to give you continuous and focused investment advice. Once we construct an investment portfolio for you, which may be based on or invested according to model strategies developed by the firm, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

We will contact clients periodically to encourage them to provide Krueger & Catalano with information regarding changes to their financial situation or investment objectives. Krueger & Catalano will periodically reassess the current Investment Strategy based on any other information provided by the Client regarding their Client FORM or New Account Questionnaire.

All Clients are encouraged to contact or meet, at least annually, with Krueger & Catalano to comprehensively review their Account performance, update their profile and determine whether changes should be made to their Investment Strategy.

**Management of Your Portfolio**

All Clients in the Program shall grant Krueger & Catalano discretionary authority to buy, sell and otherwise trade securities for their Account and to liquidate previously purchased securities that the Client has transferred to their Account. Discretionary authority is typically granted by the investment advisory agreement you sign, a power of attorney, or trading authorization forms. You may limit Krueger & Catalano's discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing Krueger & Catalano with your restrictions and guidelines in writing.

Assets in the Client's Account designated for a particular Investment Strategy shall be managed by one of Krueger & Catalano's investment professionals in accordance with the Client's Investment Strategy.

**Program Fees**

Krueger & Catalano provides its investment management services and arranges for brokerage transactions under a single annualized fee. For participants in the Program, Krueger & Catalano charges an annual fee based upon a percentage of the market value of the assets managed by Krueger & Catalano that includes all commissions or transaction fees which otherwise would be incurred by the Client.

Krueger & Catalano charges an annual Program Fee ranging between 0.5% and 2.50%. The Program fee is negotiable, in Krueger & Catalano's discretion, based upon the size and type of assets in the account.

The Program Fee is payable quarterly, in advance, based upon the market value of the assets in the Account as valued by the custodian on the last day of the previous quarter. Additional deposits and withdrawals of funds and/or securities to the Program may be made to or from the Account at any time. Program Fees are calculated pro rata for partial billing periods, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. If the Program is terminated during the quarter, the Program Fee proportional to the number of days remaining in the quarter will first be used to cover trading costs associated with the account and only the remainder (if any) will be refunded.

Lower fees for comparable services may be available from other sources. Special circumstances may cause fees to vary from the above schedule. Krueger & Catalano reserves the right to negotiate fees with clients and may charge higher or lower fees than those described above, so clients receiving the same service from the adviser may be paying different fees.

Krueger & Catalano will deduct the Program Fee directly from your account through the qualified custodian holding your funds and securities. Krueger & Catalano will deduct the Fee only when you have given Krueger & Catalano written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.



**Other Charges**

Clients incur certain charges imposed by third parties in addition to the Program Fee. Such charges include but are not limited to charges imposed directly by a mutual fund purchased in the Client's Account which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), certain deferred sales charges on mutual funds, broker-dealer commissions on bond transactions (markups/markdowns), charges for cross transactions (see cross transactions under Item 9 below), transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage and securities transactions.

Krueger & Catalano may also charge an initial set-up fee for accounts requiring extensive liquidation and repositioning. This fee is determined on an account-by-account basis and is clearly defined in any applicable client's Investment Advisory Agreement. Additionally, if a client terminating the Investment Advisory Agreement requires that all assets be liquidated prior to transferring out, the client will be assessed a fee to cover the cost of this liquidation.

**Additional Fees and Expenses**

As part of our investment advisory services to you, Krueger & Catalano may invest, or recommend that you invest in mutual funds and exchange traded funds. The fees that you pay to Krueger & Catalano for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, Krueger & Catalano, and others.

**Terminating Participation in the Program**

Either the Client or Krueger & Catalano may terminate the Client's participation in the Program at any time upon receipt of written instruction to that effect. In the event of termination, the Program Fee proportional to the number of days remaining in the quarter will first be used to cover trading costs associated with the account and only the remainder (if any) will be refunded.

Immediately, upon notice of the death of a Client, active management of the account will cease until such time as Krueger & Catalano receives instruction from a court of appropriate jurisdiction or a court-appointed executor of the Client's estate.

**Types of Investments**

We primarily offer advice on individual equity securities and municipal and government bonds. You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

**Assets Under Management**

As of December 11, 2012, we have approximately \$149,000,000 in discretionary assets under management in the Program.

**Wrap Fee Program Disclosures**

- Participating in a Wrap Fee Program may cost more or less than if you paid separately for investment advice, brokerage or other services. The factors which bear on the relative cost of the Program include the trading activity in your account and the size of your account.

- Krueger & Catalano receives compensation as a result of your participation in the Program. The amount of this compensation may be more than what Krueger & Catalano would receive if you paid separately for investment advice and brokerage and therefore Krueger & Catalano may have a financial incentive to offer the Program over other services.

### **Compensation for the Sale of Securities or Other Investments**

Some persons providing investment advice on behalf of Krueger & Catalano are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of Krueger & Catalano who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with Krueger & Catalano.

Any material conflicts of interest between you and Krueger & Catalano, or our employees are disclosed in this Brochure. If at any time, additional material conflicts of interest develop, Krueger & Catalano will provide you with written notification of the material conflicts of interest or an updated Brochure.

## **Item 5 Account Requirement, and Types of Clients**

Krueger & Catalano has a preferred minimum of \$250,000 of assets under management. We have the discretion to waive the account minimum. Other exceptions will apply to employees of Krueger & Catalano Capital Partners, LLC and their relatives, or relatives of existing clients.

The Program is open to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

## **Item 6 Portfolio Manager Selection and Evaluation**

Krueger & Catalano is both the sponsor and portfolio manager of the Krueger & Catalano Group Portfolio Management Program. Our fee for acting as portfolio manager is stated above and Krueger & Catalano will not charge you additional fees for participating in the program.

### **Our Methods of Analysis and Investment Strategies**

Krueger & Catalano may use one or more of the following methods of analysis and investment strategies when providing investment advice to you:

- **Fundamental Analysis** - Fundamental Analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Technical Analysis**- Technical Analysis involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future

price movements. Current prices of securities may reflect all information known about the security and day -to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

The primary equity investment strategy used on client accounts is a traditional long only, with stocks allocated amongst different industry sectors. The investment strategy for a specific client is based upon the objectives and risk tolerance stated by the client during consultations. The client may change these objectives at any time, and Krueger & Catalano may reassess and consult with the client to adjust a client's investment strategies to correspond with major changes in the client's life or lifestyle.

Client portfolios typically consist of equities only, a combination of equities and bonds, or bonds only. Krueger & Catalano is always looking for new ideas for investments and may add to portfolio positions at different times based on cash available in accounts. Although not recommended by Krueger & Catalano, clients may be permitted to transfer a limited number of securities "in kind" and continue holding such securities at their own risk.

Each client's account is tailored to fit their particular financial situation and goals; therefore each client's account will have a higher or lower allocation to equities, fixed income securities, and cash equivalents relative to other clients.

We may use investment strategies that involve buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses during a volatile market. However, frequent trading can negatively affect investment performance.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, Krueger & Catalano determines investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

As a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

## **Risk of Loss**

All investment programs have certain risk. The Firm's investment approach constantly keeps the risk of loss in mind, however, clients should be aware of the following risks of participating in the Program:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of loss than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of default, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Proxy Voting**

Krueger & Catalano agrees to vote proxies on behalf of Clients in the Program. The firm expects to vote on an exception basis, casting proxy votes in a manner consistent with the best interest of its Clients. Absent special circumstances, which are fully described in Krueger & Catalano's Proxy Voting Policies and Procedures ("Proxy Voting Policy"), all proxies will be voted consistent with the guidelines established and described in Krueger & Catalano's Proxy Voting Policy, which may be amended from time to time. At any time, a Client may contact Krueger & Catalano at the telephone number on the cover page of this Brochure to request information about how we voted proxies for that Client's securities or to get a copy of the Krueger & Catalano's Proxy Voting Policy. We do not accept direction from you on voting a particular proxy.

A brief summary of Krueger & Catalano's Proxy Voting Policy is as follows:

- Krueger & Catalano is responsible for monitoring corporate actions, making voting decisions in the best interest of Clients and ensuring that proxies are submitted in a timely manner.

- Krueger & Catalano will vote according to its Proxy Voting Policy, which includes specific examples of voting decisions for the types of proposals that are most frequently presented, including composition of the board of directors, approval of independent auditors, management and director compensation, anti-takeover mechanisms and related issues, changes to capital structure, corporate and social policy issues, and issues involving mutual funds.
- Although the Proxy Voting Policy is a general guideline, certain issues will be considered on a case-by-case basis based upon the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, Krueger & Catalano shall devote an appropriate amount of time and resources to monitor these changes.
- In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that Krueger & Catalano maintains with persons having an interest in the outcome of certain votes, Krueger & Catalano will take appropriate steps to ensure that its proxy voting decisions are made in the best interest of its Clients and are not the product of such conflict.

### **Performance Fees**

An affiliate of our firm, Krueger & Catalano Partners, LP, is the General Partner of K&C Curbstone Partners, LP (the "Fund"), a pooled investment vehicle. As general Partner to the Fund, Krueger & Catalano Partners, LP is entitled to receive a performance based fee as described in the offering documents for the Fund.

We manage the Fund's portfolio which is charged performance-based fees while at the same time managing accounts (perhaps with similar objectives) that are not charged performance-based fees ("side-by-side management"). Performance-based fees and side-by-side management may create conflicts of interest, which we have identified and described in the following paragraphs.

Performance-based fees may create an incentive for our firm to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In order to address this potential conflict of interest, a senior officer of our firm periodically reviews accounts to ensure that investments are suitable and that the account is being managed according to the client's investment objectives and risk tolerance.

Performance based fees may also create an incentive for our firm to overvalue investments which lack a market quotation. In order to address such conflict, we have adopted policies and procedures that require our firm to "fairly value" any investments, which do not have a readily ascertainable value.

Side-by-side management might provide an incentive for our firm to favor accounts for which we receive a performance-based fee. For example, we may have an incentive to allocate limited investment opportunities to the Fund who is charged performance-based fees over clients who are charged asset based fees only. To address this conflict of interest, we have instituted policies and procedures that require our firm to allocate investment opportunities (if they are suitable) in an effort to avoid favoritism among our clients, regardless of whether the client is charged performance fees.

## **Item 7 Client Information Provided to Portfolio Managers**

This section does not apply because Krueger & Catalano is both the sponsor and portfolio manager to the Wrap Fee Program.

## **Item 8 Client Contact with Portfolio Managers**

This section does not apply because Krueger & Catalano is both the sponsor and the portfolio manager to the Wrap Fee Program.

## **Item 9 Additional Information**

### **Disciplinary Information**

Neither Krueger & Catalano nor our principal owners have any reportable legal or disciplinary events, material or otherwise.

### **Other Financial Industry Activities and Affiliations /Participation in Client Transactions**

Messrs. Krueger & Catalano are principals of Krueger & Catalano Partners, LP, which is the General Partner for K&C Curbstone Partners, LP, a pooled investment vehicle. Therefore, Krueger & Catalano Partners, LP, a related person under common control and ownership with our firm, is the General Partner of K&C Curbstone Partners, LP (the "Fund"), a pooled investment vehicle. Krueger & Catalano also provides investment advisory services to the fund. The fees associated with investing in the Fund and the compensation received by Krueger & Catalano Partners, LP/ Krueger & Catalano associated with the Fund are separate and apart from the fees charged for providing advisory services to separately managed accounts. Clients of the Program may be solicited to invest in K&C Curbstone Partners, LP and are hereby advised that we may have an incentive to recommend the Fund given that our associated persons or related entities have made an investment into the Fund. The Fund is offered to certain sophisticated investors only by way of private offering memorandum and other documents. Investors and prospective investors should refer to such documents for a complete description of the fees, investment objectives, risks and other relevant information.

Some individuals associated with Krueger & Catalano are licensed as independent insurance agents and will earn commission-based compensation for selling insurance products. Insurance commissions earned by these individuals are separate and in addition to our advisory fees. This practice presents a conflict of interest as associated persons who are licensed insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any associated persons of our firm and you may use the insurance agent of your choosing.

Krueger & Catalano also may provide consulting services to its Clients outside of this Program. Fees for such other services may be based upon hourly fees or fixed fees. The terms and conditions for these other services are set forth in Krueger & Catalano's Form ADV Part 2A.



## **Description of Our Code of Ethics**

Krueger & Catalano strives to comply with applicable laws and regulations governing our practices. Therefore, Krueger & Catalano's Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Krueger & Catalano's goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of Krueger & Catalano's Associated Persons are expected to adhere strictly to these guidelines. Krueger & Catalano's Code of Ethics also requires that certain persons associated with Krueger & Catalano obtain pre-clearance on certain securities transactions and submit reports of their personal account holdings and transactions to a qualified representative of Krueger & Catalano who will review these reports on a periodic basis. Persons associated with Krueger & Catalano are also required to report any violations of our Code of Ethics. Additionally, Krueger & Catalano maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with Krueger & Catalano.

Krueger & Catalano's Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting us at 713-784-3878.

## **Personal Trading Practices**

Krueger & Catalano or persons associated with Krueger & Catalano may buy or sell securities for you at the same time Krueger & Catalano or persons associated with Krueger & Catalano buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Cross Transactions**

For certain fixed income transactions, it may be the case that we engage in cross transactions between two or more managed accounts. This would occur where one client desires or needs to purchase certain fixed income securities which another client desires or needs to sell. In such transactions, a potential conflict of interest exists in that one client may be disadvantaged by the transaction. For example, we could cause a transaction in a bond to occur at a price above the market price for such bond that would then be available on the open market, which would benefit the selling account and harm the buying account. We generally only engage in cross transactions where both parties receive equal or more favorable prices as would be available in the open market. As a fiduciary, we effect cross transactions only when clients are informed of the terms of the transaction and such transactions are consistent with our duty to obtain best execution. When we engage in a cross transaction, the seller will be charged a commission by the broker dealer. We will maintain a written record of each cross transaction annotated to disclose the terms of the transaction. When we engage in cross transactions, we do not receive additional compensation other than our advisory fees, as disclosed above.

## **Reviews of Accounts**

Ryan Krueger and/or Michael Catalano, Managing Members, or another qualified representative of our firm, will monitor your accounts on an ongoing basis and will conduct account reviews at least annually and upon your request to ensure that the advisory services provided to you are consistent with your current/stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

Clients in the Program will receive a report directly from the custodian that may include such relevant Portfolio and/or market-related information such as an inventory of the investments in the Client's Portfolios and Portfolio performance on at least a quarterly basis.

### **Client Referrals and Other Compensation**

We may directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

Please refer to the *Brokerage Practices* section below for disclosures on research and other benefits our firm and/or our affiliates firm may receive from broker-dealers.

### **Brokerage Practices**

Krueger & Catalano recommends "qualified custodians" for Clients' accounts, with each Client signing a separate agreement with the custodian. We currently recommend brokerage and custodial services of Fidelity Institutional Wealth Services ("Fidelity"), among others.

In recommending a custodian, Krueger & Catalano considers the range and quality of the products the custodian offers, the technical support provided, execution quality, commission rates, and the financial responsibility and responsiveness of the custodian to both Krueger & Catalano and its Clients. Krueger & Catalano recognizes its responsibility to attain best execution and recognizes that limiting its custodial relationships may affect its ability to provide best execution on a trade-by-trade basis.

Krueger & Catalano may receive from Fidelity, without cost to Krueger & Catalano, computer software and related systems support, which allow Krueger & Catalano to better monitor client accounts maintained at Fidelity. Krueger & Catalano may receive the software and related support without cost because Krueger & Catalano renders investment management services to clients that maintain assets at Fidelity. The software and related systems support may benefit Krueger & Catalano, but not its clients directly. In fulfilling its duties to its clients, Krueger & Catalano endeavors at all times to put the interests of its clients first. Clients should be aware; however, that Krueger & Catalano's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence



Krueger & Catalano's choice of one broker-dealer over another broker-dealer that does not furnish similar software, systems support or services. In recognition of the value of the services Fidelity provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

Additionally, Krueger & Catalano may receive the following benefits from Fidelity through the Fidelity Registered Investment Advisor Group: receipt of duplicate client confirmations and bundled duplicate statements, access to a trading desk that exclusively services its Registered Investment Advisor Group participants, access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to clients accounts, and access to an electronic communication network for client order entry and account information.

### **Directed Brokerage**

The client may direct Krueger & Catalano in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with the broker-dealer, and Krueger & Catalano will not seek better executions services or prices from other broker-dealers or be able to "batch" clients' transactions for execution through other broker-dealers with orders for other accounts managed by Krueger & Catalano (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Krueger & Catalano may decline a client's request to direct brokerage if, in Krueger & Catalano's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Block Trades**

Generally, the Firm will aggregate orders with respect to the same security purchased for different clients. When orders are aggregated, each participating account receives the average share price for the transaction, based upon each account's participation in the transaction, subject to the Firm's discretion depending on factual or market conditions. Clients participating in block trading may include proprietary or related accounts. Such accounts are treated as client accounts and are neither given preferential nor inferior treatment versus other client accounts. Allocations of orders among client accounts must be made in a fair and equitable manner.

### **Financial Information**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$500 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the profit will be allocated to you.

**Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

**Policies and Procedures Regarding Privacy of Client Information**

Krueger & Catalano collects certain nonpublic personal identifying information about its Clients (such as their name, address, social security number, etc.) from information provided on questionnaires, applications and other forms as well as communications (electronic, telephone, written or in person) with them or their authorized representative (such as their attorney, accountant, etc.). Krueger & Catalano also collects information about Clients' brokerage accounts and transactions (such as purchases, sales, account balances, inquiries, etc.). Krueger & Catalano does not disclose the nonpublic personal information collected about its Clients to anyone except in furtherance of its business relationship with them and then only to those persons necessary to effect the transactions and provide the services that are authorized by the Client (i.e., the custodian, etc.) or as otherwise required by law.

As also permitted by law, Krueger & Catalano may disclose certain information about its Clients to third parties that perform administrative services for Krueger & Catalano. These third parties are prohibited from using or sharing the information for any other purpose. If Clients decide at some point to terminate its services, Krueger & Catalano will continue to adhere to its privacy policy, as may be amended from time to time. Krueger & Catalano also maintains physical, electronic and procedural safeguards that comply with applicable federal or state standards to protect the nonpublic personal information of its Clients.