

## **KRANE FINANCIAL SOLUTIONS**

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**This brochure provides information about the qualifications and business practices of Krane Financial Solutions. If you have any questions about the contents of this brochure, please contact us at (310) 989-0934 or [justin@kranefinancialsolutions.com](mailto:justin@kranefinancialsolutions.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Krane Financial Solutions also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2: Material Changes**

Items 4 and 5 were updated to include additional services information provided by Krane Financial Solutions, Inc. (“Krane Financial Solutions”).

The material changes discussed above are only those changes that have been made to this brochure since the firm’s last annual update of the brochure. The date of the last update of the brochure was April 20, 2012.

Pursuant to federal regulations, Krane Financial Solutions will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of Krane Financial Solution’s fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Krane Financial Solution’s Brochure is available anytime upon request or at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

Krane Financial Solutions is a registered investment advisor firm registered with the Securities and Exchange Commission since April 15, 2010.

The principal owner of Krane Financial Solutions is Justin D. Krane, President and Chief Compliance Officer.

#### **Types of Advisory Services**

##### **Investment Advisory Services**

Krane Financial Solutions' ("Krane Financial" or "Advisor") principal service is providing fee-based investment advisory services and financial planning services. The Advisor practices custom management of portfolios, on a discretionary and non-discretionary basis, according to the client's objectives. The Advisor's primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The Advisor uses exchange listed securities, over-the-counter securities, foreign securities, warrants, corporate debt securities, commercial paper, CDs, variable life insurance, variable annuities, municipal securities, mutual funds, United States government securities, options in securities and commodities and interests in partnerships investing in real estate to accomplish this objective. The Advisor measures and selects mutual funds by using various criteria, such as the fund manager's tenure, and/or overall career performance. The Advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The Advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The Advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. The Advisor may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in risk tolerance of client, or any risk deemed unacceptable for the client's risk tolerance.

Krane Financial will provide investment advisory services and portfolio management services and will not provide securities custodial or other administrative services. At no time will Krane Financial accept or maintain custody of a client's funds or securities.

##### **Selection of Other Advisors**

Krane Financial may recommend and refer clients to unaffiliated money managers or investment advisors through Managed Account programs sponsored by a third-party provider. In these arrangements, the client will then enter into a program and investment advisory agreement with the program sponsor and sub-advisors. Krane Financial will assist and advise the client in establishing investment objectives for the sub-advisors and continue to provide oversight of the client account and ongoing monitoring of the activities of the sub-advisors. The sub-advisors will develop an investment strategy to meet those objectives by identifying appropriate investments and monitoring such investments. In consideration for such services, the program sponsor will charge a program fee that includes the investment advisory fee of the sub-advisors, the administration of the program and trading, clearance and settlement costs. The program sponsor

will add Krane Financial's investment advisory fee (described below in Item 5) and will deduct the overall fee from the client account quarterly in advance based on the fair market value at the end of the preceding quarter.

The client, prior to entering into an agreement with a third party money manager selected by Krane Financial, will be provided with that manager's Form Brochure that makes the appropriate disclosures. In addition, Krane Financial and its client will agree in writing that the client's account will be managed by that selected third party money manager on a discretionary basis.

#### Qualified Retirement Plan Consulting Services

Krane Financial will provide advisory services to Qualified Retirement Plans ("Plans") including Plan evaluation, investment allocation recommendations, investment selection recommendations, monitoring of investment service providers, educational seminars for Plan participants, and Plan enrollment and participant communication assistance. Krane Financial will assist the Plan Sponsor in adopting a suitable investment policy statement ("IPS"), amending it from time to time, and will provide information and recommendations, consistent with the IPS, to aid the Plan Sponsor in selecting and monitoring investments offered to Participants in the Plan.

The Advisor's roles and actions in fulfilling all responsibilities pertaining to this Agreement shall not include those of the Plan's Trustee, and will be performed solely at the direction of the Plan Sponsor, its authorized officers, employees and/or agents. At no time will the Advisor accept, maintain possession of, or have custodial responsibility for, the Plan's assets. Communicational and educational activities in which the Advisor engages related to Participants in the Plan shall be solely at the direction of the Plan Sponsor, and shall not be represented by the Advisor or Plan Sponsor as investment, tax or legal advice. The Advisor is not licensed to provide, shall not provide, nor be construed to provide, the services of an attorney or accountant.

#### Financial Planning

In addition to investment supervisory services, Krane Financial may provide Financial Planning Services to some of its clients. The Advisor's Financial Planning services may include recommendations for portfolio customization based on their client's investment objectives, goals and financial situation. Financial Planning Services may also include recommendations relating to investment strategies as well as tailored investment advice.

A conflict exists between the interests of the investment adviser or associated persons and the interest of the client; the client is under no obligation to act upon the investment adviser's or associated person's recommendation; if the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through the investment adviser, the associated person when the person is an agent with a licensed broker-dealer or through any associate or affiliate of such person.

#### Newsletters

Krane Financial provides services consisting of the publication of a newsletter. The newsletter may provide, but is not limited to topics including current market conditions, retirement planning, financial planning, insurance and estate planning and any other relevant topics or information the Advisor deems appropriate. In addition, clients may arrange for the ability to

receive, for an additional fee, consulting services related to the subject matter of the newsletter. Those fees are described in Item 5 below.

#### Seminars and Online Investment Video Courses

Krane Financial will furnish investment advice to individuals in the form of educational seminars and online investment video courses. Where the firm charges a fee for participation in these seminars and online courses, attendees will be provided with a copy of Krane Financial's Brochure.

#### Important Information Relating to Krane Financial's Services

The investment advice provided by Krane Financial is customized to each client's individual needs, objectives, and other financial goals. At the onset of the client relationship, Krane Financial memorializes each client's investment objectives, risk tolerance, investment guidelines, time horizons, tax status, liquidity requirements, and other important and necessary information. The information provided in by the client, together with any other information relating to the client's overall financial circumstances, will be used by the firm to determine the appropriate portfolio asset allocation and investment strategy for each client.

Krane Financial does not assume any responsibility for the accuracy of the information provided by the client and is not obligated to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying Krane Financial in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance. In the event that a client notifies Krane Financial of changes in the client's financial circumstances, it will review such changes and implement any necessary revisions to the client's portfolio.

Prior to engaging the firm, the client will be required to enter into a written agreement setting forth the terms and conditions under which Krane Financial shall render its services (the "Agreement"). In accordance with applicable laws and regulations, Krane Financial will provide a disclosure brochure (ADV Part 2A) and one or more brochure supplements (ADV Part 2B) to each client prior to or contemporaneously with the execution of an investment advisory agreement. The Agreement between Krane Financial and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Krane Financial's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Neither Krane Financial nor the client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of a Krane Financial shall not be considered an assignment.

At no time will Krane Financial accept or maintain custody of a client's funds or securities.

Clients may impose reasonable guidelines and/or restrictions on investing in certain securities or types of securities. For example, a client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio. All such

guidelines and restrictions must be communicated to Krane Financial in writing. There may be times when certain restrictions are placed by a client, which prevents Krane Financial from accepting or continuing to manage the account. Krane Financial reserves the right to not accept and/or terminate management of a client's account if it feels that the client imposed restrictions would limit or prevent it from carrying out its investment strategies.

Krane Financial does not provide portfolio management services to wrap fee programs.

Krane Financial manages client assets and as of December 31, 2012 has the following assets under management:

|                           |                     |
|---------------------------|---------------------|
| Discretionary assets:     | \$34,650,000        |
| Non discretionary assets: | <u>\$57,302,000</u> |
| Total                     | \$91,952,000        |

## **Item 5: Fees and Compensation**

### Investment Advisory Fees

Pursuant to an investment advisory contract signed by each client, the client will pay Krane Financial a quarterly Management Fee, payable in advance, based on the value of the assets to be managed by the Advisor on the last business day of the preceding quarter. The range of the Advisor's fee is 0.20% to 1.50%, which is determined on an individualized basis.

These fees may be negotiated or waived by the Advisor under unusual circumstances, at the sole discretion of the Advisor. Asset management fees will be automatically deducted from the client account on a quarterly basis by the custodian.

All fees paid to Krane Financial for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders and the product sponsor in the case of variable insurance products. These fees and expenses are described in each fund's or variable product's prospectus. These fees will generally include a management fee, other fund expenses. A client could invest in these products directly, without the services of Krane Financial. In that case, the client would not receive the services provided by Krane Financial which are designed, among other things, to assist the client in determining which products or services are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the product sponsor and the fees charged by Krane Financial to fully understand the total fees to be paid.

At no time will Krane Financial accept or maintain custody of a client's funds or securities except for authorized fee deduction. Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Advisors fee is separate and distinct from the custodian and execution fees.

Clients may request to terminate their advisory contract with Krane Financial, in whole or in part, by providing advance written notice. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client. Client's advisory agreement with the Advisor is non-transferable without client's written approval.

### Hourly Fee

Some clients may contract to have the Advisor provide investment advisory and/or financial planning advice, podcasts, webinars, consulting, individual classes, books, customized materials, weekend retreats and other services as agreed to by the Advisor and Client provided based on an hourly fee. The Advisors hourly fee will be billed in the range of \$200 to \$300 per hour depending on the complexity of the project and the individual circumstances of the client, and may be negotiated and agreed upon by the parties in advance. Hourly fee-based clients are billed on a monthly basis upon completion of work performed.

### Fixed Fees

Krane Financial will charge a fixed fee for comprehensive financial planning services in the range of \$2,000 to \$10,000 per plan depending on the complexity of the project and the individual circumstances of the client as contracted for with client in advance. Some clients may also engage the services of the Advisor on a fixed fee bases for services mentioned in Item 4 above, such as, podcasts, webinars, consulting, individual classes, books, customized materials, weekend retreats or the Advisor's newsletter. Fixed fees may be negotiated in advance based at the discretion of the Advisor. Fixed fee-based clients are billed on a monthly basis upon completion of work performed.

### Subscription Fees

For those Clients that subscribe to the Advisor's newsletter, Krane Financial generally requires prepayment of its basic subscription fee. In the event that Krane Financial cannot fulfill its obligations and/or its service is discontinued, it will refund the unearned balance of the subscription fee. Client's may cancel subscriptions with 30 days notice and are entitled to receive a pro-rated refund of any unearned subscription fees. Pre-payment of fees will not exceed \$500 per client, 6 months in advance.

### Qualified Retirement Plan Consulting Fees

The Plan Sponsor will pay the Advisor, as compensation for its services under an advisory agreement signed by the Sponsor, a consulting fee at an annual rate of 0.50% of assets in the Plan including the value of any outstanding loans from the Plan to Participants. The consulting fee is payable quarterly in advance, based on the fair market value of assets in the Plan at the end of each quarter. The consulting fee in the first month of the Agreement shall be prorated from the inception date to the end of the quarter. The Advisor shall invoice the Plan Sponsor for the consulting fee. The Plan Sponsor may, at its election, submit invoices for this consulting fee to the custodian of the Plan's assets for payment. The Plan Sponsor agrees to payment of these invoices, whether directly from the Plan Sponsor or from the Plan's custodian, promptly, and, under normal circumstances, by the end of the month in which the invoice is submitted. Fees are negotiable.

### Seminar and Online Video Course Fees

Depending on the topics, duration, and expertise provided during the sessions, the fees paid by the participants will range up to \$2,000 for seminars, and \$3,000 for online video courses. These fees will be billed when the participants register for the seminar or video course.



Client should be aware that they may receive lower fees from other sources for comparable services.

Krane Financial's management fee is payable in advance. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client.

Neither Krane Financial nor its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Krane Financial does not charge performance-based fees.

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

Krane Financial will offer its services to individuals, pension and profit sharing plans, trust, estates or charitable organizations, corporations or other business entities.

Krane Financial does not have any minimum requirements for opening or maintaining an account with the firm.

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

The Advisor may utilize fundamental, technical analysis techniques in formulating investment advice or managing assets for clients.

Fundamental analysis of businesses involves analyzing its financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives; to conduct a company stock valuation and predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk.

Technical analysis is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall.

The investment strategies the Advisor will implement may include long term purchases of securities held at least for one year; short term purchases for securities sold within a year; trading of securities sold within 30 days, short sales, margin transactions and option writing, including covered options, uncovered options or spreading strategies.

The methods of analysis and investment strategies followed by Krane Financial are utilized across all of the Advisors clients, as applicable. One method of analysis or investment strategy is

not more significant than the other as the Advisor is considering the client's portfolio, risk tolerance, time horizon and individual goals. However, the client should be aware that with any trading that occurs in the client account, the client will incur transaction and administrative costs.

Krane Financial does not primarily recommend a particular type of security.

Investing in securities involves a significant risk of loss which clients should be prepared to bear. Krane Financial's investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there may be a loss or depreciation to the value of the client's account. There can be no assurance that the client's investment objectives will be obtained and no inference to the contrary should be made.

Generally, the market value of stocks will fluctuate with market conditions, and small-stock prices generally will fluctuate more than large-stock prices. The market value of fixed income securities will generally fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage-backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities. Investments in overseas markets also pose special risks, including currency fluctuation and political risks, and it may be more volatile than that of a U.S. only investment. Such risks are generally intensified for investments in emerging markets. Small-cap stocks may be subject to a higher degree of risk than more established companies' securities. The illiquidity of the small-cap market may adversely affect the value of these investments. In addition, there is no assurance that a mutual fund or ETF will achieve its investment objective. Past performance of investments is no guarantee of future results.

Additional risks involved in the securities recommended by Krane Financial may include, among others:

- *Stock market risk*, which is the chance that stock prices overall will decline. The market value of equity securities will generally fluctuate with market conditions. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. Prices of equity securities tend to fluctuate over the short term as a result of factors affecting the individual companies, industries or the securities market as a whole. Equity securities generally have greater price volatility than fixed income securities.
- *Sector risk*, which is the chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.

- *Issuer risk*, which is the risk that the value of a security may decline for reasons directly related to the issuer, such as management performance, financial leverage, and reduced demand for the issuer's goods or services.
- *Non-diversification risk*, which is the risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political or regulatory occurrence than a more diversified portfolio might be.
- *Value investing risk*, which is the risk that value stocks may not increase in price, may not issue the anticipated stock dividends, or may decline in price, either because the market fails to recognize the stock's intrinsic value, or because the expected value was misgauged. If the market does not recognize that the securities are undervalued, the prices of those securities might not appreciate as anticipated. They also may decline in price even though in theory they are already undervalued. Value stocks are typically less volatile than growth stocks, but may lag behind growth stocks in an up market.
- *Smaller company risk*, which is the risk that the value of securities issued by a smaller company may go up or down, sometimes rapidly and unpredictably as compared to more widely held securities. Investments in smaller companies are subject to greater levels of credit, market and issuer risk.
- *Foreign (non-U.S.) investment risk*, which is the risk that investing in foreign securities may result in the portfolio experiencing more rapid and extreme changes in value than a portfolio that invests exclusively in securities of U.S. companies. Investments in emerging markets are generally more volatile than investments in developed foreign markets.
- *Interest rate risk*, which is the chance that prices of fixed income securities will decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- *Credit risk*, which is the chance that an issuer of a fixed income security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that fixed income security to decline.
- *Exchange Traded Fund (ETF) risk*, which is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities it is designed to track. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.
- *Options risk*, which is the risk that options may be subject to greater fluctuations in value than an investment in the underlying securities. Options and other derivatives may be subject to counterparty risk and may also be illiquid and more difficult to value. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

- *Leverage/Margin risk*, which is the risk that the use of borrowed capital, such as margin, to increase the potential return of an investment may increase the risk of an investment and can magnify the effect of any losses. The use of leverage is a speculative technique and may not be suitable for all investors. Using borrowed money (whether through trading on margin or any other method of borrowing) to finance the purchase of securities involves interest charges and entails greater risk than using cash resources only.
- *Management risk*, which is the risk that the investment techniques and risk analyses applied by Krane Financial may not produce the desired results and that legislative, regulatory, or tax developments, may affect the investment techniques available to Krane Financial. There is no guarantee that a client's investment objectives will be achieved.

Clients are advised that they should only commit assets for management that can be invested for the long term, that volatility from investing can occur, and that all investing is subject to risk. Consequently, the value of an account may at any time be worth more or less than the amount invested.

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

Neither Krane Financial nor its management person has had any legal or disciplinary events, currently or in the past.

### **Item 10: Other Financial Industry Activities and Affirmations**

Neither Krane Financial nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Krane Financial nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Krane Financial does not currently have any relationships or arrangements that are material to its advisory business or clients with either a broker-dealer, municipal securities dealer, or government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund" and offshore fund, other investment advisor or financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer or sponsor of syndicator of limited partnerships.

Krane Financial recommends and selects other investment advisors for clients. For more specific detail see Item 4, above.

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

Krane Financial is registered with the SEC and maintains a Code of Ethics pursuant to SEC rule 204A-1. Krane Financial has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. Krane Financial and/or its investment advisory representatives may from time to time purchase or sell products that they may recommend to clients. Krane Financial and/or its investment advisory representatives have a fiduciary duty to put the interests of their clients ahead of their own. The Advisor requires that its investment advisory representatives follow its basic policies and ethical standards as set forth in its Code of Ethics. Krane Financial's Code of Ethics governs personal trading by each employee of Krane Financial deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of Krane Financial are conducted in a manner that avoids any conflict of interest between such persons and clients of the adviser or its affiliates. The Advisor collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve conflicts of interest. Krane Financial's Code of Ethics is available upon request.

## **Item 12: Brokerage Practices**

Krane Financial may recommend/require that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. The final decision to custody assets with Schwab is at the discretion of the Advisor's clients, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. Krane Financial is independently owned and operated and not affiliated with Schwab. Schwab provides Krane Financial with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. Schwab's services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Factors considered by us in recommending a broker-dealer for client accounts are based on, but not limited to the reasonableness of transaction fees charged, product availability, quality of executions, research and other services available to both the client and us. It is the policy and practice of Krane Financial to strive for the best price and execution that are competitive in relation to the value of the transaction ("best execution"). In order to achieve best execution, Krane Financial will use its best judgment to choose the broker-dealer most capable of providing the brokerage services necessary to obtain the best overall qualitative execution. Although Krane Financial will strive to achieve the best execution possible for client securities transactions, this does not require it to solicit competitive bids and Krane Financial does not have an obligation to seek the lowest available commission cost. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among

other things, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Krane Financial will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions. Krane Financial is not required to negotiate “execution only” commission rates, thus the client may be deemed to be paying for research and related services (*i.e.*, “soft dollars”) provided by the broker which are included in the commission rate.

Clients have no obligation to open accounts with any custodial broker-dealers that Krane Financial may recommend. In limited situations Krane Financial may accept written direction from a client regarding the use of a particular broker-dealer to execute some or all transactions for the client. In the event that a client directs Krane Financial to use a particular broker or dealer, the client will negotiate terms and arrangements for the account with that broker-dealer, and Krane Financial will not seek better execution services or prices from other broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by Krane Financial. Additionally, in directed brokerage situations, Krane Financial will have limited ability to ensure the broker-dealer selected by the client will provide best possible execution. 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.

Krane Financial does not receive client referrals from any broker-dealer or third party as a result of the firm selecting or recommending that broker-dealer to clients.

Krane Financial does not recommend, request or require that a client direct it to execute transactions through a specified broker-dealer.

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

Accounts are monitored on an ongoing basis. Mr. Justin Krane, President of Krane Financial will review all client accounts. Mr. Krane anticipates having approximately 150 client relationships. The triggering factors for a review of a client account are that Krane Financial becomes aware of a change in client's investment objective, a change in market conditions, change of employment, re-balancing of assets to maintain proper asset allocation, upon client request and any other activity that is discovered as the account is reviewed.

The client will receive written statements no less than quarterly from the trustee or custodian. In addition, the client will receive other supporting reports from Mutual Funds, Asset Managers, Trust Companies or Custodians, Insurance Companies, Broker/Dealers and others who are involved with client accounts.

The client is encouraged to notify the Advisor and Investment Advisor Representative if changes occur in his/her personal financial situation that might adversely affect his/her investment and/or financial plan.

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

Krane Financial is not compensated by anyone for providing investment advice or other advisory services except as previously disclosed in this Brochure.

Krane Financial does not directly or indirectly compensate any person who is not a supervised person for client referrals.

#### **Item 15: Custody**

Under federal regulations, Krane Financial is deemed to have custody of client funds or securities by reason of the fact that Krane Financial has authority to debit its fees directly from the client's account. Custody of account assets will be maintained with an independent qualified custodian. As mentioned above, Krane Financial generally recommends Schwab to serve as custodian. Therefore, clients should thoroughly consider the differences between having their assets held at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by Krane Financial. Krane Financial's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Item 12 for additional important disclosure information relating to Krane Financial's practices and relationships with custodians.

Under federal regulations, advisers with custody are generally required to undergo an independent verification of the assets for which the adviser has custody through an annual surprise examination by an independent certified public accountant. Advisers deemed to have custody solely as a consequence of the authority to debit fees directly from client accounts, however, are not required to obtain an independent verification of those client funds and securities maintained by a qualified custodian so long as certain steps are followed, including providing each client with a copy of the invoice that includes the fee and information on how it was calculated. Krane Financial complies with these regulations and therefore is not subject to an annual surprise examination by an independent certified public accountant. Clients should understand that it is their responsibility to ensure that the advisory fee reflected on their statements is correct, and not the custodian.

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

Krane Financial generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client for each transaction. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by Krane Financial.

Discretionary authority will only be provided upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by Krane Financial will be in accordance with each client's investment objectives and goals.

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

Krane Financial will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, Krane Financial cannot give any advice or take any action with respect to the voting of these proxies. The client and Krane Financial agree to this by contract. Clients will receive proxy solicitations from their custodian and/or transfer agent.

#### **Item 18: Financial Information**

Krane Financial does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance.

Krane Financial has discretionary authority over client accounts and is not aware of any financial condition that will likely impair its ability to meet contractual commitments to clients. If Krane Financial does become aware of any such financial condition, this brochure will be updated and clients will be notified. Krane Financial has never been subject to a bankruptcy petition.