

Kaye Riggs & Associates

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**Form ADV Part 2A – Firm Brochure**

**May 15, 2013**

This Brochure provides information about the qualifications and business practices of Kaye Riggs & Associates. If you have any questions about the contents of this Brochure, please contact us at 800-832-9682. 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.

Kaye Riggs & Associates is currently applying for registration as an Investment Adviser with the Securities and Exchange Commission (SEC). Registration of an Investment Adviser does not imply any level of skill or training.

Additional information about Kaye Riggs & Associates will be available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: Material Changes

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In the future, Item 2 will be used to provide clients with a summary of material changes that are made to this brochure since the last annual update.

# Item 3: Table of Contents

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# Item 4: Advisory Business

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## Description of Advisory Firm

Kaye Riggs & Associates (KRA) is currently applying to be an Investment Adviser registered with the Securities and Exchange Commission. KRA is a sole proprietor formed under the laws of the State of Texas in 2012. Kaye Riggs is the company's sole member. As of the date of this ADV Part 2A, we manage \$0.00 on a discretionary basis and \$0.00 on a non-discretionary basis.

## Types of Advisory Services

### Financial Planning Services

Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values, and withdrawal plans. The key defining aspect of financial planning is that through the financial planning process, all questions, information, and analysis will be considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service will receive a written or an electronic report, providing the client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

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

- Personal: Family records, budgeting, personal liability, estate information and financial goals (60 minutes).
- Death & Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis (30 minutes);
- Retirement: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals (60 minutes);
- Investments: Analysis of investment alternatives and their effect on a client's portfolio (60 minutes);
- Insurance: Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile (45 minutes).

### Investment Supervisory Services

KRA is in the business of managing individually tailored investment portfolios. Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which

goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy or an investment plan with an asset allocation target and create and manage a portfolio based on that policy and allocation target. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

We will manage advisory accounts on a discretionary or non-discretionary basis, as agreed with each client. For discretionary accounts, we may implement transactions without seeking prior client consent. For non-discretionary accounts, we will seek prior client consent for every contemplated transaction. Therefore, clients with non-discretionary accounts should understand that any delay in obtaining consent may result in less favorable transaction terms, including higher security price and/or higher commissions and/or limited availability of the securities sought.

Account supervision is guided by the stated objectives of the client (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

This service has no minimum account size requirements and will be offered to all clients. Fees pertaining to this service are outlined in Item 5 of this brochure.

### **Wrap Fee Programs**

We do not participate in wrap fee programs.

# Item 5: Fees and Compensation

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How we are paid depends on the type of advisory service we are performing. Please see below for fee and compensation information for each of our services.

## Standard Advisory Fee

Our standard advisory fee is based on the market value of the assets under management and is calculated as follows:

Household Assets Under Management	Annual Advisory Fee
\$0 - \$100,000	1.50%
\$100,001 to \$1,000,000	1.25%
\$1,000,001 and above	1.00%

Investment management fees are paid quarterly, in advance, and are deducted from client assets. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Fees are deducted from client accounts typically during the first two weeks of the month following the calendar quarter. Fees are negotiable in certain instances. No increase in the annual fee shall be effective without prior written notification to the Client. Accounts may be terminated with 30 days written notice by either party.

## Financial Planning Fee

Financial Planning can either be paid based off of an hourly rate of \$100.00 to \$200.00 per hour, or a fixed fee. Depending upon the complexity of the situation and the needs of the client, the fixed fee for these services will be determined on a case by case basis and the fee will be agreed upon before the start of any work. The fee may be negotiable in certain cases. All fees are paid in advance.

## Other Types of Fees and Expenses

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment, and other third parties such as fees charged by managers, custodial fees, deferred sales charges,

odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

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

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KRA does not manage accounts using a performance-based fee in order to avoid conflicts of interests that could result by favoring accounts where management fees have the potential to be substantially higher.

## Item 7: Types of Clients

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We provide portfolio management services to:

- Individuals
- High-Net Worth Individuals
- Small Businesses

There is no minimum account size requirement.

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

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Our primary method of investment analysis is fundamental value, but we also review technical, chart-based analysis, and cyclical, macroeconomic considerations as part of the investment decision.

**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** involves using chart patterns, momentum, volume, and relative strength in an effort to pick sectors that may outperform market indices. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may under perform other trading methods when fundamental factors dominate price moves within a given market.

We conduct our own primary research and use a variety of documentary sources including issuer filings, annual reports, press, periodicals, rating agency reports, management discussions, and research reports produced by other investment managers or brokers.

## **Material Risks Involved**

**All investing strategies we offer involve risk and may result in a loss of your original investment.** Many of these risks apply equally to stocks, bonds, commodities, and any other investment or security. Material risks associated with our investment strategies are listed below.

**Business Risk:** The uncertainty associated with an investment's earnings and, therefore, its ability to pay returns (interest, dividends, principal) owed investors. Business risk is a function of the investment's industry, management, location and costs.



**Financial Risk:** The uncertainty surrounding the investment's ability to generate sufficient cash flow to meet its financial obligations. Investments with high levels of debt are more prone to financial risk.

**Purchasing Power or Inflation Risk:** The chance that unanticipated changes in price levels will adversely affect investment returns. When prices rise (inflation), purchasing power (the ability to buy goods and services) is reduced. Investments that provide fixed returns (e.g. savings account, bonds) have higher purchasing power risk than investments whose values move with the general price level.

**Interest Rate Risk:** The chance that changes in interest rates will reduce an investment's value. This effect is more direct with fixed income investments (e.g. bonds) than with stocks. When interest rates rise, bond prices fall.

**Liquidity Risk:** The possibility of not being able to sell (i.e. liquidate) an investment quickly and with small transaction costs. Mutual funds that are offered with large bid-ask spreads present liquidity risk.

**Marketability Risk:** The risk that there may not be a market for the investment. Real estate is often subject to this risk.

**Tax Risk:** The chance that Congress will make undesirable changes in the tax laws. Such changes reduce the after-tax returns and market values of many investments.

**Event Risk:** The risk that an unforeseen occurrence will have a sudden and substantial negative impact on the value of an investment.

**Country Risk:** The collection of risks associated with investing in a specific foreign country. These risks include political risk, economic risk, sovereign risk, and transfer risk (the possibility that the government may not allow foreign investors to transfer their capital out of the country).

**Currency Exchange Risk:** The risk that the exchange rate of currencies involved in an investment will move against the investor. For example, if a U.S. investor wants to invest in an investment priced in Euros, she must convert U.S. dollars into Euros. If during the term of the investment, the Euro loses value, the investor will lose some of her investment when she converts her Euros back to dollars. This risk is in addition to the risks inherent in the investment.

**Credit Risk:** The risk that the creditworthiness of an investment's issuer will deteriorate. This will reduce the value of the investment. This risk is usually associated with bonds.

**Default Risk:** This is the risk that the issuer of an investment will not be able to pay according to the terms of the investment. This risk is usually associated with bonds.

**Reinvestment Risk:** The risk that payments received from an investment will be invested at lower potential rates of return. This risk is primarily associated with bonds

**Call Risk:** The possibility that the issuer of an investment will buy it back before it has matured. This pertains to bonds. The issuer will redeem callable bonds that pay a rate of interest that is higher than the prevailing interest rate. The investor will receive proceeds that can only be invested at a lower rate of interest.

**Volatility Risk:** The value of bonds that include options (such as call options or prepayment options) is subject to interest rate volatility. Changes in interest rates affect the value of the embedded options and, thus, affect the values of the bonds.

**Sovereign Risk:** The possibility that a foreign government may change the terms of the debt it has issued. This affects international government debt.

**Yield Curve Risk:** The risk to a fixed income (bond) investment from an adverse shift in market interest rates. The risk is represented in a change in the yield curve which is a result of changing yields among comparable bonds with different maturities.

### **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Municipal/Government Bonds** are susceptible to events in the municipality that issued the bond or the security posted for the bond. These events may include economic or political policy changes, changes in law, tax base erosion, state constitutional limits on tax increases, budget deficits or other financial difficulties, and changes in the credit rating assigned to municipal issues.

**Corporate Bonds** may lose all value in the event of the issuer's bankruptcy or restructuring.

**Common Stocks** have often outperformed other types of investments at certain times, however, individual stock prices may go up and down more dramatically. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Foreign Securities** including American Depositary Receipts (ADRs) may involve more risk than investing in U.S. securities. These risks include currency exchange rates and policies, country or government specific issues, less favorable trading practices or regulation, and greater price volatility.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are highly dependent on short-term interest rates and maybe adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Exchange Traded Funds** prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected.

**Mutual Funds** are meant to be long-term investments and may be subject to fees, charges or restrictions if redeemed within certain time periods as outlined in the prospectus. Proceeds from mutual fund sales may be credited with a delay. Mutual Funds are bought and sold based on a net asset value calculated at the end of each day based on end of day prices. As markets may move significantly over the course of a day, your purchase or sale price may differ significantly from intra-day prices. Mutual Funds may value illiquid portfolio holdings based on a modeled price.

## Item 9: Disciplinary Information

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KRA or the integrity of our management. We have no information applicable to this Item.

## Item 10: Other Financial Industry Activities and Affiliations

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At this time KRA does not have other financial industry activities and affiliations.

## Item 11: Code of Ethics

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We have adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics

includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All members of the firm must acknowledge the terms of the Code of Ethics annually, or as amended.

We anticipate that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which we have management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which we, its clients, directly or indirectly, have a position of interest. Our employees are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, we may trade for their own accounts in securities which are recommended to and/or purchased for our clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest our clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between our firm and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. We will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

It is our policy that the firm will not affect any principal or agency cross securities transactions for client accounts. We will also not cross trades between client accounts.

Our clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Mr. Riggs.

## Item 12: Brokerage Practices

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### **Factors Used to Select Custodians and/or Broker/Dealers**

For the selection of custodians and/or Broker/Dealers, our general guiding principle is to obtain the best overall execution for each client in each trade, which is a combination of price and execution. With respect to execution, we consider a number of judgmental factors, including, without limitation, the actual handling of the order, the ability of the broker to settle the trade promptly and accurately, the financial standing of the broker, the ability of the broker to position stock to facilitate execution, our past experience with similar trades and other factors that may be unique to a particular order.

Recognizing the value of these judgmental factors, we may recommend or select brokers who charge a brokerage commission that is higher than the lowest commission that might otherwise be available for any given trade.

Our preferred custodian was chosen based on their relatively low transaction fees, quality of operations and access to a wide range of mutual funds, ETFs and markets. We do not charge a premium or commission on transactions, beyond the actual cost imposed by the Custodian. If a client wishes, and subject to technology and operational constraints, we may consider advising on accounts held with a custodian of their choice.

### **1. Research and Other Soft-Dollar Benefits**

We do not receive benefits from broker/dealers that are often referred to in the industry as soft dollar benefits. When the firm uses client brokerage commissions to obtain these benefits, it is receiving an added benefit in that it does not need to produce or pay for the benefits that it receives. This leads an Adviser to have an incentive to select or recommend a broker-dealer based on our interest in receiving those benefits, rather than on our client's receiving most favorable execution.

We currently do not receive soft dollar benefits.

## **2. Brokerage for Client Referrals**

We receive no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

## **3. Clients Directing Which Broker/Dealer/Custodian to Use**

We do recommend a specific custodian for clients to use, however, clients may custody their assets at a custodian of their choice. Clients may also direct us to use a specific broker-dealer to execute transactions. By allowing clients to choose a specific custodian, we may be unable to achieve most favorable execution of client transaction and that this may cost clients money over using a lower-cost custodian.

## **Aggregating (Block) Trading for Multiple Client Accounts**

Generally, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as “block trading”). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

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## Item 13: Review of Accounts

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Client accounts will be reviewed regularly on a quarterly basis by Mr. Riggs. During the regular review the account's performance is compared against like-managed accounts to identify any unacceptable performance deviation. Additionally, client imposed restrictions will be reviewed to confirm that they are being enforced. Events that may trigger a special review would be unusual performance, addition or deletions of client imposed restrictions, excessive draw-down, volatility in performance, or buy and sell decisions from the firm or per client's needs.

Clients will receive trade confirmations from the broker(s) for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest.

KRA will not provide written reports to the client.

## Item 14: Client Referrals and Other Compensation

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We do not receive any economic benefit, directly or indirectly from any third party for advice rendered to our clients.

We may enter into agreements with various independent solicitors that refer clients to us. Fees that we charge clients introduced by solicitors will not be greater than fees we charge our advisory clients who were not introduced by solicitors and who have similar portfolios under our management. We will compensate the solicitor with a portion of the advisory fee we receive from the introduced client.

## Item 15: Custody

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Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our

statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

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For those client accounts where we provide ongoing money management or investment advice with ongoing supervision, we maintain limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

## Item 17: Voting Client Securities

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KRA does not vote proxies for clients. Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets.

## Item 18: Financial Information

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Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and have not been the subject of a bankruptcy proceeding. Furthermore, under no circumstance will we earn fees in excess of \$500 more than six months in advance of services rendered.