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Updated as of 7/21/2014

This Brochure provides information about the qualifications and business practices of Kingsroad Financial Insurance Services, Inc. "Advisor" doing business as Measured Risk Portfolios. If you have any questions about the content of this Brochure, please contact us at (858) 452 – 4930 or at [info@mrpfolios.com](mailto:info@mrpfolios.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.

Advisor is registered as an investment adviser with the SEC; however, such registration does not imply a certain level of skill or training, and no inference to the contrary should be made. Additional information about Advisor also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 1: Cover Page**

Please refer to previous page.

## **Item 2: Material Changes**

This Brochure, dated July 21, 2014 is being revised to reflect the following material changes:

- Item 4 – Advisory Services – updated to reflect that our investment advisory business is now regulated at the Federal level by the SEC;
- Item 5 – updated to reflect Advisor’s financial planning fees that were previously found in Item 6 of the Brochure;
- Item 12 – Brokerage Practices – updated to include Advisor’s best execution policies and involvement in TD Ameritrade’s Institutional Trading Panel.

The previous version of this Brochure is dated May 5, 2014. The Advisor encourages each client to read the current version of this Brochure carefully and to call us with any questions.

Pursuant to SEC Rules, Advisor will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of the Advisor’s fiscal year, along with a copy of this Brochure or an offer to provide the Brochure. Additionally, as the Advisor experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover.

Currently, Advisor’s Brochure may be requested by contacting Jenna Powell, Client Service Manager at (858) 452-4930, ext. 111 or [info@mrpfolios.com](mailto:info@mrpfolios.com). Our Brochure is also available free of charge on our web site [www.kingsroadinc.com/pdf/ADV.pdf](http://www.kingsroadinc.com/pdf/ADV.pdf). Information about Advisor is also available via the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site provides information about any persons affiliated with Advisor who are registered, or are required to be registered, as investment Advisor representatives of Advisor.



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#### Item 4: Advisory Business

**Background:** Kingsroad Financial Insurance Services Inc., dba Measured Risk Portfolios, (“Advisor”) is a privately held corporation formed in 2001 with its principal place of business in San Diego, CA and is registered with the Securities and Exchange Commission (“SEC”) as an investment adviser. We have been in business as an investment adviser since 2007. The principals of the firm, Larry Kriesmer and Bernard Surovsky, have more than 40 years of combined investment and insurance risk management experience. Registration of an Investment Advisor does not imply a certain level of skill or training.

**Services:** Advisor provides investment management, financial planning and consulting services to its clients through its relationship with Investment Advisor Representatives (IARs). These services may include asset allocation within a portfolio, day-to-day investment decisions, referrals to third party sub-advisor programs, and financial planning and consulting services. The Advisor also provides sub-advisory services to other investment advisers. Advisor typically has complete discretion over the selection and amount of securities and derivatives to be bought or sold without obtaining specific client or primary advisor consent.

**Advisor Specialty:** Advisor’s primary investment skill is risk mitigation through the use of derivatives. A derivative, primarily an option, is a contract to buy or sell a specific financial product officially known as the option's underlying instrument or underlying interest. For equity options, the underlying instrument is a stock, exchange-traded fund (“ETF”), or similar product. The contract itself is very precise. It establishes a specific price, called the strike price, at which the contract may be exercised, or acted on. And it has an expiration date. When an option expires, it no longer has value and no longer exists. Options come in two varieties, calls and puts, and you can buy or sell either type. Advisor decides whether to buy or sell and whether to choose a call or a put - based on investment strategy. Additional information on options can be found on the web at [www.optionseducation.org](http://www.optionseducation.org). Tax accounting for options may be complex and may require the assistance of a qualified tax advisor. The various strategies employed by Advisor are detailed later in this brochure under the heading “Item 8: Methods of Analysis, Investment Strategies and Risk of Loss” and are collectively referred to as Measured Risk Portfolios.

**Client Needs:** Meetings with each potential advisory Client and their IAR are held to discuss their financial needs, personal goals, risk tolerance and overall investment objectives. It is of beneficial interest to the Client to provide accurate and candid information and promptly inform the IAR of any material changes in their circumstances so IAR can evaluate if adjustments to the advisory accounts are necessary. Clients may impose restrictions on investing in certain securities or types of securities in most advisory programs. Investment decisions are guided by the stated objectives of the client. In addition, the IAR considers the client’s risk profile and financial status prior to making any recommendations.

**Assets under Management:** As of June 30, 2014, the following represents the amount of client assets under management by Advisor on a discretionary and non-discretionary basis:



Type of Account	Assets Under Management ("AUM")
Discretionary	\$101,516,000
Non-Discretionary	\$89,000
<b>Total:</b>	<b>\$101,605,000</b>

### Item 5: Fees and Compensation

Advisor charges fees based on the particular types of advisory service to be provided. The specific fees charged by Advisor for such services will be set forth in each client's written agreement. Although Advisor believes its fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

**Investment Management Fees:** Fees are outlined in the table below and may be negotiated, at the sole discretion of Advisor, based on client objectives, trading strategy employed and complexity of management. An advisory client will have a period of five (5) business days from the date of signing the investment advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees due Advisor. Ticket charges or transaction fees will not be refunded. Thereafter, either party may terminate the investment advisory agreement with thirty (30) days written notice. Upon termination, fees will be prorated to the date of termination resulting in an amount due Advisor or refund due Client, depending on type of billing and the number of days the account was managed during the quarter until termination.

	<i>Quarter Balance:</i>	<i>Annual Fee</i>	<i>Maximum Tier Fee</i>	<i>Total Fee</i>	<i>Effective Fee</i>
<i>First</i>	\$250,000	2.00%	\$5,000	\$5,000	2.00%
<i>Next</i>	\$250,000	1.85%	\$4,625	\$9,625	1.93%
<i>Next</i>	\$250,000	1.60%	\$4,000	\$13,625	1.82%
<i>Next</i>	\$250,000	1.35%	\$3,375	\$17,000	1.70%
<i>Next</i>	\$1,000,000	1.20%	\$12,000	\$29,000	1.45%
<i>Next</i>	<i>Unlimited</i>	1.10%	N/A	N/A	N/A

The specific manner in which fees are charged by Advisor is established in a client's written agreement with Advisor. Advisor will generally bill its fees on a quarterly basis in advance based on the value of the account on the last business day of the previous calendar quarter. Some existing clients may be billed in arrears, but Advisor no longer offers this option to new clients. Clients authorize Advisor to directly debit fees from client accounts. Advisor fees may be prorated for each capital contribution or withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions of less than 5% of account value). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on the number of days the account was open during the calendar quarter. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.



Unless otherwise arranged by the client, payment of those advisory fees owed to Advisor will be made by the qualified custodian directly from the client's account at the end of each applicable billing period.

The custodian delivers an account statement to the client at least quarterly, showing all disbursements, including advisory fees, deducted from the account. The client is encouraged to review all account statements for accuracy. It is the responsibility of the client and not the custodian to ensure the fees are calculated correctly.

Advisor may amend its standard fee schedule at any time by giving thirty (30) days advanced written notice to clients. Should a client have more than one account managed by the Advisor, then Advisor may elect at its sole discretion to aggregate the client's accounts for the purpose of computing management fees.

**Sub-Advisory Fees:** Sub-advisory agreements are evidenced in writing between the primary referring advisor and Advisor. Generally Advisor provides such services for a fee, based upon a percentage of assets under management, which normally is less than one percent (1%) per year. When Advisor acts as a sub-advisor, the primary advisor may bill client accounts and remit the Advisor fee to Advisor. The fee is typically aggregated at the sub-advisory level and as a result, referring advisors may have an incentive to refer business to Advisor in order to reduce the fees charged by Advisor.

**Financial Planning Fees:** Advisor offers financial planning services on a flat or hourly basis for both comprehensive and focused consulting topics. The comprehensive flat fee is generally \$2500 but may be adjusted, or waived in its entirety, based on the client's specific situation. The hourly fee is \$250 for focused consulting topics. Annual updates are offered to comprehensive plans, generally at half of the original fee.

**Performance-Based Fees:** For certain qualified clients, as further defined in Item 6 below, Advisor typically charges a performance-based fee (i.e., a fee calculated based on a share of capital gains upon or capital appreciation of the assets or any portion of the assets of an advisory client). The incentive allocation is payable only if, and to the extent that, the net capital appreciation of the client's capital account exceeds any net capital depreciation accumulated in prior years (as adjusted for additions and/or withdrawals of capital). The assessment of performance based fees and any allocations based on performance will be done in accordance with all requirements for such compensation arrangements as specified under Rule 205-3 of the Investment Advisors Act of 1940 (the "Advisors Act") and rules promulgated thereunder, including the requirement that such fees may be charged only to "qualified clients" as that term is defined in Rule 205-3(d).

**Other Fees and Expenses:** Advisor fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may 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 funds and exchange traded funds (ETFs) 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 Advisor's fee, and Advisor does not receive any portion of these commissions, fees, and costs.

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

In some cases, Advisor may offer a performance fee arrangement with qualified clients. A qualified client is either (1) a client with a minimum of \$1,000,000 invested with the Advisor, or (2) a client with a minimum net worth, exclusive of home equity, of \$2,000,000. Such fees are subject to individualized negotiation with each such client. Advisor will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Advisor Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, Advisor shall include realized and unrealized capital gains and losses. Advisor has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients utilizing different fee arrangements. The purpose of the Performance Fee Schedule is to allow Advisor to waive investment management fees if the account balance drops below a prior high-water mark from a previous calendar month end date. Fees are contingent on Net Account Growth, so unless the account balance increases from a prior high-water mark, the fees listed below are waived. Fees are calculated monthly in arrears and are due on the first day of the following calendar month. The initial account balance will always be zero with the initial high-water mark established by adding Client's contributions and transfers (valued as of the last day of the month in which transfers were received) less Client's redemptions during the first month or portion thereof. Thereafter, a new high-water mark is established whenever the account value (adjusted for dollar for dollar on contributions and/or prorated for redemptions) on the last business day of the month is higher than the previous high-water mark. Advisor fees and trading costs will reduce the account value, but not the high water mark.

Account Size	Asset Growth	Participation Fee
All Accounts	Net Account Growth	Negotiable Percentage of Net Account Growth
All Accounts	Zero or negative Account Growth	Fee Waived

Over any given time it is possible that the Advisor may earn more under the Performance Fee Schedule than would be earned under the regular fee schedule. Performance Fees may create an incentive for the Advisor to make investments that involve more risk and are more speculative than would be the case in the absence of a performance-based fee. In addition, Performance Fees are calculated based on unrealized appreciation which may not ultimately be realized by Client.

Under either billing arrangement, Advisor will ask for the client's written authorization to directly debit advisory fees from the client's account through the custodian. Advisor will send to the client a Fee Statement showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which the fee was calculated. Advisor will send an electronic Fee



Statement to the custodian indicating only the amount of the fee to be debited by the custodian. It is the client's responsibility to verify the accuracy of the fee calculation and to understand that the custodian will not determine whether the fee is properly calculated. The custodian will send to the client a statement, at least quarterly, but generally monthly, indicating all amounts disbursed from the account including the amount of the advisory fees paid directly to Advisor.

In charging performance fees to some of our client accounts, we face a conflict because we can potentially receive greater fees from client accounts having a performance-based compensation structure than from those accounts we only charge a fee unrelated to performance (e.g., an asset-based fee). As a result, we may have an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. Advisor's side-by-side management of accounts that are charged an asset-based fee and accounts that are charged a performance-based fee is governed by Advisor's internal policies and procedures and Code of Ethics (see Item 11, below), which are designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent the conflicts described above from influencing the allocation of investment opportunities among clients. Performance-based fee structures could also create an incentive for Advisor to over-value certain assets held by clients. The Advisor has adopted policies designed to promote fair, accurate and current valuations of securities and portfolios. Advisor utilizes, to the fullest extent possible, the most recent prices reported by the largest securities exchange on which such securities are traded and/or qualified custodians for timely valuation information for advisory client securities and portfolios.

## Item 7: Types of Clients

Advisor provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, foundations, trusts, and U.S. corporations as well as other investment advisors.

**Conditions for Managing Accounts:** Advisor normally requires a minimum of \$250,000 to establish a new advisory account; however, the minimum may be reduced or waived entirely at the sole discretion of the Advisor. In addition, the Advisor may continue to service existing accounts that have values that are below the minimum.

There may be times when certain restrictions are placed by a client, which prevents Advisor from accepting or continuing to manage the account. Advisor reserves the right to not accept and/or terminate management of a client's account if it feels that the client imposed restrictions which would limit or prevent it from meeting and/or maintaining its overall investment strategy.

Prior to engaging Advisor to perform investment management services, the client should carefully consider: 1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, 2) that volatility from investing can occur, and 3) that over time the client's assets may fluctuate and at any time be worth more or less than the amount invested.





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

Advisor assists Clients to determine appropriate allocation models or investment strategies depending on their overall objectives and needs. No assumption can be made that any particular strategy will provide better returns than other investment strategies. Before participating in any program or investing in any asset class, Clients should discuss their tolerance for risk with their IARs and carefully consider the risks associated with the investment strategy by reviewing any applicable prospectus, offering memorandum or disclosure brochure prepared by the issuing company for the underlying investments. Equity securities markets experience varying degrees of volatility. Investing in securities involves risk of loss that Clients should be prepared to bear. Short term trading strategies may impact performance when transaction costs are incurred.

**Core Strategies:** The following strategies may be employed at any time, on a discretionary basis, exclusively or in combination within Client accounts based on Client objectives:

**Measured Risk Portfolios:** MRP attempts to capture the upside movement of the S&P 500 through the purchase of in the money calls on the index or equivalent ETF. The use of options allows a relatively small amount of capital to control a larger amount of notional market exposure, similar to the way that a \$100K down payment on a home can purchase \$500K of property. If the property rises in value, 100% of the gain is retained by the homeowner. And if the property declines, losses as a percentage of the down payment are amplified. Using this leverage with a proven discipline may significantly reduce the short term loss potential of the market while allowing for the possibility to capture much of the upside. Options have an equity component that is the difference between the underlying security value and the strike price of the option. In addition, the option has a time value component that will erode to zero at expiration of the contract. Advisor attempts to balance the cost of the time value erosion against the hedged defense it provides to arrive at a better risk adjusted return than a direct investment in the market. The MRP strategy should perform well in a rapidly rising market and provide defense in a rapidly declining market but may perform relatively worse in a flat or slowly declining market. In a declining market, losses may be exaggerated until the index drops below the strike price of the option. It is highly probable that in a declining market, 100% of the option allocation will lose 100% of its value. In a rising market, the call options are rolled up to higher strikes to continually limit the amount of downside risk to the portfolio. In a rising market this can cause frequent trading that could generate significant short term trading profits and transaction costs. The majority of the portfolio is allocated to fixed income with a goal of earning a modest rate of return while preserving capital. Investors in MRP should be seeking a hedged growth objective with significantly reduced downside risk relative to the broad US equity market.

**Consumer Linked Income Portfolio:** CLIP attempts to generate rising income over time by investing primarily in consumer staples equities that have raised their cash dividend over time. Secondary income may be generated from fixed income investments as well as covered call and cash secured put option writing. The primary objective of the portfolio is to generate rising dividend income that can be distributed without liquidating principal over time. CLIP does not employ any hedging techniques and is concentrated in the consumer staples sector of the market. Investors in



CLIP should be primarily concerned with growing income and less concerned with principal protection.

**Managed Volatility Portfolio:** MVP attempts to generate aggressive growth by investing in derivatives on the Chicago Board of Exchange Volatility Index (CBOE: VIX). The VIX is a highly volatile index and generally rises at times of market uncertainty or fear. We have observed that over time, the index will return to normal after spiking due to a market event. This return to normalcy or reversion to the mean provides us with an opportunity to generate significant returns if we are prepared to take significant losses in the interim. We will attempt to mitigate these losses but investors in MVP should be prepared to weather drawdowns greater than 50% of the portfolio value in exchange for the opportunity to grow significantly.

**Options:** An option is a contract to buy or sell a specific financial product officially known as the option's underlying instrument or underlying interest. For equity options, the underlying instrument is a stock, exchange-traded fund (ETF), or similar product. The contract itself is very precise. It establishes a specific price, called the strike price, at which the contract may be exercised, or acted on. It also has an expiration date. When an option expires, it no longer has value and no longer exists. Options come in two varieties, calls and puts, and you can buy or sell either type. Call contracts will expire worthless if the underlying security closes below the strike price on expiration. Put contracts will expire worthless if the underlying security closes above the strike price on expiration. Selling a covered call may limit the upside if the underlying security closes above the strike price on expiration. Special tax rules may apply, depending on the outcome. Prior to buying or selling an option, a person must read Characteristics and Risks of Standardized Options. Copies of this document may be obtained from us, from any exchange on which options are traded, on the web at <http://www.optionsclearing.com/components/docs/riskstoc.pdf> or by contacting The Options Clearing Corporation, One North Wacker Dr., Suite 500, Chicago, IL 60606 (1-888-678-4667). In no event will Advisor engage in "naked" option writing, which is the most speculative form of trading.

All of Advisor portfolios may employ one or more of the following option strategies:

- **Bond plus Call.** The bond plus call strategy attempts to mimic the behavior of a structured note or equity indexed annuity. By pairing a short duration bond (one year, for example) with an at the money LEAP option on an equity underlying (ETF index, for example), the risk of loss is primarily limited to the bond issuers ability to repay principal and interest at maturity over a relatively short period, and the expiration of the LEAP contract for zero value. Changes in interest rates during the bond holding period could cause the value of the bond to fall below what was invested resulting in a loss if sold prior to maturity. Potential return is unlimited due to the LEAP option ability to capture upside movement in the equity underlying over the term of the LEAP. Risk of loss can be increased or decreased depending on the percentage of Client account allocated to LEAP options. Fixed income mutual funds or bond ETFs may be used in lieu of individual bonds.
- **Protective Collar.** This strategy utilizes the purchase of put option contracts to provide a protective floor in the event that the selected underlying securities fall below a specified



- strike price during the term of the put. To offset all or a percentage of the cost of this protection, covered call writing is employed on less than 100% of the equity holdings in the portfolio. The protective puts may provide little to no protection if the value of the underlying merely falls to or near the strike price and the covered call may significantly reduce the potential return, especially in rapidly rising markets.
- **Cash Covered Put.** The cash covered put strategy generates income by selling (writing) put options at or near the market value of the underlying stock or ETF position. Downside may be mitigated by simultaneously purchasing a put on the same underlying with a strike below the sold put. This strategy will result in frequent trading and the recognition of taxable short term gains and losses and may be more suitable for qualified, tax deferred accounts.
  - **Call and Put Spreads.** Spreads allow an investor to define, within precise levels, the risk and reward of a certain market movement. Writing (selling) a call spread can generate income on an existing position, forgo a specified amount of gain and then resume the gain at a higher price. Writing a put spread can generate income on a position you want to own but offload a portion of the risk if the security falls too far. Buying a call or put spread can reduce the cost of speculation on the direction of a security but will also limit the overall return if successful.

The following describes common characteristics of risk associated with specific types of investments that may be utilized in Client accounts.

**Mutual Funds:** Each mutual fund has different risks and rewards. Generally the higher the potential return, the higher the risk of loss. Investors may have to pay taxes on capital gains distributions received even if the fund goes on to perform poorly after the investor bought shares. Details are available in the prospectus available from the issuer.

**Money Market Funds:** Although Money Market Funds have relatively low risks, the NAV may fall below \$1.00 if the fund performs poorly therefore losses are possible. Details are available in the prospectus available from the issuer.

**Fixed Income Securities:** Fixed income investments tend to be more conservative than stocks however, Clients should be aware that bonds and bond funds do carry some degree of risk including but not limited to interest rate, credit, inflation, pre-payment and reinvestment risks.

**Stocks:** Stock investing carries substantial risks. The business itself might suffer from poor management. The industry could suffer a setback or become obsolete. Other investors may push the price beyond “reasonable” levels. There can be no assurance that the value of the stock will appreciate over time and could lose 100% of its value.

**ETFs:** Exchange-Traded Funds (ETFs), like stocks and index funds, can carry a significant amount of market risk. The innate appeal of an ETF is that it represents many assets or companies, like an indexed mutual fund, but unlike a mutual fund that prices Net Asset Value on a daily basis, ETFs can be traded at any time during trading hours, like a stock. In addition, some ETFs can be protected using listed Options, and generate income from writing covered call options. **Special**



**note on “geared” or “levered” ETFs:** Certain products may be employed in all portfolios that involve geared, levered or inverse direction to a related security or benchmark. These securities are typically used over short periods of time but they may be held for longer periods in certain circumstances. Because these securities have daily resets and compound, the effect of volatile markets may pronounce losses, especially over time. Investing in ETFs involves volatility and risk of losses that Clients should be prepared to withstand.

**ETNs:** Exchange Traded Notes (ETNs) are senior, unsecured debt securities issued by an underwriting bank. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. ETNs are designed to provide investors access to the returns of various market benchmarks. The returns of ETNs are usually linked to the performance of a market benchmark or strategy, less fees. When a Client buys an ETN, the underwriting bank promises to pay the amount reflected in the index, minus fees upon maturity. Thus ETN has an additional risk compared to an ETF, upon any reduction of credit ratings or if the underwriting bank goes bankrupt, the value of the ETN may be eroded or lost entirely.

**MLPs:** Master Limited Partnerships (MLPs) are a limited partnership with ownership units that may be traded on an exchange. A limited partnership consists of a general partner, who manages the venture, and limited partners, who simply provide capital. A master limited partnership allows limited partners to buy and sell units of the venture as if they were shares in a publicly-traded company. Limited partners often receive cash distributions, which are similar to dividends, on a regular basis. This business form combines the tax advantages of a partnership, which does not pay tax on its profit, with the liquidity of a publicly-traded company. The tax reporting requirements of an MLP may delay your ability to file your tax return early. It is also called a publicly traded partnership.

**Although Advisor attempts to mitigate losses, investing in securities involves risk to principal that clients should be prepared to bear.**

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

Investment Advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Advisor or the integrity of Advisor's management. Advisor has no applicable information to disclose.

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

Kingsroad Financial Insurance Services Inc. is also a licensed insurance agency offering life, health, long-term care and disability insurance to its clients. A conflict exists between the interests of the investment Advisor or associated persons and the interest of the client to the extent that in such a capacity Advisor and its associated persons may offer insurance products as a recommendation to the financial plan and receive a normal and customary commission as a result of such a purchase. The client is under no obligation to act upon the investment Advisor'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 Advisor, the associated person when the person is an agent with a licensed broker-dealer or through any associate or affiliate of such person.

Certain associated persons of Advisor are also registered securities representatives of Independent Financial Group, LLC, a registered broker-dealer and member of the Financial Industry Regulatory Authority (FINRA). In addition, associated persons are also insurance agents/brokers of various insurance companies. In these capacities associated persons of Advisor may recommend securities, insurance, advisory, or other products, and receive normal securities transactions commissions if products are purchased through any firms with which any associated persons are affiliated. In addition, these individuals also may receive ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment. Thus, a conflict of interest exists between the interests of associated persons and those of the advisory clients in that the receipt of additional compensation itself creates an inherent conflict of interest, and may affect the judgment of these individuals when making recommendations. Advisor has adopted certain procedures designed to mitigate the effects of these conflicts. As part of our fiduciary duty to clients, the Advisor and our representative's endeavors at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients through the Advisor's brochures, client agreement and/or verbally prior to or at the time of entering into an Agreement. Clients are under no obligation to act upon any recommendations of the associated persons or effect any transactions through the associated persons if they decide to follow the recommendations.

#### **Item 11: Code of Ethics**

**Code of Ethics Summary:** Advisor has 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 spreading, 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 supervised persons at Advisor must acknowledge the terms of the Code of Ethics annually, or as amended. Advisor's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Jenna Powell at (858) 452-4930, ext. 111 or [info@mrpfolios.com](mailto:info@mrpfolios.com).

**Personal Trading:** Advisor anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Advisor has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Advisor, its affiliates and/or clients, directly or indirectly, have a position of interest. Advisor's employees and persons associated with Advisor are required to follow Advisor's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Advisor and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Advisor's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Advisor 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 of Advisor's 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 Advisor and its clients.

**Participation or Interest in Client Transactions:** It is Advisor's policy that the firm will not affect any principal transactions or agency cross transactions on behalf of client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory client and for another person on the other side of the transaction.

## Item 12: Brokerage Practices

When Advisor places orders for the execution of portfolio transactions for client accounts, transactions are allocated to brokers and dealers for execution in various markets at prices and commission rates that, based upon good faith judgment, will be in the best interest of the client. In addition to using brokers as "agents" and paying commissions, the Firm may affect transactions in securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

**Discretionary Authority and Selection Criteria:** Advisor selects the broker-dealer(s) for trade execution and custodian at its discretion. In selecting a broker for any transaction or series of transactions, Advisor may consider a number of factors, including, for example, transaction costs, net price, the financial stability and reputation of the broker, the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, record keeping and other services provided by such broker or custodian. It is Advisor's current practice to custody assets at TD Ameritrade, Inc., member of FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. Advisor also custodies assets at Charles Schwab & Co., Inc. ("Charles Schwab"). Due to trading strategies that are available in qualified accounts at TD Ameritrade that are not available at Charles Schwab, Advisor typically recommends TD Ameritrade for new accounts where a custodial relationship does not exist.

**Best Execution:** Advisor will generally seek "best execution" in light of the circumstances involved in transactions. 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 others, net price,





reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. Advisor will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction. Consistent with the foregoing, while Advisor will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

**Research and Other Soft Dollar Benefits:** Advisor participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional (“TDA Institutional”). TDA Institutional is a division of TD Ameritrade. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Advisor participates in TD Ameritrade’s institutional customer program and Advisor may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Advisor’s participation in the program and the investment advice it gives to its clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor’s related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its client accounts. These products or services may assist Advisor in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor’s choice of TD Ameritrade for custody and brokerage services.

Advisor also receives from TD Ameritrade certain additional economic benefits (“Additional Services”) that may or may not be offered to any other independent investment Advisors participating in the program. Specifically, the Additional Services include Advent. Advent is the parent company to Black Diamond, a service provider that allows Advisor to conduct such activities as generate performance reports and statements, open up a “portal” to users – which typically includes clients – allowing for confidential sharing of certain information, and billing support. Black



Diamond may provide other services as well, such as portfolio rebalancing, however such available services are not currently being utilized by Advisor.

TD Ameritrade provides the Additional Services to Advisor in its sole discretion and at its own expense, and Advisor does not pay any fees to TD Ameritrade for the Additional Services. Advisor and TD Ameritrade have entered into a separate agreement (“Additional Services Addendum”) to govern the terms of the provision of the Additional Services.

Advisor’s receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Advisor, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, Advisor’s Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Advisor, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, Advisor may have an incentive to recommend to its Clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. Advisor’s receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

Advisor also serves on the TD Ameritrade Institutional Trading Panel (“Panel”). The Panel consists of approximately ten independent registered investment advisers that advise TD Ameritrade Institutional (“TDA Institutional”) on issues relevant to the independent adviser and their experience with TD Ameritrade’s trading platform. The Panel meets in person once a year. Investment advisers are appointed to serve on the Panel for a one-year term by TDA Institutional trading, sales, service and senior management. At times, Panel members are provided confidential information about TD Ameritrade initiatives. Panel members are required to sign a confidentiality agreement. TD Ameritrade does not compensate Panel members. However, TD Ameritrade may pay or reimburse Advisor for the travel, lodging and meal expenses Advisor incurs in attending Panel meetings. The benefits received by Advisor or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Advisor’s recommendation of TD Ameritrade for custody and brokerage services.

**Trade Aggregation and Allocation:** Transactions for each client will be effected independently, unless Advisor decides to purchase or sell the same securities for several clients at approximately the same time. Advisor performs investment management services for various clients, some of which may have similar investment objectives. Advisor will aggregate sale and purchase orders with other client accounts and proprietary (employee) accounts that have similar orders being made at the same time, if in Advisor’s judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices and lower trade execution costs. Advisor may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Advisor’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating





accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, Advisor will allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

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

The IAR performs reviews of all investment advisory accounts no less than annually. Reviews may be triggered by changes in an account holder's personal, tax or financial status. Macroeconomic and company specific events may also trigger reviews. There is currently no limit on the number of accounts that can be reviewed by the IAR. Advisor reviews investment strategy daily and responds to changes in market conditions, option expirations and input from IARs regarding client suitability. Brokerage statements are generated monthly. These statements are prepared and sent directly from the account custodian. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived.

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

**Economic Benefits Received:** As discussed under Item 12, Advisor may enter into "soft dollar" arrangements whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist Advisor in its investment decision-making process. The receipt of such services may be deemed to be the receipt of an economic benefit by Advisor, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client's interest in receiving most favorable execution.

Additionally, as noted in Item 12 above, Advisor participates in the TD Ameritrade institutional program and generally recommends that discretionary clients use TD Ameritrade as their custodian and broker of record. While there is no direct link between the investment advice given to clients and Advisor's recommendation to use TD Ameritrade as their custodian, certain benefits are received by Advisor due to this arrangement that are typically not available to TD Ameritrade retail investors. Many of these services, though not all, may be used to service all or a substantial number of Advisor's accounts, including accounts not maintained at TD Ameritrade. These products and services may benefit the Firm but may not benefit our clients' accounts. TD Ameritrade also makes available to Advisor other services intended to help us manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, TD Ameritrade may make available, arrange and/or pay for these types of services rendered to Advisor by independent third parties. TD Ameritrade may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party



providing these services to Advisor. The benefits received by Advisor through its participation in the TD Ameritrade institutional customer program do not depend on the amount of brokerage transactions directed to TD Ameritrade. While as a fiduciary, we endeavor to act in our clients' best interests, our recommendation that clients maintain their assets in accounts at TD Ameritrade may be based in part on the benefit to Advisor of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by TD Ameritrade. The receipt of these benefits may create a potential conflict of interest and may indirectly influence Advisor's choice of TD Ameritrade for custody and brokerage services.

**Compensation for Client Referrals:** Advisor currently pays referral fees to various broker/dealers as well as other independent investment advisors. Advisor has also retained solicitors and will pay solicitation fees for clients who are referred to Advisor. All such agreements are in writing and comply with the applicable state and federal regulations. When a referred client is introduced to Advisor by a solicitor, Advisor will pay that solicitor a fee in accordance with the applicable federal and state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon a varying percentage of the fees paid to Advisor by such referred clients until the account is closed by written authorization from the client. Any such fee shall be paid solely from Advisor's investment management fee, and shall not result in any additional charge to the client. Advisor only conducts business with registered solicitors or solicitors that are not required to be registered because they are exempt from registration requirements. Advisor typically does not pay direct compensation to any individual for client referrals.

From time to time Advisor hosts client events where prospective clients may be introduced to Advisor by existing clients and/or third parties. While no payments are made for these referrals directly, Advisor does incur the costs of hosting such events. These events are typically open to all current clients who are physically and geographically able to attend. Additionally, Advisor may underwrite the costs associated with client events that are hosted by referring IARs. Advisor does not receive financial support to offset the costs associated with hosting client events from vendors that Advisor does business with in its capacity as an independent RIA. .

## Item 15: Custody

Advisor does not maintain custody of client assets, except that pursuant to Rule 206(4)-2 of the Investment Advisers Act of 1940, Advisor is deemed to have custody of client funds solely because the firm has the authority and ability to debit its fees directly from clients' accounts. To mitigate any potential conflicts of interests, all Advisor client account assets will be maintained with an independent qualified custodian. Generally, Advisor recommends TD Ameritrade for custodial services, but from time to time, other custodians may be used by Advisor to custody assets.

Notably, in most cases a client's broker-dealer also may act as the custodian of the client's assets for little or no extra cost. Clients should be aware, however, of the differences between having their assets held with 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 should receive monthly, but not less than quarterly, statements from the qualified custodian that holds and maintains client's investment assets. Advisor urges Clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

**Discretionary Authority; Limitations:** Advisor requires discretionary authority from the client at the outset of an advisory relationship to select which securities are to be bought or sold in client accounts, the amount of securities to be bought or sold in client accounts and when transactions are made. This means that Advisor does not have to obtain prior consent from the client when investing client asset. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Advisor observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Advisor's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to Advisor in writing.

**Limited Power of Attorney:** For each account Advisor manages, the client will establish a Limited Power of Attorney with their custodian authorizing Advisor to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent for the account. Additionally, each client will authorize their custodian to debit the client's account for the fees and charges invoiced to them by Advisor.

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

Advisor's policy and practice is to not vote proxies on behalf of its clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, custodians are instructed to forward all shareholder related material to the owner of the account, and the client retains the responsibility for receiving and voting all proxies for securities held within the client's account. Advisor may provide advice to clients regarding the clients' voting of proxies, but only upon specific written request by client, and Advisor shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

Advisor typically does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts.



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

Investment Advisors are required to provide you with certain financial information or disclosures about Advisor's financial condition. Advisor has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Advisor does not require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered and therefore is not required to include a financial statement.