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## Part 2A Appendix 1 – Wrap Fee Program Brochure

This brochure provides information about the qualifications and business practices of KHP Capital, LLC. If you have any questions about the contents of this brochure, please contact us at (918) 779-3730. 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.

KHP Capital, LLC. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

Additional information about KHP Capital, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for KHP Capital, LLC. is 281169.

## ITEM 2 – MATERIAL CHANGES

### **Summary of Material Changes**

This section of the Wrap Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

If you would like another copy of this Wrap Brochure, please download it from the SEC Website as indicated above or you may contact our CCO Julie Hazzard at (918) 779-3730 or [jhazzard@khpcapital.com](mailto:jhazzard@khpcapital.com).

We encourage you to read this document in its entirety.

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### ITEM 4 – SERVICES, FEES & COMPENSATION

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We offer a wrap fee program as described in this Wrap Fee Program Brochure. Our wrap fee accounts are managed on an individualized basis according to the client’s investment objectives, financial goals, risk tolerance, etc.

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we incur the fees for executed trades.

#### **Our Wrap Advisory Services**

##### **Wrap Comprehensive Portfolio Management:**

We offer discretionary investment management and investment supervisory services for a fee based on a percentage of your assets under management. These services include investment analysis, allocation of investments, quarterly portfolio statements, financial commentaries, and ongoing monitoring of client portfolios.

We determine your portfolio composition based on your needs, your portfolio restrictions, if any, your financial goals and your risk tolerances. We will work with you to obtain necessary information regarding your financial condition, investment objectives, liquidity requirements, risk tolerance, time horizons, and any restrictions on investing. This information enables us to determine the portfolio best suited for your investment objective and needs.

In performing our services, we shall not be required to verify any information received from you or from other professionals. If you request, we may recommend and/or engage the services of other professionals for implementation purposes. You are under no obligation to engage the services of any such recommended professional.

Once we have determined the types of investments to be included in your portfolio and allocated them, we will provide ongoing portfolio review and management services. This approach requires us to review your portfolio at least quarterly. We will rebalance the portfolio, as we deem appropriate, to meet your financial objectives.

In all cases, you have a direct and beneficial interest in your securities, rather than an undivided interest in a pool of securities. We do have limited authority to direct the Custodian to deduct our investment advisory fees from your accounts, but only with the appropriate authorization from you.

Our standard investment advisory fees are reflected in the chart below:

<b>Account size</b>		<b>KHP Standard Fee</b>
-	\$500,000	1.35%
\$500,001	\$2,000,000	1.25%
\$2,000,001	\$5,000,000	1.10%
\$5,000,001	\$10,000,000	0.95%
Above \$10,000,001		0.70%

The specific advisory fees are set forth in your Investment Advisory Agreement. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated.

Our firm's annualized fees are billed on a pro-rata basis quarterly in advance based on the value of your account on the last day of the quarter. Fees will be deducted from your managed account as we do not offer direct billing. As part of this process, the client is made aware of the following:

- a) You provide written authorization permitting us to be paid directly from the managed account held by the independent custodian;
- b) Our firm sends an electronic request to the custodian indicating the amount of the fee to be paid from the client's managed account;
- c) Your independent custodian sends statements at least quarterly to you showing the market values for each security included in the Assets and all disbursements in your account including the amount of the advisory fees paid to us.

#### **Other Types of Fees & Expenses:**

You may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm.

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### **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

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We require a minimum household balance of \$250,000 for our Wrap Portfolio Management service. This minimum household balance requirement would be required throughout the course of the client's relationship with our firm and may be negotiable depending on the client's financial circumstance.

We have the following types of clients:

- Individuals and High Net-Worth Individuals;
- Small Businesses, Foundations Trusts or Estates;
- Corporations, Limited Liability Companies and/or Other Business Types.

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### **ITEM 6 – PORTFOLIO MANAGER SELECTION & EVALUATION**

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Our firm does not utilize outside portfolio managers. All accounts are managed by our in-house professionals. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services.

#### **Advisory Business:**

See Item 4 for information about our wrap fee advisory program. We offer individualized investment advice to clients utilizing our Wrap Portfolio Management service.

Our advisory services are tailored to meet your individual needs. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities. However, when using mutual funds

or Exchange Traded Funds (“ETFs”), this multi-fund manager approach makes it difficult for us to ensure that your portfolio will not invest in a particular industry or security. However, we are happy to discuss your preferences regarding socially-conscious or other investment concerns and, we will try wherever possible, to accommodate them.

### **Participation in Wrap Fee Programs:**

We offer non-wrap and wrap fee accounts to our clients, which are managed on an individualized basis according to the client’s investment objectives, financial goals, risk tolerance, etc.

### **Performance-Based Fees & Side-By-Side Management:**

We do not charge performance fees to our clients.

### **Methods of Analysis, Investment Strategies & Risk of Loss:**

KHP created its investment approach based on the philosophy that straightforward, systematic investment management using lower-cost, liquid instruments will provide clients with a lower-stress and more-favorable investment experience over time. The team has based its approach on well published academic financial research, such as Modern Portfolio Theory, Time-Series Momentum, Active-vs-Passive Performance Comparison, and research in the area of behavioral finance. The approach includes two primary components: strategic asset allocation and tactical shifts based on the market environment.

The *strategic component* relies on three fundamental concepts:

1) **Asset allocation is important:** Many investment research studies have shown that the asset allocation decision (e.g., how much to hold in stocks vs. bonds) contributes much-more significantly to investment performance than the security selection decision (e.g., whether to buy Stock A vs. Mutual Fund B). As such, the team focuses its efforts on defining a weighting of various asset classes that is suitable for client objectives and then selecting well-diversified investments to represent each asset class.

2) **The best long-term relative investment returns will come from the strongest economies:** Over time, the strongest investment performance tends to come from economies and market sectors that exhibit the best prospects for economic growth (e.g., GDP growth), attract foreign direct investment, and have favorable demographic and regulatory conditions. The economies and sectors that best meet these criteria, however, will change over time. To account for this, the KHP team reviews macroeconomic data from governments and NGOs (e.g., International Monetary Fund), along with analyst reports from respected economists, academics, and asset managers. Based on this information and internal analysis, the team makes adjustments to the maximum allocation to each asset class two times a year.

3) **Active investment managers will underperform their benchmarks over time:** It is well-publicized that, due to a variety of factors, the majority (nearly 60%) of active investment managers underperform their benchmarks in a given year. Since 2010, only 5% of top-performing funds are able to remain in the top-quartile for three years in a row. Consequently, the investment strategy relies on large, passively-constructed ETFs to reduce the risks of underperformance associated with style drift, higher fees, and manager biases.

KHP uses the following process to manage its strategic allocation:

- A- Gather economic and financial data from reputable sources.
- B- Identify long-term investment themes and sources of possible risk and opportunity.
- C- Conduct scenario analysis to identify the relationships between themes and asset class returns, as well as possible risk factors.
- D- Increase or decrease allocation to asset classes, sectors, or maturity terms based on the results of the analysis.
- E- Reflect allocation changes in client portfolios as a part of the account review process.

The *tactical component* of the strategy relies on four concepts:

1) **Market returns do not follow a normal distribution:** Historically, major market indices (e.g., S&P 500, etc.) have exhibited expected returns and volatility that traditional statistical models would not predict. Specifically, there are significantly more "major" declines (i.e., greater than 10% in a quarter) than predicted. Our expectation is that this will continue or increase in the future and that investors will be exposed to greater-than-expected risk of substantial market drops.

2) **Investors tend to have greater interest in mitigating losses in bad markets than they do in maximizing gains in good markets:** The tactical component of the strategy functions to reduce an investor's exposure to indices that appear to be in a downward trend and to increase the exposure to indices that appear to be in an upward trend. The underpinning of this design is to provide clients with peace-of-mind that there is a systematic process to reduce their exposure to markets in prolonged decline.

3) **Market returns move with momentum:** Through extensive analysis and back-testing, the team has determined a combination of rolling return and moving-average indicators, collectively referred to as "momentum-based returns." Over a historical period, it appears that, weekly returns are more often negative when the momentum-based return is negative and more often positive when the momentum-based return is positive. The KHP investment models rely on the expectation that this relationship will

continue in the future and therefore seek to use the momentum-based returns as an indicator of when temporary changes to investment allocation may be appropriate.

**4) Liquidity and cost are important considerations:** High expenses can be a significant detractor from investment returns. Similarly, wide trading spreads increase the risk of poor trade execution in thinly-traded securities which historically has had a negative effect on portfolio performance. As such, the KHP strategy uses ETFs that are among the most-heavily traded and efficient (in terms of spread) in their asset classes. These ETFs also have some of the lowest expense ratios in their asset classes.

KHP uses the following process to manage its tactical shifts:

- A- On a weekly basis, calculate momentum-based returns of each asset class
- B- Compare the momentum-based returns to defined sensitivity points, which the team determined using historical return and volatility testing.
- C- If the value of the momentum-based return is less than its specified “loss trigger,” sell a portion of the "triggered" asset class and move the cash created into a short-term US Treasury ETF.
- D- If the value of the momentum-based return is greater than its specified “buy trigger” and there is an allocation to the ST US Treasury ETF, then sell some or all of the ST US Treasury ETF (depending on the size of the ST US Treasury position) and use the cash created to buy the equity ETF that reached the buy trigger.
- E- Periodically test and re-optimize trigger points, taking into consideration changes in market conditions.

### **Investment Strategies**

KHP manages several investment strategies, each designed to serve a different purpose or to provide a different market exposure. When creating a client’s investment allocation, the team will combine these strategies in different proportions to meet a given client’s situation based on four dimensions:

1. Risk Tolerance, which influences how much to hold in equity investments vs. other types of investments,
2. Account Size, which affects how many investment positions to include,
3. Income need, which influences whether the team includes income-focused investments, and
4. Tax-efficiency need, which primarily determines the type of fixed income investments used (e.g., corporate vs. municipal bonds).



The strategies include:

*A- Dynamic Global Equity:* The Dynamic Equity strategy aims to provide global equity market returns with decreased risk and forms the core of many KHP client portfolios. The strategy includes five primary ETFs representing US large-cap companies, US small-cap companies, international developed-market companies, and international emerging-market companies. A sixth short-term US Treasury ETF represents a “low risk” position and comes into the allocation from time-to-time. The team makes adjustments to the weightings between these ETFs based on the strategic allocation analysis and tactical momentum shifts described in the general approach.

*B- Dynamic Equity with Sectors:* The Dynamic Equity with Sectors strategy uses the same approach and investments of the Dynamic Global Equity strategy but also includes nine additional ETFs that sub-divide the US large-cap exposure into market sectors (e.g., industrials, technology, health care, etc.). Using the market sectors enables the team to reduce exposure to one sector while maintaining allocation to the others if warranted by market conditions.

*C- Dynamic Income:* The Dynamic Income strategy seeks to provide higher levels of dividend income to investors by providing exposure to asset classes such as high-yield bonds and master-limited partnerships. The strategy uses strategic and tactical analyses that are similar to the Equity strategies in an attempt to reduce the risk of loss.

*D- Investment-Grade Fixed Income:* The Investment-Grade Fixed Income strategy uses instruments that provide exposure to government, agency, and corporate bonds. The positions include a combination of fixed-maturity and perpetual-maturity investments in an attempt to manage interest rate and reinvestment risks.

*E- Tax-Efficient Investment-Grade Fixed Income:* The Tax-Efficient Investment-Grade Fixed Income strategy uses the same instruments as the Investment-Grade strategy but adds exposure to municipal bonds for income that is not subject to federal income tax.

While these strategies comprise the majority of client assets, the KHP team may incorporate other asset classes and positions in portfolios for time-to-time depending on market views and client objectives.

### **Risk of Loss**

The securities in KHP Capital’s client portfolios typically include exchange-traded funds (ETFs), mutual funds, stocks, corporate and municipal bonds, and other assets, all of which are subject to some or all of the following risk factors:

\* **Market Risk** — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.

\* **Foreign Securities and Currency Risk** — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

\* **Capitalization Risk** — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.

\* **Interest Rate Risk** — In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.

\* **Credit Risk** — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.

\* **Securities Lending Risk** — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.

\* **Derivative Risk** — Derivatives are securities, such as futures contracts, whose value is derived from that of other securities or indices. Derivatives can be used for hedging (attempting to reduce risk by offsetting one investment position with another) or non-hedging purposes. Hedging with derivatives may increase expenses, and there is no guarantee that a hedging strategy will achieve the desired results.

\* **Hedging Risk** — While hedging can reduce or eliminate losses, it can also reduce or eliminate gains. Derivative securities are subject to a number of risks, including the following:

- Liquidity risk
- Interest rate risk
- Market risk
- Credit and management risks
- Risk of improper valuation

Changes in the value of the derivative may not correlate perfectly with the underlying asset, rate or index, and the fund could lose more than the principal amount.

\* **Exchange-Traded Funds** — ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

### **Voting Client Securities:**

We will not vote proxies under our limited discretionary authority. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies.

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### **ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGER(S)**

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We do not use outside portfolio managers for our wrap program. All client information is maintained by KHP. Client information is reviewed and updated at least annually. Our financial advisors work with you directly to understand your current financial situation, existing resources, financial goals, and tolerance for risk. Our firm urges you to communicate to us any significant changes to your financial or personal circumstances, so that we can consider such information in managing your investments.

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### **ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGER(S)**

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Our firm does not place restrictions on the client's ability to contact and consult their financial advisor. As the portfolio manager, clients are free to contact us at any time.

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### **ITEM 9 – ADDITIONAL INFORMATION**

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#### **Disciplinary Information**

KHP does not have any legal, financial or other "disciplinary" item to report.

#### **Financial Industry Activities & Affiliations**

Investment Adviser Representatives ("IAR") of KHP may act as agents appointed with various life, disability or other insurance companies, receive commissions, trails, or other compensation from the respective product sponsors and/or as a result of effecting insurance transactions for clients. However, clients should note that they are under no obligation to purchase any insurance products through KHP or its IAR. Please note that IARs spend less than 10% of their time on business relating to Insurance.

#### *Broker Dealer*

KHP is not a broker/dealer, but our Investment Adviser Representatives ("IAR") are registered representatives of First Allied Securities, Inc. ("First Allied"), a full service broker-dealer, member FINRA/SIPC, which compensates them for effecting securities transactions. When placing securities transactions through First Allied in their capacity as

registered representatives, they may earn sales commissions. Because the IARs are dually registered agents of First Allied and KHP, First Allied has certain supervisory and administrative duties pursuant to the requirements of FINRA Conduct Rule 3040. First Allied and KHP are not affiliated companies. IARs of KHP spend a portion their time in connection with broker/dealer activities.

As a broker-dealer, First Allied engages in a broad range of activities normally associated with securities brokerage firms. Pursuant to the investment advice given by KHP or its IARs, investments in securities may be recommended for clients. If First Allied is selected as the broker-dealer, First Allied and its registered representatives, including IARs of KHP, may receive commissions for executing securities transactions.

You are advised that if First Allied is selected as the broker-dealer, the transaction charges may be higher or lower than the charges you may pay if the transactions were executed at other broker/dealers. You should note, however, that you are under no obligation to purchase securities through IARs of KHP or First Allied.

Moreover, you should note that under the rules and regulations of FINRA, First Allied has an obligation to maintain certain client records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives. These obligations require First Allied to coordinate with, and have the cooperation of its registered representatives that operate as, or are otherwise associated with, investment advisers other than First Allied. Accordingly, First Allied may limit the use of certain custodial and brokerage arrangements available to clients of KHP and First Allied may collect, as paying agent of KHP, the investment advisory fee remitted to KHP by the account custodian. First Allied may retain a portion of the investment advisory fee you pay, as a charge for the functions it performs, and such portion may be further re-allowed to other registered representatives of First Allied. The charge will not increase the advisory fee you have agreed to pay KHP.

IARs of KHP, in their capacity as registered representatives of First Allied, or as agents appointed with various life, disability or other insurance companies, receive commissions, 12(b)-1 fees, fee trails, or other compensation from the respective product sponsors and/or as a result of effecting securities transactions for clients. However, clients should note that they are under no obligation to purchase any investment products through KHP's representatives.

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

KHP and persons associated with us are allowed to invest for their own accounts or to have a financial interest in the same securities or other investments that we recommend or acquire for your account, and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates the potential for a conflict of interest. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any potential conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information and other situations where there is a possibility for conflicts of interest.

The Code of Ethics is designed to protect our clients by deterring misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of KHP, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm's ethical principles.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of KHP shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No director, officer or employee of KHP shall prefer his or her own interest to that of the advisory client.
2. We maintain a list of all securities holdings and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of KHP.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.
4. We emphasize the unrestricted right of the client to select and choose any broker-dealer (except in situations where we are granted discretionary authority) he or she wishes.
5. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. Any individual not in observance of the above may be subject to termination.

You may request a complete copy of our Code by contacting us at the address, telephone or email on the cover page of this Part 2; attn: Chief Compliance Officer.

## **Review of Accounts**

### *Account Reviews and Reviewers*

The underlying securities within the investment supervisory services are regularly monitored. These reviews will be made by Louise Short and Travis Smythe. An annual review is usually conducted in person or by telephone.

The purpose of all these reviews is to ensure that the investment plan continues to be implemented in a manner which matches your objectives and risk tolerances. More-frequent reviews may be triggered by material changes in variables such as your individual circumstances, or the market, political or economic environment. You are urged to notify us of any changes in your personal circumstances.

### *Statements and Reports*

KHP will have the ability to provide clients with Performance/Position summary reports upon request. Reports may also be provided at every client meeting.

The custodian for the individual client's account will also provide clients with an account statement at least quarterly.

**You are urged to compare the reports provided by KHP against the account statements you receive directly from your account custodian.**

## **Client Referrals & Other Compensation**

We participate in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. We may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent Investment Advisors participating in the program. 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 us by third party vendors. TD Ameritrade may also have paid for business consulting and professional

services received by some of our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by KHP or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by KHP or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing-expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

### **Soft Dollars**

Although the investment research products and services that may be obtained by our firm will generally be used to service all of our clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. The research products may benefit some but not all of the clients or may benefit only the firm.

Our firm does not accept products or services that do not qualify for Safe Harbor outlined in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution.

### **Directed Brokerage**

Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. We routinely recommend that a client directs us to execute through a specified broker-dealer. Our firm recommends the use of TD Ameritrade. Each client will be required to establish their account(s) with TD Ameritrade if not already done. Please note that not all advisers have this requirement.

**Financial Information**

We do not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.