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**ADV Part 2A, Firm Brochure**  
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This brochure provides information about the qualifications and business practices of Karn, Couzens & Associates, Inc. If you have any questions about the contents of this brochure, please contact us at 860-676-2727 or [bob@karncouzens.com](mailto:bob@karncouzens.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Karn, Couzens & Associates, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Karn, Couzens & Associates, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes made to Karn, Couzens & Associates, Inc.’s (“KC&A”) Part 2A Brochure since its prior Annual Amendment filing on September 9, 2016. KC&A below has made disclosure additions and enhancements, including at Items 4, 5, 7, and 15 regarding financial planning limitations, retirement rollovers, and Lightyear Capital. ANY QUESTIONS: KC&A’s Chief Compliance Officer, Robert Karn, remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements below.

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## **Item 4            Advisory Business**

- A. Karn, Couzens & Associates, Inc. (“KC&A”) is a corporation formed in Connecticut on December 22, 1987. KC&A was previously registered as an Investment Adviser with the Connecticut Department of Banking and has been registered with the United States Securities and Exchange Commission as an Investment Adviser since January 9, 2004. KC&A is principally owned by Jeffrey P. Couzens, Vice President; and Robert A. Karn, President and Chief Compliance Officer.
- B. As discussed below, KC&A offers investment advisory and financial planning and consulting services to its clients (individuals, high net worth individuals, business entities, pension and profit sharing plans, etc.).

### **INVESTMENT MANAGEMENT SERVICES**

The client can engage KC&A to provide discretionary investment management services on a *fee* basis as described below. Before KC&A provides investment management services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, KC&A will allocate investment assets consistent with the designated investment objectives. KC&A primarily allocates client investment assets on a discretionary basis among mutual funds, exchange-traded funds (“ETFs”), individual securities, and unaffiliated mutual fund asset allocation programs on a wrap-fee basis (as described in Item 4.D below). Once allocated, KC&A provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives.

KC&A may also render investment advisory services to clients relative to: (1) variable life/annuity products that they may own, and/or (2) self-directed individual employer-sponsored retirement plans. In so doing, KC&A either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. In such cases, client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client; or at the custodian designated by the sponsor of the client’s retirement plan.

### **VISION2020 Wealth Management Platform – Advisor Managed Portfolios**

The Wealth Management Platform – Advisor Managed Portfolios Program (the “Portfolios Program”) provides investment management of client assets through the application of asset allocation planning software. Assets in the Portfolios Program will be custodied at Pershing, LLC (“Pershing”) and Pershing will provide execution, clearing and custodial services for Program assets.

Each portfolio is designed to meet the client’s individual needs. Clients are also able to impose reasonable restrictions on the types of investments to be held in their portfolio.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, KC&A may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, tax planning insurance planning, etc.) on a stand-alone separate fee basis. Before engaging KC&A to provide planning or consulting services, clients are generally

required to enter into a Financial Planning and Consulting Agreement with KC&A setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client before KC&A commences services. If requested by the client, KC&A may recommend the services of other professionals for implementation purposes, including KC&A's representatives in their individual capacities as registered representatives of Royal Alliance, an SEC registered and FINRA member firm ("Royal") and/or licensed insurance agents. (See disclosures at Item 10.C.). **Please Note:** The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from KC&A. **Please Also Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

Further, although KC&A's principal, Robert A. Karn, is licensed to practice law, he does not provide legal services to any of KC&A's clients, and no corresponding attorney-client relationship can be established between the client and Mr. Karn.

**Please Note - Conflict of Interest:** The recommendation by KC&A representatives that a client purchase a securities or insurance commission product from firm representatives in their individual capacities as representatives of Royal and/or as insurance agents, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend securities or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from KC&A representatives. Clients are reminded that they may purchase securities and insurance products recommended by KC&A through other, non-affiliated broker-dealers and/or insurance agencies. **KC&A's Chief Compliance Officer, Robert A. Karn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

## MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** KC&A **does not** serve as an attorney or accountant, and no portion of our services should be construed as legal or accounting services. Accordingly, KC&A **does not** prepare estate planning documents or tax returns.

**Retirement Plan Rollovers – No Obligation / Potential for Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If KC&A recommends that a client roll over their retirement plan assets into an account to be managed by KC&A, such a recommendation creates a conflict of interest if KC&A earns a new (or will increase its current) advisory fee as a result of the rollover. To the extent that KC&A recommends that clients roll over assets from their retirement plan to an IRA

managed by KC&A, then KC&A represents that it and its investment adviser representatives are fiduciaries under the Employment Retirement Income Security Act of 1974 (“ERISA”), or the Internal Revenue Code, or both. **No client is under any obligation to roll over retirement plan assets to an account managed by KC&A. KC&A’s Chief Compliance Officer, Robert Karn, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such a rollover recommendation.**

**Independent Managers.** KC&A may allocate a portion of client assets among unaffiliated independent investment managers. In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. KC&A shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. **Please Note:** Unless otherwise indicated, the investment management fee charged by the *Independent Manager[s]* is separate from, and in addition to, KC&A’s advisory fee as set forth in the fee schedule at Item 5 below. **ANY QUESTIONS:** KCA’s Chief Compliance Officer, **Robert Karn,** remains available address any questions that a client or prospective client may have regarding the above.

**Pershing.** As discussed below at Item 12, KC&A shall generally recommend that Pershing serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Pershing charge brokerage commissions and/or transaction fees for effecting securities transactions. In addition to KC&A’s investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Please Note-Use of Mutual Funds:** Most mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that may be recommended and/or utilized by KC&A independent of engaging KC&A as an investment advisor. However, if a prospective client determines to do so, he/she will not receive KC&A’s initial and ongoing investment advisory services.

**Client Obligations.** In performing its services, KC&A shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify KC&A if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising KC&A’s previous recommendations and/or services.

**Portfolio Activity.** KC&A has a fiduciary duty to provide services consistent with the client’s best interest. As part of its investment advisory services, KC&A will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, mutual fund manager tenure, style drift, , and/or a change in the client’s investment objective. Based upon these factors, there may be extended periods of time when KC&A determines that changes to a client’s portfolio are neither necessary or prudent. Of course, as indicated below, there can be no assurance that investment decisions made by KC&A will be profitable or equal any specific performance level(s).

**Disclosure Statement.** A copy of KC&A’s written Brochure as set forth on Part 2A shall

be provided to each client prior to, or contemporaneously with, the execution of the applicable form of client agreement.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by KC&A) will be profitable or equal any specific performance level(s).

**Reporting Services.** KC&A, in conjunction with the services provided by eMoney Advisor, LLC may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by KC&A (the "Excluded Assets"). The client and/or his/her/its other advisors that maintain trading authority, and not KC&A, shall be exclusively responsible for the investment performance of the Excluded Assets. KC&A's service relative to the Excluded Assets is limited to reporting and non-discretionary consulting services only, which does not include investment implementation. KC&A does not have trading authority for the Excluded Assets. As such, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority vs. trading authority designated to another investment professional), the client (and/or the other investment professional), and not KC&A, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. KC&A shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that KC&A provide discretionary investment advisory services (whereby KC&A would have trading authority) with respect to the Excluded Assets, the client may engage KC&A to do so pursuant to the terms and conditions of the Investment Advisory Agreement between KC&A and the client.

- C. KC&A shall provide investment advisory services specific to needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, KC&A will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, **in writing**, on KC&A's services.
- D. KC&A does not offer a wrap fee program for its investment advisory services. However, KC&A is a participating investment adviser in certain unaffiliated wrap and managed account fee programs. The programs for which KC&A manages investment advisory accounts on a discretionary basis are sponsored by SEI Investments Company ("SEI") AssetMark, Inc. ("AssetMark") and Royal. SEI, AssetMark and Royal are individually referred to as a "Sponsoring Broker" and collectively referred to as the "Sponsoring Brokers." With respect to the mutual fund asset allocation programs offered on a wrap-fee basis in which KC&A is a participating investment adviser, clients pay their fees directly to the Sponsoring Brokers who, in turn, remit a portion of those fees to KC&A. The advisory fees remitted to KC&A are based upon an annual percentage of assets under management in accordance with the fee schedule provided in Item 5.A below, and are calculated by the Sponsoring Brokers either on a quarterly basis or a monthly basis.

**Please Note (Unaffiliated Wrap/Mutual Fund Asset Allocation Programs):** In the event that KC&A is engaged to provide investment advisory services as part of an unaffiliated mutual fund asset allocation/wrap-fee program, KC&A will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the Sponsoring

Broker arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that KC&A is engaged to provide investment advisory services as part of an unaffiliated managed account program, KC&A will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the Sponsoring Broker will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts. **ANY QUESTIONS:** KCA's Chief Compliance Officer, **Robert Karn**, remains available to address any questions that a client or prospective client may have regarding the above.

- E. As of June 30, 2016, KC&A had \$334,500,000 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

KC&A's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under KC&A's management (generally between 0.25% and 1.00%) to be charged quarterly in arrears on a tiered basis, as follows:

Market Value of Portfolio	Annual Fee %
\$0 to \$1,000,000	1.00%
\$1,000,001 to \$2,000,000	0.50%
\$2,000,001 and above	0.25%

**For example:** A client with \$1.5 million of assets under management will pay 1.00% on the initial \$1million and 0.50% on the next \$500,000.

KC&A generally imposes a \$250,000 minimum aggregate portfolio value for its investment advisory services. KC&A, in its sole discretion, may charge a lesser investment advisory fee and/or reduce or waive its aggregate account minimum requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

### FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

If requested by the client, KC&A may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. KC&A's financial planning and consulting fees are negotiable, depending upon the professional rendering services in addition to the scope, and complexity of the services rendered. KC&A's financial planning and consulting fees generally range from \$3,000 to \$10,000 on a fixed- fee basis, or \$500 per

hour on an hourly rate basis. Where the client has engaged KC&A to provide other investment advisory services, KC&A, in its sole discretion, may discount its financial planning fees.

- B. Clients may elect to have KC&A's advisory fees deducted from their custodial account. Both KC&A's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of KC&A's investment advisory fee and to directly remit that management fee to KC&A in compliance with regulatory procedures. In the limited event that KC&A bills the client directly, payment is due upon receipt of KC&A's invoice. KC&A will generally deduct fees and/or bill clients quarterly in arrears, based upon the average daily balance of the assets in the clients' account during the applicable billing quarter.
- C. As discussed below, (except with respect to assets held with SEI and/or AssetMark), or unless the client directs otherwise or an individual client's circumstances require, KC&A will generally recommend that Royal serve as the broker-dealer/custodian for client investment assets. Broker-dealers charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to KC&A's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

In most instances, Royal will collect, as paying agent for KC&A, the investment advisory fees to be paid to KC&A by the account custodian. Royal, will retain a portion of KC&A's fee as compensation for Royal's administrative and supervisory functions. The portion of KC&A's fee retained by Royal comes directly from KC&A's compensation, and therefore, will not increase execution or brokerage charges to the client or the fee the client has agreed to pay KC&A pursuant to the Agreement. A portion of the fee retained by Royal may be reallocated to other registered representatives of Royal who, as registered representatives of that broker-dealer, are responsible for the supervision of other representatives.

Please Note: Participants in a Sponsoring Broker's unaffiliated wrap program will not incur brokerage commissions and/or transaction fees in addition to their advisory fees.

KC&A's annual investment advisory fee shall generally be prorated and paid quarterly, in arrears, based upon the average daily balance of the assets in the clients' account for the applicable billing quarter. KC&A generally imposes a \$250,000 minimum aggregate portfolio value for its investment advisory services. KC&A, in its sole discretion, may charge a lesser investment advisory fee and/or reduce or waive its aggregate account minimum requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). Please Note: As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

- D. The Investment Advisory Agreement between KC&A and the client will continue in effect until terminated by either party by written notice in accordance with the terms of such Agreement. Upon termination, KC&A will debit the earned, but not yet billed, portion of its quarterly advisory fee (based upon the number of days services were provided during the billing quarter).

With respect to financial planning and consulting services, KC&A generally requires one-



half of the financial planning/consulting fee (estimated hourly or fixed) payable upon execution of the Financial Planning and Consulting Agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. Either party may terminate the agreement by written notice to the other. In the event the client terminates the Financial Planning and Consulting Agreement, the balance of KC&A's unearned fees (if any) shall be refunded to the client.

E. **Commission Transactions.** In the event that the client desires, the client can engage certain of KC&A's representatives, in their individual capacities as registered representatives of Royal, an SEC-registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Royal, Royal will charge brokerage commissions to effect securities transactions, a portion of which commissions Royal shall pay to KC&A's representatives, as applicable. Prior to effecting any transactions, the client will be required to enter into a new account agreement with Royal. The brokerage commissions charged by Royal may be higher or lower than those charged by other broker-dealers. In addition, Royal, as well as KC&A's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Royal presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Royal. **KC&A's Chief Compliance Officer, Robert A. Karn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please note:** Clients may purchase investment products recommended by KC&A through other, non-affiliated broker dealers or agents.
3. KC&A does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products KC&A recommends to its clients.
4. When KC&A's representatives sell an investment product on a commission basis, KC&A does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory *fee* basis, KC&A's representatives do not also receive commission compensation for such advisory services. **However,** a client may engage KC&A to provide investment advisory services on an advisory *fee* basis and separate from such advisory services purchase an investment product from KC&A's representatives on a separate commission basis.

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

Neither KC&A nor any supervised person of KC&A accepts performance-based fees.

## **Item 7                      Types of Clients**

KC&A's clients generally include individuals, high net worth individuals, pension and profit sharing plans, and business entities. KC&A generally imposes a \$250,000 minimum aggregate portfolio value for its investment advisory services. KC&A, in its sole discretion, may charge a lesser investment advisory fee and/or reduce or waive its aggregate account minimum requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

A. KC&A may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices);
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts); and
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices).

KC&A may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year); and
- Short Term Purchases (securities sold within a year).

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by KC&A) will be profitable or equal any specific performance level(s).

- B. KC&A's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis KC&A must have access to current/new market information. KC&A has no control over the dissemination rate of market information; therefore, unbeknownst to KC&A, certain analyses may be compiled with outdated market information, severely limiting the value of KC&A's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.
- C. KC&A's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

Currently, KC&A primarily allocates client investment assets on a discretionary basis among mutual funds, ETFs, individual securities, and unaffiliated mutual fund asset

allocation programs on a wrap-fee basis (as described in Item 4.D above) in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

KC&A has not been the subject of any disciplinary actions.

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

- A. As disclosed above in Item 5.E., certain representatives of KC&A are also registered representatives of Royal in their respective separate and individual capacities.
- B. Neither KC&A, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Broker Dealer.** As disclosed above in Item 5.E. certain of KC&A's representatives are registered representatives of Royal. Clients may therefore engage those representatives, in their separate individual capacities, to effect securities brokerage transactions on a commission basis.

**Licensed Insurance Agents.** Certain of KC&A's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can therefore engage certain of KC&A's representatives to effect insurance transactions on a commission basis.

**Please Note - Conflict of Interest:** The recommendation by KC&A representatives that a client purchase a securities or insurance commission product from firm representatives in their individual capacities as representatives of Royal and/or as insurance agents, presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend securities or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products from KC&A representatives. Clients are reminded that they may purchase securities and insurance products recommended by KC&A through other, non-affiliated broker-dealers and/or insurance agencies. **KC&A's Chief Compliance Officer, Robert A. Karn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Licensed Attorney.** Although not material KC&A's advisory business, Robert A. Karn is a licensed non-practicing attorney and a member of the Bar of the State of Connecticut. Mr. Karn does not provide any legal services to KC&A clients.

- D. KC&A does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. KC&A maintains an investment policy relative to personal securities transactions. This investment policy is part of KC&A's overall Code of Ethics, which serves to establish a standard of business conduct for all of KC&A's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, KC&A also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by KC&A or any person associated with KC&A.

- B. Neither KC&A nor any related person of KC&A recommends, buys, or sells for client accounts, securities in which KC&A or any related person of KC&A has a material financial interest.
- C. KC&A and/or representatives of KC&A may buy or sell securities that are also recommended to clients. This practice may create a situation where KC&A and/or representatives of KC&A are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if KC&A did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of KC&A's clients) and other potentially abusive practices.

KC&A has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of KC&A's "Access Persons." KC&A's securities transaction policy requires that Access Person of KC&A must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with written reports detailing quarterly transactions as well as an annual holdings report, provided, however that at any time that KC&A has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. KC&A and/or representatives of KC&A may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where KC&A and/or representatives of KC&A are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, KC&A has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of KC&A's Access Persons.

**Item 12            Brokerage Practices**

- A. In the event that the client requests that KC&A recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct KC&A to use a specific broker-dealer/custodian), KC&A generally recommends that investment advisory accounts be maintained at Royal and/or Pershing. Prior to engaging KC&A to provide investment advisory services, the client will be required to enter into a formal

Investment Advisory Agreement with KC&A setting forth the terms and conditions under which KC&A shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Further, as discussed above, certain of KC&A's representatives, in their respective individual capacities are registered representatives of Royal. These representatives are subject to NASD Rule 3040, which restricts registered representatives from conducting securities transactions away from their broker-dealer unless Royal provides written consent. Therefore, clients are advised that certain associated persons may be restricted to conducting securities transactions through Royal unless they first secure written consent from Royal to execute securities transactions through a different broker-dealer. Absent such written consent or separation from Royal, these representatives are prohibited from executing securities transactions through any broker-dealer other than Royal under Royal's internal supervisory policies. KC&A is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.

Factors that KC&A considers in recommending Royal and/or Pershing (or any other broker-dealer/custodian to clients) include historical relationship with KC&A, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by KC&A's clients shall comply with KC&A's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where KC&A determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although KC&A will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, KC&A's investment advisory fee. KC&A's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research Benefits. Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, KC&A may receive from Royal and/or Pershing (or another broker-dealer/custodian, investment platform, mutual fund sponsor, annuity fund sponsor, and/or unaffiliated investment manager), without cost (and/or at a discount) support services and/or products, certain of which assist KC&A to better monitor and service client accounts maintained at such institutions.

Included within the support services that may be obtained by KC&A may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel expenses and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by KC&A in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist KC&A in managing and administering client accounts.

Others do not directly provide such assistance, but rather assist KC&A to manage and further develop its business enterprise.

KC&A's clients do not pay more for investment transactions effected and/or assets maintained at Royal, Pershing, or any other entity as a result of this arrangement. There is no corresponding commitment made by KC&A to Royal and/or Pershing or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**KC&A's Chief Compliance Officer, Robert A. Karn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

**Forgivable Loans-Conflict of Interest**

As discussed above, certain of KC&A's representatives are registered representatives of Royal. Royal has established several forgivable and repayable loans with certain of these registered representatives. As such, these individuals received from Royal, additional economic benefits ("Forgivable Loans"). The terms of the Royal Forgivable Loans require that the each individual meet or exceed certain production requirements (commissions and fees received by Royal attributed to the individual's production in a registered representative capacity) for a period of three (3) years, terminating as of December 31, 2019, before the loans are forgiven.

Clearing and custodial arrangements with Royal, any of Royal's affiliates as described herein do not and will not in any way affect, or relate or pertain to, the Royal Forgivable Loans.

**KC&A's Chief Compliance Officer, Robert A. Karn, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest the arrangements may create.**

**Shareholder of Parent Organization-Conflict of interest.**

**KC&A principals, Robert Karn and Jeffrey P. Couzens, individually, are shareholders of Lightyear Capital ("Lightyear"), the parent organization of Royal. Together, Messrs. Karn and Couzens own approximately .00005% of Lightyear. Regardless, given the relationship between Messrs. Karn and Couzens, Lightyear and Royal, this infinitesimal ownership does create the potential for a conflict of interest. KC&A's Chief Compliance Officer, Robert A. Karn, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest the arrangement may create.**

2. KC&A does not receive referrals from broker-dealers.
3. KC&A does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and

arrangements for their account with that broker-dealer, and KC&A will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by KC&A. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs KC&A to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through KC&A.

**Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**KC&A's Chief Compliance Officer, Robert A. Karn, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that KC&A provides investment advisory services to its clients, the transactions for each client account generally will be effected independently, unless KC&A decides to purchase or sell the same securities for several clients at approximately the same time. KC&A may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among KC&A's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. KC&A shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom KC&A provides investment supervisory and/or investment advisory services, account reviews are conducted on an ongoing basis by KC&A's investment advisor representatives and/or Chief Compliance Officer. All clients are advised that it remains their responsibility to advise KC&A of any changes in their investment objectives and/or financial situation. For those clients to whom KC&A provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis as initiated by the client. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with KC&A on at least an annual basis.
- B. KC&A may also conduct account reviews on a non-periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. KC&A may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.(1) above, KC&A may receive an indirect economic benefit from Royal and/or Pershing (or another broker-dealer/custodian, investment platform, mutual fund sponsor, annuity fund sponsor, and/or unaffiliated investment manager) including, without cost (and/or at a discount), support services and/or products. In addition, Royal sponsors the “Elite Partner Program.” In this program, selected vendors will be invited to pay additional marketing fees to Royal for its enhanced marketing and distribution efforts. As part of such compensation, such vendors will, at no additional charge, be invited to participate in Royal’s educational seminars included in Royal’s “Source” publication, and will also be granted access to lists containing Royal’s registered representatives such as KC&A’s associated persons and marketing information. In addition, ticket charges for purchasing such funds may be reduced or waived. A list of Royal’s Elite Focus Program members is available to clients upon request. However, KC&A receive no additional compensation in this regard

KC&A’s clients do not pay more for investment transactions effected and/or assets maintained at Royal and/or Pershing as a result of this arrangement. There is no corresponding commitment made by KC&A to Royal and/or Pershing or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**KC&A’s Chief Compliance Officer, Robert A. Karn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. Neither KC&A nor any of its related persons compensate any person for client referrals.

#### **Item 15      Custody**

KC&A (Royal on behalf of KC&A) shall have the ability to deduct its advisory fee from the client’s Pershing and/or SEI account on a quarterly basis. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from Pershing, at least quarterly.

**Please Note:** To the extent that KC&A provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by KC&A with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of KC&A’s advisory fee calculation.



## **Item 16 Investment Discretion**

The client can determine to engage KC&A to provide investment advisory services on a discretionary basis. Prior to KC&A assuming discretionary authority over a client's account, client shall be required to execute Investment Advisory Agreement, naming KC&A as client's attorney and agent in fact, granting KC&A full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage KC&A on a discretionary basis may, at any time, impose restrictions, **in writing**, on KC&A's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe KC&A's use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. KC&A does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact KC&A to discuss any questions they may have with a particular solicitation.

## **Item 18 Financial Information**

- A. KC&A does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. KC&A is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. KC&A has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: KC&A's Chief Compliance Officer, Robert A. Karn, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**