

# Jaykay Wealth Advisors, Inc.

## Firm Brochure - Form ADV Part 2A

*This brochure provides information about the qualifications and business practices of Jaykay Wealth Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at 713-780-4575 or by email at: [kanchan@advisorusa.com](mailto:kanchan@advisorusa.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 Jaykay Wealth Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Jaykay Wealth Advisors, Inc.'s CRD number is: 170192.*

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*Registration does not imply a certain level of skill or training.*

Version Date: 06/19/2018

## Item 2: Material Changes

The material changes made since last annual amendment filed by Jaykay Wealth Advisors, Inc. in February 2017 are as follows:

- In 2018 the firm reached the level of assets under management where it is now eligible to change its primary regulatory authority to the U.S. Securities and Exchange Commission.
- We have updated our assets under management. Please see item 4 – Advisory Business for additional information.
- We have updated our Portfolio Management service fees. Please see Item 5 – Advisory Fees for additional information.

In the future, this item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Disclosure Brochure may be requested by contacting us at 713-780-4575 or by email at: [kanchan@advisorusa.com](mailto:kanchan@advisorusa.com).

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Jaykay Wealth Advisors, Inc. (hereinafter “JKWAI”) is a Corporation organized in the State of Texas. The firm was formed in December 2003, and the principal owners are Kanchan Kabad and Jayanth Kabad. In 2018 the firm reached the level of assets under management where it changed its primary regulatory authority to the U.S. Securities and Exchange Commission.

### B. Types of Advisory Services

JKWAI offers the following services to advisory clients:

#### *Portfolio Management Services*

JKWAI offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. JKWAI creates an Investment Policy Statement for each client, which outlines the client’s current situation (income, tax levels, and risk tolerance levels).

Portfolio management services include, but are not limited to, the following:

- |                       |                                |
|-----------------------|--------------------------------|
| • Investment strategy | • Personal investment policy   |
| • Asset allocation    | • Asset selection              |
| • Risk tolerance      | • Regular portfolio monitoring |

JKWAI evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. JKWAI will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

JKWAI seeks to provide that investment decisions are made in accordance with the fiduciary duties owed to its accounts and without consideration of JKWAI’s economic, investment or other financial interests. To meet its fiduciary obligations, JKWAI attempts to avoid, among other things, investment or trading practices that systematically advantage or disadvantage certain client portfolios, and, accordingly, JKWAI’s policy is to seek fair and equitable allocation of investment opportunities/transactions among its clients to avoid favoring one client over another over time. It is JKWAI’s policy to allocate investment opportunities and transactions it identifies as being appropriate and prudent that might have a limited supply, among its clients on a fair and equitable basis over time.

## ***Financial Planning***

Financial plans and financial planning may include but are not limited to: investment planning; life insurance; tax concerns; retirement planning; college planning; and debt/credit planning.

## ***Services Limited to Specific Types of Investments***

JKWAI generally limits its investment advice to mutual funds, equities, fixed income securities, real estate funds (including REITs), insurance products including annuities and private placements. JKWAI may use other securities as well to help diversify a portfolio when applicable.

## **C. Client Tailored Services and Client Imposed Restrictions**

JKWAI offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels). Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent JKWAI from properly servicing the client account, or if the restrictions would require JKWAI to deviate from its standard suite of services, JKWAI reserves the right to end the relationship.

## **D. Wrap Fee Programs**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. JKWAI does not participate in any wrap fee programs.

## **E. Assets Under Management**

JKWAI has the following assets under management:

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$13,007,267	\$101,028,030	12/31/2017

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Portfolio Management Services Fees*

JKWAI will not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of Client.

JKWAI is compensated based on percentage of assets under management Fees for accounts offered through various platforms may differ.

Householding:

All accounts with a shared address will be considered a household provided the average account size of the household is at least \$500K. In calculating the fees, the assets of the grouped accounts in a household will be combined to determine the total fee.

The following are the fees charged by Jaykay Wealth Advisors, Inc. for services provided:

Total Assets Under Advisement	Annual Fee
Up to \$500,000	1.50%
\$500,001 to \$1,000,000	1.20%
\$1,000,001 to \$3,000,000	1.00%
\$3,000,001 to \$5,000,000	0.80%
\$5,000,001 to \$7,000,000	0.70%
\$7,000,001 to \$10,000,000	0.60%
\$10,000,001 to \$15,000,000	0.55%
\$15,000,000 to 20,000,000	0.50%

These fees are negotiable, and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract.

Clients may terminate the agreement without penalty, for full refund of JKWAI's fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract with thirty days' written notice.



Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, separate manager fees, transactions fees, etc.). These fees are separate from and distinct from the fees and expenses charged by JKWAI. Fees charged by JKWAI may be withdrawn from accounts or billed separately by the third party (i.e. custodian) or JKWAI and based on billing schedule of the third party (i.e. custodian)

### ***Financial Planning Fees***

Clients may terminate the agreement without penalty, for full refund of JKWAI's fees, within five business days of signing the Financial Planning Agreement. Thereafter, clients may terminate the Financial Planning Agreement with upon written notice.

### **Fixed Fees**

The rate for creating client financial plans is between \$1500 and \$10,000. The fees are negotiable, and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement.

## **B. Payment of Fees**

### ***Payment of Portfolio Management Fees***

Portfolio management fees are withdrawn directly from the client's accounts with client's written authorization or may be invoiced and billed directly to the client; clients may select the method in which they are billed. Fees are paid quarterly.

### ***Payment of Financial Planning Fees***

Fixed or Hourly Financial Planning fees are paid via check.

## **C. Client Responsibility For Third Party Fees**

Clients are responsible for the payment of all third-party fees (i.e. custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by JKWAI. Please see Item 12 of this brochure regarding broker/custodian.

## **D. Prepayment of Fees**

JKWAI collects its fees in arrears and in advance.

Refunds for fees paid in advance will be returned within fourteen days to the client via check or return deposit back into the client's account.

For all asset-based fees paid in advance, the fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the billing period up to and including the day of termination. (\*The daily rate is calculated by dividing the annual asset-based fee by 365.)

## **E. Outside Compensation For the Sale of Securities to Clients**

**Jayanth R. Kabad, Anasuya Kabad and James M. Richards** are registered representatives of **LPL Financial** and accepts compensation for the sale of securities to JKWAI clients.

### ***1. This is a Conflict of Interest***

The supervised persons will accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds to its clients. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which the supervised persons receives compensation, they will document the conflict of interest in the client file and inform the client of the conflict of interest.

### ***2. Clients Have the Option to Purchase Recommended Products From Other Brokers***

Clients always have the option to purchase JKWAI recommended products through other brokers or agents that are not affiliated with JKWAI.

### ***3. Commissions are not the Primary Source of Income for JKWAI***

Commissions are not JKWAI's primary source of compensation.

### ***4. Advisory Fees in Addition to Commissions or Markups***

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on securities or investment products recommended to clients.

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

JKWAI does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7: Types of Clients

JKWAI generally provides advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Charitable Organizations

### *Minimum Account Size*

There is no account minimum.

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

### A. Methods of Analysis and Investment Strategies

#### *Methods of Analysis*

JKWAI's methods of analysis include modern portfolio theory.

**Modern portfolio theory** is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets.

#### *Investment Strategies*

JKWAI uses long term trading.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### B. Material Risks Involved

#### *Methods of Analysis*

**Modern Portfolio Theory** assumes that investors are risk adverse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

## ***Investment Strategies***

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below (leaving aside Treasury Inflation Protected/Inflation Linked Bonds) are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned below).

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary and include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best-known type of fixed income security. In general, the fixed income market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Real Estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties

offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Private placements** carry a substantial risk as they are subject to less regulation than publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

### **Annuity Risk**

- **Costs and Fees** – Annuities are one of the most expensive types of investments available in the financial marketplace.
- **Illiquid Investment** – Most annuity contracts charge stiff surrender penalties for early withdrawal, plus a 10% premature distribution penalty to investors who take withdrawals before age 59½.
- **Economic Risks:** Most fixed annuities do not contain a cost of living adjustment clause. Consequently, the spending power provided by the monthly payment may decline significantly over the life of the annuity contract because of inflation. Annuities with inflation protection are available, but they are significantly more expensive.
- **Death and survivorship risk.** In a conventional fixed annuity, once the annuitant has turned over a lump sum premium to the insurance company, it will not be returned. The annuitant could die after receiving only a few monthly payments, but the insurance company may not be obligated to give the annuitant's estate any of the money back. A related risk is based on the financial consequences for a surviving spouse. In a standard single-life annuity contract, a survivor receives nothing after the annuitant dies. That may put a severe dent in a spouse's retirement income. To counteract this risk, consider a joint life annuity.
- **Company failure risk. All investments carry a level of risk. Make sure you consider the financial strength of the insurance company issuing the annuity. You want to be sure the company will still be around, and financially sound, during your payout phase.** Private annuity contracts are not guaranteed by the FDIC, SIPC, or any other federal agency. If the insurance company that issues an annuity contract fails, no one in the federal government is obligated to protect the annuitant from financial loss. Most states have guaranty associations that provide a level of protection to citizens in that state if an insurance company also doing business in that state fails. A typical limit of state protection, if it applies at all, is \$100,000.

- **Taxation Risk:** All withdrawals received from an annuity contract that are not considered to be a return of principal are taxed as ordinary income, regardless of the holding period of the contract. There is no chance to qualify for capital gains treatment.

**Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

There are no criminal or civil actions to report.

### **B. Administrative Proceedings**

There are no administrative proceedings to report.

### **C. Self-regulatory Organization (SRO) Proceedings**

There are no self-regulatory organization proceedings to report.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Jayanth R. Kabad is a registered representative of LPL Financial.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither JKWAI nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Jayanth R. Kabad, Anasuya Kabad and James M. Richards are registered representatives of LPL Financial. From time to time, they will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. JKWAI always acts in the best interest of the client, including with respect to the sale of commissionable products to

advisory clients. Clients are in no way required to purchase such services or products through any representative of JKWAI in such individual's outside capacities.

Both Jayanth Rao Kabad and Kanchan Kabad are licensed insurance agents, but only Jayanth Rao Kabad currently works in the profession. From time to time, he will offer clients advice or products from this activity through LPL insurance associates or other insurance brokerages. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. Jaykay Wealth Advisors, Inc. always acts in the best interest of the client; including in the sale of commissionable products to advisory clients. Clients are in no way required to utilize the services of any representative of Jaykay Wealth Advisors, Inc. in their capacity as a licensed insurance agent.

#### **D. Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

JKWAI does not utilize nor select third-party investment advisers. All assets are managed by JKWAI management. JKWAI utilizes the services of SEI Private Trust Company as a custodian for some of our managed accounts however all assets are managed by JKWAI.

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

#### **A. Code of Ethics**

JKWAI has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

#### **B. Recommendations Involving Material Financial Interests**

JKWAI does not recommend that clients buy or sell any security in which a related person to JKWAI or JKWAI has a material financial interest.

#### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of JKWAI may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of

JKWAI to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. JKWAI will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

#### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of JKWAI may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of JKWAI to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, JKWAI will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### **Item 12: Brokerage Practices**

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

Custodians/broker-dealers will be recommended based on JKWAI's duty to seek "best execution," which is the obligation to seek to execute securities transactions for a Client on terms that are the most favorable to the Client under the circumstances. The client will not necessarily pay the lowest commission or commission equivalent, and JKWAI may also consider the market expertise and research access provided by the payment of commissions, including but not limited to access to written research, oral communication with analysts, admittance to research conferences and other resources provided by the brokers to aid in the research efforts of JKWAI. JKWAI will never charge a premium or commission on transactions, beyond the actual cost imposed by the broker-dealer/custodian. JKWAI recommends LPL Financial LLC (CRD#6413).



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

While JKWAI has no formal soft dollars program in which soft dollars are used to pay for third party services, JKWAI may receive research, products, or other services from its broker/dealer in connection with client securities transactions (“soft dollar benefits”) consistent with (and not outside of) the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended, and may consider these benefits in recommending brokers. There can be no assurance that any particular client will benefit from any particular soft dollar research or other benefits. JKWAI benefits by not having to produce or pay for the research, products or services, and JKWAI will have an incentive to recommend a broker dealer based on receiving research or services. Clients should be aware that JKWAI’s acceptance of soft dollar benefits may result in higher commissions charged to the client.

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

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

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

JKWAI will require clients to use either LPL Financial LLC or SEI Investment Company, to execute transactions.

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

JKWAI does not aggregate or bunch the securities to be purchased or sold for multiple clients, which may result in less favorable prices, particularly for illiquid securities or during volatile market conditions.

## **Item 13: Reviews of Accounts**

### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

All client portfolio management accounts are reviewed at least quarterly by Jayanth Kabad with regard to clients’ respective investment policies and risk tolerance levels.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Jayanth Kabad. There is only one level of review for financial plans, and that is the total review conducted to create the financial plan.

## **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Portfolio management reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance). With respect to financial plans, JKWAI's services will generally conclude upon delivery of the financial plan.

## **C. Content and Frequency of Regular Reports Provided to Clients**

Each portfolio management client will receive at least quarterly a written report that details the client's account including assets held and asset value, which report will come from the custodian and at least quarterly a written report from JKWAI. Each financial planning client will receive the financial plan upon completion.

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

## **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

JKWAI does not receive any economic benefit, directly or indirectly from any third party for advice rendered to JKWAI clients.

## **B. Compensation to Non – Advisory Personnel for Client Referrals**

JKWAI does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

# **Item 15: Custody**

When it deducts fees directly from client accounts at a selected custodian, JKWAI will be deemed to have limited custody of client's assets and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

# **Item 16: Investment Discretion**

JKWAI provides discretionary and non-discretionary investment advisory services to clients. The Investment Advisory Contract established with each client outlines the discretionary authority for trading. Where investment discretion has been granted, JKWAI generally manages the client's account and makes investment decisions without consultation with the client as to what securities to buy or sell, when the securities are to be bought or sold for the account, the total amount of the

securities to be bought/sold, or the price per share. In some instances, JKWAI's discretionary authority in making these determinations may be limited by conditions imposed by a client (in investment guidelines or objectives, or client instructions otherwise provided to JKWAI).

### **Item 17: Voting Client Securities (Proxy Voting)**

JKWAI will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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

#### **A. Balance Sheet**

JKWAI neither requires nor solicits prepayment of more than \$500 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

#### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

Neither JKWAI nor its management has any financial condition that is likely to reasonably impair JKWAI's ability to meet contractual commitments to clients.

#### **C. Bankruptcy Petitions in Previous Ten Years**

JKWAI has not been the subject of a bankruptcy petition in the last ten years.