

## Item 1 – Cover Page

# Keystone Wealth Advisors, LLC

## SEC Form ADV Part 2A

### “Brochure”

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[www.keystone-wealth.com](http://www.keystone-wealth.com)



March 29, 2019

This Brochure provides information about the qualifications and business practices of Keystone Wealth Advisors, LLC (“Keystone, KWA, us, we, our”). If you have any questions about the contents of this Brochure, please contact us by telephone at (435) 713-4220 or by email to our chief compliance officer at [Jim@keystone-wealth.com](mailto:Jim@keystone-wealth.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration of an adviser with the SEC or any state securities authority does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Keystone Wealth Advisors, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Keystone is 158234 and the SEC number is 801-79615). The SEC’s website also provides information about any persons affiliated with Keystone who are registered, or are required to be registered, as investment adviser representatives of the firm.

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## **Item 2 – Material Changes**

This section discusses material changes made to Keystone's Brochure since the last update, which was dated March 16, 2018. There have been no material changes.

However, other information not specified was revised. Consequently, we encourage you to read the Brochure in its entirety.

We will provide you with our current Brochure at any time without charge by emailing us at [Jim@keystone-wealth.com](mailto:Jim@keystone-wealth.com) or by phone at 435-713-4220.

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## Item 4 – Advisory Business

Keystone Wealth Advisors, LLC is a Limited Liability Company organized in the state of Utah. Keystone has been in business since May 2011. Keystone's principal owners are:

Gordon L. Nelson  
James D. Vanderbeek  
Tyler J. Vanderbeek

Keystone offers a number of advisory services to our Clients. Keystone's employees who provide investment advice are referred to as Investment Adviser Representatives ("IARs"). Keystone Wealth Advisors, LLC provides several advisory services to Clients:

1. Discretionary Portfolio Management Services
  - a. Directly to KWA's Clients through the management of those Clients KWA acquires directly ("Retail Accounts"), including such client's self-directed retirement accounts.
  - b. As a sub-advisor to certain third party investment advisers (separately managed accounts or "SMAs") and,
  - c. Sub-advisor to a registered investment company (mutual fund)
2. Financial Planning – Comprehensive and Limited planning (consulting planning)
3. Trade Signals: KWA provides trading signals for ETFs to third party investment advisers who then determine to follow the signals, or not. KWA does not manage accounts or portfolios for these third parties

### **Discretionary Portfolio Management Services – Individuals, Corporations, Trusts, Estates and other Entities, Including Self Directed Retirement Plan Accounts ("Retail Accounts")**

KWA provides discretionary portfolio management services to Clients based on each Client's unique needs and circumstances. Investment discretion means that you will provide KWA limited power of attorney to make purchases, sales or hold decisions for the securities in your account(s) under management without obtaining your specific consent to each transaction. This limited power of attorney is contained in the written advisory agreement between KWA and each Client. An agreement can cover only one account or it can cover multiple account's (i.e., household). In providing our services, we review and document the following information, which we use to create an IPS (investment policy statement). The IPS is used to govern the portfolio management services we provide to you. Your personal information includes and is not limited to the following:

- Goals
- Objectives
- Time horizon
- Risk tolerance
- Asset Allocation
- Investment strategy
- Income
- Tax bracket / obligations

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- Personal and family obligations
  - Continuous portfolio monitoring

KWA then evaluates the IPS and matches the security selection, portfolio risks and other factors into the securities we purchase, sell or hold for your account assets.

Limitations on our investment discretionary authority: Clients may impose restrictions on KWA's investment discretionary authority, such as a prohibition on investing in certain securities, or types of securities in accordance with their values or beliefs.

However, if the restrictions prevent KWA from meeting our contractual obligations or our fiduciary obligations to the client or if the restrictions would require KWA to deviate from our standard suite of services or investment process we reserve the right to reject the account or relationship. For existing Clients, we may terminate the relationship consistent with the advisory agreement we have with you. KWA is the sole authority in the determination of the reasonableness of investment restrictions in the management of your account assets.

All investment restrictions are documented in writing with KWA and can be changed. Changes to investment restrictions are required in writing and are not implemented until accepted by KWA.

Client's Self Directed Retirement Plans / Accounts:

KWA provides investment advice on asset allocation, security selection, etc. on the Client's retirement accounts, regardless of where the account is held. Current Clients receive our services for their retirement accounts held by custodians at Fidelity Brokerage Services LLC and / or Charles Schwab & Co., Inc.

Retirement plans will include, but are not limited to, 401a, 403b, 401k and similar plans.

KWA will maintain discretionary authority over these accounts. The personal information provided to KWA and the resulting IPS is used to govern the management of these retirement plan assets. However, we may ask Clients to complete a separate advisory agreement and risk tolerance survey with a resulting IPS to govern these retirement plan assets on a participant-by-participant basis.

KWA has access to these accounts as authorized by each Client with a limited power of attorney. This means that KWA can view the accounts and place trades on the accounts and our authority is limited. We cannot make changes to addresses, beneficiaries or other specific Client data (our access is restricted by the custodian).

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## **Discretionary Portfolio Management Services – Sub Advisor to Third Party Investment Advisers**

KWA provides the following services to clients of third party Investment Advisers ("TPIA"s).

Sub-Advised Separately Managed Accounts ("SMA"); TPIAs can access KWA's portfolio management services for one or more of KWA's AlphaRotation Strategies (see Item 8) through a sub-advisor agreement executed between the TPIA and KWA. Under this sub-advisor service, KWA provides discretionary portfolio management services to individual clients of the named Investment Advisor (i.e., the "Account Holders").

The Account Holder's investment advisor is solely responsible to determine suitability of KWA's sub-advisory services for each Account Holder's investment objectives, policies and restrictions. The Account Holder's investment advisor also selects for the Account Holder the appropriate AlphaRotation Strategy for the Client. KWA then implements this Strategy pursuant to the TPIA's instructions on behalf of the Account Holder.

The Account Holder pays fees and expenses related to transactions placed by KWA for the Account Holder's Accounts managed by KWA. These expenses include commissions or transaction costs charged by the Account Holder's third party qualified custodian. All transactions for the Account Holder are placed directly with the Account Holder's third party and qualified custodian.

However, KWA may, at any time, request suitability and related information on each Account Holder referred to KWA by TPIA for internal audit and regulatory examination purposes.

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### **Discretionary Portfolio Management Services – Sub Advisor to Registered Investment Company (Mutual Funds)**

In June 2014, KWA was identified in a mutual fund registration statement filed with the U.S. Securities and Exchange Commission as the sub-advisor to a new mutual fund, the *AlphaCentric Asset Rotation Fund (ROTAX, ROTCX, ROTIX – fund symbols for A, C and I share classes)*. The AlphaCentric Asset Rotation Fund is referenced here as the "Alpha Rotation Fund."

This fund is one of two new funds that launched during 2014, within a new fund family under an existing mutual fund complex: the Mutual Fund Series Trust. The fund family is called the AlphaCentric Funds. AlphaCentric is a new fund family under the Mutual Fund Series Trust. The investment advisor to the *Asset Rotation Fund* and the AlphaCentric Funds is AlphaCentric Advisors (CRD number: 170769 and SEC number: 801-79616), of Huntington, NY.

The Fund attempts to achieve its objective by investing in a portfolio of global asset class exchange traded Funds ("ETFs"). The ETFs that can be held in the portfolio include those that invest in U.S. equities of any market capitalization, foreign (including emerging markets) equities of any market capitalization, and U.S. Treasury securities. The Fund, through tactical adjustments to its allocation between ETFs that invest in equities and U.S. Treasury securities, seeks to generate superior risk-

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adjusted returns and limit the size of the drawdown of the Fund's portfolio in relation to the size of the drawdown that can be incurred by a 100% stock allocation. A drawdown is the peak-to-trough decline during a specific record period of an investment. The Sub-Advisor uses a rule-based approach to select global asset class ETFs for the Fund. The Fund will generally hold one to five ETFs depending on the relative strength of the asset classes represented by the ETFs relative to each other and relative to U.S. Treasury bond ETFs. The ETFs is ranked according to a relative strength score using proprietary formulas that take into account the price movement and volatility of each ETF. Assets will generally be rotated and more concentrated in the areas of highest relative strength. AlphaCentric Advisors and Keystone Wealth Advisors have entered into a joint venture / sub-advisory agreement on behalf of the AlphaCentric Funds and the *Asset Rotation Fund*. The joint venture and sub-advisory agreement stipulates the advisory fee payable to AlphaCentric Advisors, LLC and KWA and confirms fee waivers, pre-paid expenses and the allocation of Fund startup costs, among other facts. AlphaCentric Advisors hired Keystone Wealth Advisors as the sub- advisor to the *Asset Rotation Fund*.

Portfolio management services as a sub-advisor to the fund is governed by the fund's prospectus and statement of additional information. Investors in the Fund, which can include current Clients of KWA, cannot impose investment restrictions, limitations or other instructions as the mutual fund is managed by KWA in its entirety (as one account).

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## **Financial Planning**

KWA offers financial planning to clients that involves a three-step process. Services are provided pursuant to a written financial planning agreement we have with you. KWA's three-step process is as follows:

### Step 1:

There is an initial consultation between the planning Client and a KWA IAR. Topics include and are not limited to, the following:

- Investment goals or objectives
- Concerns
- Family (size and plans)
- Income / tax bracket / employment
- Insurance coverage (life, health, disability, long-term care, etc.)
- Current investments, including home, real estate, hard assets
- Current estate plans (if any), Trusts or Wills
- Savings / College fund
- Children / Spouse
- Or other financial matters of the Client / Family

### Step 2:

KWA uses third-party financial planning software, Money Tree / Silver Financial Planner to create a comprehensive and unique financial plan based upon the consultation and data gathered. This comprehensive plan is the Client's roadmap to meeting stated goals and objectives.

### Step 3:

KWA then presents the comprehensive written plan to the Client for approval. This plan includes recommendations of steps for you to take to meet your stated goals and objectives, including, but not limited to the following:

- Investments and investment planning
- Insurance – including life insurance
- Tax considerations /planning
- Retirement planning
- College planning
- Debit /credit planning
- Others



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## Trade Signals

KWA enters into written agreements with third party investment advisers for access to KWA's trade signals (its proprietary algorithms) which are part of the AlphaRotation strategy. The third party advisors receive the signals to allocate to equities (domestic, offshore exclusive of the U.S. or fixed income securities (typically long-term U.S. Treasuries or a combination of these securities) through exchange-traded funds (ETFs).

KWA does not manage any accounts for any person under Trade Signal services – the third party advisor can decide to follow (or not follow) the signals as provided by KWA. Typically, signals are emailed to the third party advisor.

## Assets Under Management

As of December 31, 2018, KWA has the following amount of assets under management:

Discretionary Assets: \$36 million

## Item 5 – Fees and Compensation

**Discretionary Portfolio Management Services** – Individuals, Corporations, Trusts, Estates and other Entities, Including Self Directed Retirement Plan Accounts (“Retail Accounts”)

KWA charges Clients an asset-based fee based on the total of the assets held in the Client’s accounts under management. The fees are negotiated with each Client within the following ranges:

0.50% to 2.00% (50 basis points to 200 basis points)

Portfolio management fees are documented in the written agreement we have with you and as stipulated in the mutual fund prospectus for the sub-advised funds managed by KWA. Factors used in the negotiation of the advisory fee include, and are not limited to the following:

- Number of actual accounts
- Size of the total relationship
- Opportunity to receive additional contributions to the account(s)
- Investment restrictions
- Client meetings /reporting
- Other factors

For Account(s) established on any other day than the first day of a calendar quarter, the fee is pro-rated for the number of days KWA’s services are provided during the quarter. Regardless of the custodian of advisory client assets, all annual fees are billed quarterly in advance. Accounts opened or closed during a calendar quarter have advisory fees pro-rated for the number of days during a quarter that services were provided. Prepaid and unearned fees are refunded within 30 days of the termination date.

As disclosed under Item 14, KWA has developed Cash Solicitation relationships, which are used by KWA to obtain Retail Clients from third party investment advisers. Unlike traditional Cash Solicitor relationships, KWA does not share its advisory fees with third parties. Third party Solicitors charge their own fee for each of their clients they determine to introduce to KWA. In addition, the Solicitor’s ask KWA to include in each debit request for advisory fees, the Solicitor’s fee (as agreed to by the Solicitor’s client and the Solicitor) and KWA’s fee as described in the advisory agreement entered into between the client and KWA. Upon receipt of payment by the custodial broker dealer, KWA will forward the Solicitor’s received from your custodian to the Solicitor who introduced you to KWA.

This means that Clients acquired through a Cash Solicitor Referral Arrangement pay higher total fees as a client of KWA than Clients acquired directly by KWA or those introduced to KWA as a sub-adviser (SMA Clients).

## **Fee Payment**

You will authorize in the advisory agreement we have with you one of two methods that you can pay your fees to us: Direct Debit or Pay by Check. Direct Debit Clients will authorize to have our advisory fee initially and quarterly thereafter deducted from your custodial account. Pay by Check Clients will be provided an invoice and asked to pay within 30 days; however, this option is not generally offered to our Clients.

## **Discretionary Portfolio Management Services – Sub-Advisor to Third Party Investment Advisers**

Sub-Advised Separately Managed Accounts (“SMA”): KWA is selected as a sub-advisor for certain third party investment advisor’s clients. Depending on the terms of the sub-advisory agreement between these advisors and KWA, fees due and payable for KWA’s service at 0.65% of the assets under management, billed quarterly in advance. This fee is negotiable based upon a number of variable criteria. Fees are deducted from, the Account Holder’s Account in one of two ways:

1. Sub-advisor (KWA) will request the fee from Account Holder’s custodian separate from the debit request by the Investment Advisor. Investment Advisor to the Account Holder will notify the Account Holder that two separate fee deductions will occur during the same billing cycle.
2. Sub-advisor (KWA) will debit KWA’s quarterly fee in addition to the Investment Advisor fee. Sub-advisor will send the Investment Advisor its fee portion via check or ACH, if available within 14 days of the billing cycle. The agreement between KWA and the Investment Advisor documents the total fee, KWA’s fee (0.65%) and the amount payable to the Investment Advisor.

Account Holders will receive periodic (monthly or quarterly) custodial statements which reflect all transactions, holdings, debits and credits in the account, including KWA and the Investment Advisor's fee under this sub-advisory relationship. See also the Form ADV Part 2 A for each Investment Advisor that engages KWA as sub-advisor for additional detail.<sup>1</sup>

## **Discretionary Portfolio Management Services – Sub Advisor to Registered Investment Company (Mutual Funds)**

Fees payable to KWA as a sub-advisor to the *Asset Rotation Fund*:

One-half of the total, net advisory fee of 1.25% of the assets under management in the Funds. The fee is payable to the Advisor to the Fund and then paid to KWA for sub-advisory services to the Fund.

There are also expense caps for the Fund, and associated setup and other costs payable in part by KWA. Please see the prospectus for the *Asset Rotation Fund* in full detail and prior to investing in the Funds.

Conflict of Interest: KWA will purchase for those Clients that KWA acquired directly (excluding ALL sub-advised accounts) the *Asset Rotation Fund*, after the Funds begin its operations. KWA will use its discretionary investment authority to re-allocate Client accounts by selling securities allocated to the strategy and then purchase interests in the Fund with those assets. Since the strategy (as allocated within a Client's account) is the same in the *Asset Rotation Fund*, including suitability of the investment decision is appropriate. However, the conflict of interest is the ability for KWA to charge two advisory fees on the same assets under management as a separate account client and as an investor / shareholder in the *Asset Rotation Fund*.

*As a result, KWA will refund to an advisory client accounts the portion of actual compensation KWA receives from AlphaCentric Advisors, LLC that is attributable to KWA advisory client ownership in the AlphaCentric Asset Rotation Fund. The refund will be prorated among the client accounts, according to each account's prorated share ownership of the fund NAV as of the date the amount of compensation is determined.*

## **Trade Signals**

The fee payable to KWA for trade signal services is an annual fee of 0.65%, billed quarterly in advance. This fee is negotiable based on a number of criteria. Trade signals apply to one or more of KWA's proprietary AlphaRotation models (see Item 8).

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<sup>1</sup> As of Dec, 2017, KWA acts as a sub advisor for:

- Schwab Managed Account Marketplace (\$20,000 account minimum)

When a trade signal relationship is established on any date other than the first day of a calendar quarter, the fee due and payable is pro-rated for the remaining days in the calendar quarter. Trade signal fees are paid by check or wired from the third party investment advisor to KWA based upon an initial invoice. Invoices are then issued for each subsequent quarter. KWA requests that payment be made within 15 days of the invoice date.

Should a Trade Signal relationship be terminated by either party (see termination provisions below), KWA will refund the portion of the pre-paid and unearned fee to the investment advisor, within 30 days of the date of termination.

## **Financial Planning – Fixed Fees**

KWA's Comprehensive Financial Planning fees range from \$250 to \$1,000 depending on Client needs, complexity and other factors.

For example, if a Client needs a basic retirement income plan, the rate starts at \$250. If the needs include a retirement income plan plus basic estate planning, the rate starts at \$500. Starting at \$750, a client will receive the aforementioned plus education funding and insurance coverage analysis.

If a Client is in need of or interested in all the aforementioned plus complex issues such as the following, the rate is \$1,000:

- Asset protection strategies for multiple entities;
- Real estate holdings;
- Charitable gift planning;
- Estate tax minimization;
- Gifting, etc.

Fixed planning fees are negotiable and are paid in advance of the services. Planning services are typically provided within six months of the Planning Agreement between us; however, Plans can take longer if requested information is not provided.

Planning fees are negotiable, with the exact fee stipulated in the Planning Agreement (Exhibit II) executed by you. Planning fees are payable by check at the time we enter into the Planning Agreement with you (i.e. in advance of the services). It is the goal of KWA to deliver plans within six months of the contract date.

Financial plan recommendations are generic in nature. They are not limited to any particular product, insurance contract or service offered by any insurance company or agency where our IARs are licensed as InsAs.

Clients can terminate their contracts without penalty within five business days of signing the advisory contract. The client will have seven calendar days to provide written notice that a financial plan is no longer desired.

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## General Information on Advisory Services and Fees

Termination of All Advisory Service Agreements (*except for KWA's services as a sub-advisor to a registered investment company; i.e., Mutual Fund*)

Either party of the agreement, delivering written notice to the other party, can terminate a Portfolio Management, Sub-Advisor or Financial Planning Agreement. Refunds of pre-paid and unearned advisory fees are calculated on a pro-rated basis, calculated based on the number of days remaining in a quarter at the point of termination. Termination is effective the date the termination notice is received by the other party. Refunds, if applicable, are returned to you via check or deposited into your custodial Account(s) within thirty days of the date of termination.

A Client can terminate an advisory contract without penalty, for a full refund, within five business days of signing the advisory contract.

In the case of financial planning services, we will calculate the fee earned based on the original estimate and review that calculation with you.

Termination as a sub-advisor to a mutual fund: Status as a sub- advisor to the Fund can be terminated by either party by delivering at least 60-day's written notice to the other party.

Services provided to employees, family members and friends of the firm: We provide the same or similar services at reduced fees or no fee to our employees, members of their family and friends of the firm. Lower fees than those disclosed above are not available to our general Clients.

Similar services are available from other sources: The advisory services available from Keystone are available from other Investment Advisers or investment professionals at fee schedules that are lower or higher than those charged by Keystone.

Individual Retirement Accounts subject to the Internal Revenue Code: We are a fiduciary to IRA client accounts; as a result, we are subject to specific duties and obligations under the Code that include, among other things, restrictions concerning certain forms of compensation we can receive from third parties.

### Additional Compensation / Fees / Conflict of Interest

The fees you pay to us for our portfolio management, sub-advisor services, trade signals and financial planning services do not include the following fees or expenses. All of these are borne by each Client.

In most, but not all cases, KWA and our IARs do not participate in any of this compensation. Some of our IARs are insurance agents. As described in this Brochure, these individuals will receive separate commission compensation for the implementation or exchange of insurance products or insurance services as might be recommended by your financial plan.

Portfolio Management, Sub-Advisor Portfolio Management and Financial Planning services include the following fees and expenses you pay as an investor through KWA.

- Brokerage commissions
- Transaction fees
- Other related costs and expenses, and
- Charges imposed by custodians, brokers, third party investment advisers or other third parties, including but not limited to:
  - Advisory fees and administrative fees charged by Mutual Funds (MF), Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs) or Unit Investment Trusts (UITs), among others
  - Custodial fees
  - Deferred sales charges (on MF or annuities)
  - Deferred sales charges (charged by MF)
  - Transfer taxes
  - Wire transfer and electronic fund processing fees
  - Commissions or markups / mark-downs on security transactions

See Item 12 (Brokerage Practices) for additional information on “other costs” you could incur.

### **Insurance Services / Insurance Agents**

Tyler Vanderbeek, James Vanderbeek, Gordon Nelson, Jason Nelson and Jason Nelson are also licensed to purchase, sell or exchange insurance products or services for Keystone’s Clients in need of these services. The recommendation and subsequent transactions in insurance products or services are not provided by Keystone. Tyler, James, Gordon, Jason and Jason, through their separate Insurance Agent Licensing (“InsA”) offer and provide them.

- Tyler is an InsA (Utah License number 142708). Tyler is licensed for accident, health and life insurance and is affiliated with the insurance agencies below. However, Tyler is paid individually as an InsA by insurance companies for any insurance product sales. Tyler receives commission compensation directly from those insurance licenses with whom he is licensed as an InsA.

Tyler also owns his own insurance agency, Beeks, Inc. This agency will also receive commission compensation from his appointments with insurance companies.

Tyler is also a Vice President of Vancor, Inc. an insurance agency owned by James Don Vanderbeek.

- James is an InsA (license number 48382) and owns Vancor, Inc. James and his agency are licensed to sell accident, health, casualty, life, property and variable contract insurance. In addition, as an InsA James is licensed to sell accident, health, life, casualty, property, variable contracts and is affiliated with the agencies, although all of his insurance business commissions are paid directly to James or to Vancor from the insurance

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companies he is appointed by.

- Gordon is an InsA (license number 114285) and is licensed to sell life and variable insurance contract insurance, only. Gordon is not associated with an insurance agency. He receives his insurance commission compensation directly from those insurance companies with whom he is appointed.
- Jason is an InsA (license number 127762) and is licensed to sell life insurance. Jason is not licensed by an agency; he receives his insurance commission compensation directly from those insurance companies with whom he is appointed.
- Jason is an InsA (license number 219749) and is licensed to sell life insurance. Jason is not licensed by an agency; he receives his insurance commission compensation directly from those insurance companies with whom he is appointed.

Typically, but not always, a Keystone Client's financial plan provided to Clients might recommend insurance products or services (key person life insurance, life insurance, fixed annuities, life, health or disability income insurance, etc.). Please be aware of the following:

1. Insurance Sales commissions received by Tyler, James, Gordon Jason and Jason are not credited against the fees you pay to Keystone. This is separate and customary commission compensation is payable directly to these individuals as insurance agents.
  - a. This additional compensation is a conflict of interest between our interests and those of Keystone's Clients. We mitigate this conflict of interest through this ADV disclosure and by meeting the supervisory and requirements imposed on the InsA as InsA's of insurance companies (or agencies and the Utah Insurance Commission). The receipt of additional commissions for the sale of securities, products or services is separate from and in addition to the advisory fees, including Portfolio Management and Financial Planning fees you pay to Keystone Wealth Advisors, LLC.
  - b. **Note:** Commission compensation received by these individuals is less per annum in gross revenue dollars than the advisory fees earned by KWA. Insurance commission compensation is not considered a primary source of compensation for KWA's IARs through their separate insurance licensing as an InsA.
  - c. **Note:** KWA Clients are free to select any broker, dealer or InsA you choose. You are not obligated to use any person of KWA in their separate capacity as an InsA.



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

Not Applicable.

## **Item 7 – Types of Clients**

KWA generally provides portfolio management services, sub-advisor services and financial planning services to the following types of Clients:

- Individuals, including high net worth individuals and their self-directed retirement plan accounts; and,
- As sub-advisor to registered investment companies, i.e., mutual funds

Although Keystone does not impose an account minimum for any of our portfolio management services, some of the platforms for whom we act as sub-advisor does impose such minimums. Please see the Form ADV Part 2 A for those firms (Schwab and Fidelity) for specific details.

The minimum account size is \$25,000 for all AlphaRotation Strategies.

For sub-advised funds, please see the Fund's prospectus and SAI for any requirements regarding account minimums.

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

### **Methods of Analysis**

KWA's methods of analysis can include:

- Charting can involve the use of patterns in performance charts on an issuer of a security (stock, bond, mutual fund, ETF, etc.). KWA can use this technique to search for patterns to help predict favorable conditions for buying and/or selling a security.
- Fundamental analysis involves the review of financial statements and the general financial health of a company.
- Technical Analysis involves the review and assessment of past stock market data, and / or the analysis of management, innovation and competitive advantages in their industry.
- Cyclical analysis involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

### **Investment Strategies**

KWA may use the following strategies in managing client accounts, provided that such strategy are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations:

- Long term trading

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- Short term trading (securities sold within 30 days of purchase)
  - Short sales
  - Margin or leverage (where securities held in a Client's Account are used as collateral to increase the size of a portfolio; however, the potential for returns are offset by the cost of the loan from your custodial broker dealer) and,
  - Options writing (including covered options, uncovered options, or spreading strategies).

KWA focuses on utilizing strategies that may change depending on the market conditions. By being agile in our investing philosophy, we have more potential over a full market cycle than traditional methods.

We employ several strategies from tactical strategies to long term investing that is tailored to each clients' unique lifestyle. We focus on preserving as much capital as possible in down markets versus just leaving it alone and hoping it will come back up in price.

### **Risk of Loss**

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

KWA generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets. However, KWA may use:

- Short sales (which have unique costs associated with shorting, including having the shorted securities available for delivery)
- Margin transactions, which incur an expense for the margin loan. In addition, in downward moving markets, a margined account may receive a margin call (consistent with the separate margin agreement entered into by each Client and the Client's custodial broker / dealer).
- Option writing against securities held in a Client's account. While this can increase the return in the Account, it can also create a capital gain (or loss), tax issues and cause a low cost basis or other stock position to be lost.

Short sales, margin transactions and option writing all hold higher risks of capital loss to Clients. If these activities are used for your accounts, please read the broker / custodian agreements, disclosures and discuss these with KWA's IARs. The potential for gain is increased; however, there is also increased and greater risk of capital loss that can exceed your invested capital.

KWA may use or recommend private placement securities such as non-traded REITs provided KWA believes they are suitable investments for our Clients.

### **AlphaCentric Asset Rotation Fund**

Please refer to the prospectus and statement for additional information about the Fund for complete details related to the Fund's principal investment strategy and investment related risks. Select risks are discussed below:

Small and Mid-Capitalization Stock Risk: To the extent the Fund invests in the stocks of small and mid-sized companies, the Fund will be subject to additional risks, including the risk that earnings and prospects of these companies are more volatile than larger companies are.

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**Tracking Risk of ETFs:** Investment in the Fund should be made with the understanding that the ETFs in which the Fund invests will not be able to replicate exactly the performance of the indices or sector they track because the total return generated by the securities will be reduced by transaction costs incurred in adjusting the actual balance of the securities. In addition, the ETFs in which the Fund invests will incur expenses not incurred by their applicable indices. Certain securities comprising the indices tracked by the ETFs may from time to time, temporarily be unavailable, which may further impede the ETFs' ability to track their applicable indices.

**Investment in Other Fund Risk:** In the case that the Fund may invest in other investment companies such as ETFs, the value of your investment will fluctuate in response to the performance of the acquired funds. Investing in acquired funds includes additional fees and expenses and certain tax results that would not arise if you invested directly in the securities of the acquired funds.

**Emerging Market Risk:** Investing in emerging markets involves not only the risks described below with respect to investing in foreign securities, but also other risks, including exposure to economic structures that are generally less diverse and mature, and to political systems that can be expected to have less stability, than those of developed countries. The typically small size of the markets of securities of issuers located in emerging markets and the possibility of a low or nonexistent volume of trading in those securities can result in a lack of liquidity and in price volatility of those securities.

**Fixed Income Risk:** When the Fund invests in fixed income securities (U.S. Treasuries), the value of your investment in the Fund will fluctuate with changes in interest rates. Typically, a rise in interest rates causes a decline in the value of fixed income securities owned by the Fund. In general, the market price of fixed income securities with longer maturities will increase or decrease more in response to changes in interest rates than shorter-term securities. The Fund will invest in a long term US Treasury ETF.

**Foreign Securities Risk:** Since the Fund's investments will include foreign securities, the Fund is subject to risks beyond those associated with investing in domestic securities. Foreign companies are generally not subject to the same regulatory requirements of U.S. companies, thereby resulting in less publicly available information about these companies. In addition, Foreign accounting, auditing and financial reporting standards generally differ from those applicable to U.S. companies.

**Non-diversification Risk:** In the case that a relatively high percentage of a non-diversified Fund's assets may be invested in the securities of a limited number of companies that could be in the same or related economic sectors, the Fund's portfolio will be more susceptible to any single economic, technological or regulatory occurrence than the portfolio of a diversified fund.

**Security Risk:** The value of the Fund can decrease in response to the activities and financial prospects of an individual security in the Fund's portfolio.

## Item 9 – Disciplinary Information

Not Applicable.

## Item 10 – Other Financial Industry Activities and Affiliations

Insurance Agents (InsAs): James Vanderbeek, Tyler Vanderbeek, Gordon Nelson, Jason Nelson and Jason Nelson are all insurance agents associated with an insurance agency and / or appointed with various insurance companies. Please see Item 5 for additional detail.

From time to time, these individuals will offer Clients InsA products or services through these separate registrations. Through this disclosure, Clients are informed that these services, which are separate from the advisory services described in this brochure, are purchased, sold or exchanged for typical and customary commission compensation. This commission compensation is separate from and in addition to the advisory fees as described in Item 5 of this Brochure.

Additional and customary commission compensation is a conflict of interest between KWA's financial interest and those of our advisory Client as commissionable products conflict with the fiduciary duties of a registered investment advisor. KWA's goal is to act in the best interest of our client. This includes the decision or recommendation to purchase, sell or exchange commissionable products to our advisory clients. Clients are in no way required to utilize the services of any IAR of KWA in their capacity as an InsA.

### Sub-Advisor to a Registered Investment Companies (Mutual Funds)

KWA is a sub-advisor to one mutual fund: AlphaCentric Asset Rotation Fund (see Item 4). The fund mirrors separate account products managed by KWA. Clients who were invested solely in either of these products had their separate retail accounts liquidated with the assets from the liquidation moved to the appropriate Fund.

KWA will receive compensation beyond its portfolio management fees charged to Clients by KWA's investment in the Funds.

This is a conflict of interest between the interests of KWA and the interest of our Clients. Please see Item 5 disclosure related to *this conflict of interest and how KWA addresses the conflict*.

Joint Venture Agreement: KWA has entered into a Joint Venture Agreement with AlphaCentric Advisors and the investment advisor to the AlphaCentric Funds, a group / separate series under the Mutual Fund Series Trust and open-end investment company that is registered with the Securities and Exchange Commission under the Investment Company Act of 1940, as amended.

Under this joint venture both KWA and AlphaCentric contribute capital to the establishment of the AlphaCentric Asset Rotation Fund and recommend to the Board of Trustees that AlphaCentric serve as the investment advisor with KWA as sub-advisor. The joint venture agreement stipulates the sharing of expenses (typically at a 50-50 split) for:

- Expenses related to the establishment of the fund
- Payment of operating expense reimbursements until the fund launched and / or breaks even
- Defines compensation to both parties
- Splitting up-front commissions and marketing fees (excluding sales charges)
- Sharing of the expense of platform set-up fees, revenue sharing, administration or sub-transfer agency
- Account based and asset based fees paid by the primary advisor to broker dealers or custodians in the fund; and,
- Requires a payment by KWA of \$10,000 to pay for start-up and operating expenses

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

Employees of KWA follow our own advice. As a result, employees are allowed to purchase or sell the same securities (or different securities) that are recommended to and held by Clients. This is called “personal securities trading.” Personal trading is a conflict of interest between the interests of employees and the interests of Clients. To mitigate this conflict of interest, KWA has developed and implemented a Code of Ethics (“Code”) which applies to KWA and all of our employees. The Code is required by two sets of regulations, the Investment Advisers Act of 1940, as amended and the Investment Company Act of 1940, as amended. The Code addresses the following areas:

- Supervision and standard of business conduct
- The requirement to comply with the Code and applicable security laws
  - Remedial sanctions imposed on those who violate the Code
- Fiduciary duty / Conflict of Interest
- Prohibition on the use of material nonpublic information about an issuer
  - Blacklist of a security if KWA is in possession of material, non-public information until such time the information is publicly available
    - Prohibition on taking any action by the employee for themselves, a Client or communicating the information to any third party
- Prohibitions including:
  - Front running or trading ahead of Client orders
  - Taking advantage of knowledge about security recommendations or proposed transactions for Client accounts or the Fund
  - Among others
- Personal securities reporting for each employee, member of their household and beneficial ownership accounts
  - Initially, for new employees, within 10 days of the date of hire to disclose the following:
    - Members of an employee’s household
    - Brokerage accounts to which the employee has a beneficial ownership
      - Disclosure of all security holdings
    - Disclosure of all non-custodied securities (those in certificate form or those that are not held by a qualified third party custodian, i.e., private placements)
    - Disclosure of all Outside Business Activity (“OBA”)
  - For all employees:
    - Quarterly reporting of all reportable security transactions (within 30 days of the end of the calendar quarter) through duplicate confirmations and statements directly from the employee’s personal account broker / custodian – duplicates delivered directly to our CCO unless the accounts are held at Charles Schwab and Company (where we can access the data electronically)
    - Prohibition on certain activities, including purchasing or holding an ETF (exchange traded funds); the purchase of an initial public offering (“IPO”)
    - Pre-clearance to purchase a private security transaction (i.e., hedge fund, private equity or real estate fund)

- Pre-clearance of all reportable transactions on the “restricted list<sup>2</sup>,” including the purchases into and out of the sub-advised mutual funds
- The requirement to report known violations of the Code to the CCO
- Limits on gifts given or received to third parties; and
- A written acknowledgement of each employee’s receipt, understanding and compliance with the Code. Additional certifications are required each time the Code is revised

Clients may request a copy of KWA’s Code of Ethics by contacting James Vanderbeek, CCO at (435)713-4220 or via email to [jim@keystone-wealth.com](mailto:jim@keystone-wealth.com).

Our employees are permitted to purchase, hold and sell securities, including the same securities used in Client accounts, except for ETF Securities. In doing so, employees and their family members may purchase or sell the same security at the same time transactions are occurring for Client accounts. For example, they will be included in the same block trade except for ETFs. For securities other than ETFs, we will block clients and employees transactions together, as long as all participants in the block are treated in a uniform and consistent basis if the order is completely filled. Participants receive their pro-rated share of the block transaction. If multiple fills are required, the executions will be averaged to the execution prices and all participants will receive their pro-rated share.

For block transactions that are not fully completed, the Client transactions are completed first, then the employee trades are then filled after all Client transactions. Due to the type of securities used by KWA, this is not a typical or frequent issue or occurrence.

## **Item 12 – Brokerage Practices**

### **Directed Brokerage - Individual Portfolio Management Clients (“Retail” Clients) and SMA Clients**

KWA does not have the discretion to select broker dealer for the execution of Client security transactions. As a result, we require all Clients to select the recommended broker, below, and then direct KWA to use that broker dealer / custodian for all of your security transactions, including Client’s self-directed retirement accounts.

KWA recommends the broker custodian and then you should evaluate the broker / custodian to confirm the broker / custodian meets your needs.

All transactions for your Account(s) we manage are then placed at the selected broker / custodian as indicated in the portfolio management agreement we have with you. When you have made your selection of a broker / custodian, we will assist you in the opening of an account(s) with that broker custodian.

<sup>2</sup> Restricted list of securities are ANY security held by the Fund, KWA’s discretionary portfolio management or discretionary sub-advised accounts. Securities NOT on this list are not required to be pre-cleared.

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KWA is not affiliated, directly or indirectly with the recommended broker / custodian.

KWA does not choose a broker for you or negotiate commissions on a transaction-by-transaction basis, or consider other broker dealers for your Account transactions. The requirement for you to select a broker / custodian and direct us to use your selected broker custodian is *Directed Brokerage*. This means that KWA does not evaluate or seek out other brokers, dealers, prices or commissions for your security transactions. As a result, best execution will not be achieved for your account or transactions.

### **Recommended Broker**

KWA recommends, for advisory Clients only one broker dealer – Charles Schwab & Co. Inc. / **Schwab Institutional (Schwab)**.

KWA is a participant in the Schwab Institutional division of Charles Schwab & Co., Inc. (“Schwab”), a FINRA-registered broker-dealer registered with the Financial Industry Regulatory Authority (“FINRA”), U.S. Securities and Exchange Commission (“SEC”), an SEC registered investment adviser and member of the Security Investors Protection Corporation (“SIPC”), to maintain custody of Clients’ assets and to effect trades for their accounts.

KWA’s experience is that Schwab offers competitive services at competitive prices for our Clients. KWA is independently owned operated and is not affiliated with Schwab.

Schwab is an independent, third party qualified custodian. Schwab will hold all of your account assets we manage under our portfolio management services and are the official record-keeper of your account assets, including tax reporting. Schwab offers to independent Investment Advisors like KWA the following types of services:

- Custody services for no additional fee
- Trade execution, clearance and settlement of transactions
- Among others

If you select Schwab as your broker / custodian, you will also (through the advisory agreement we have with you) direct us to place all transactions for your account(s) assets at Schwab. Please be aware of the following:

In requiring the use of Schwab as your directed broker, we are unable to seek out other brokers or dealers for your Account transactions, or to negotiate commissions or transaction costs. As a result, you could possibly pay higher prices or higher commission costs through directed brokerage when compared to investment advisers who have the discretionary authority to select, the broker and negotiate commissions on a transaction-by-transaction basis. As a result, best execution for your transactions could possibly not be achieved.



### **Information applicable to Schwab**

KWA and/or our clients may receive certain products and services from Schwab free of charge or at discounted rates including, but not limited to, the following:

- Access to its institutional trading and custody services, which are typically not available to Schwab retail investors
- The execution of securities transactions
- Custodial services for client assets at no direct charge
- Research on business management and compliance
- Compliance, business and legal consulting
- Publications and conferences on practice management or business succession
- Access to employee benefits providers and human capital consultants
- Insurance providers
- Access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment
- Schwab's products and services that assist KWA in managing and administering clients' accounts include software and other technology that:
  - Provide access to client account data (such as trade confirmations and account statements);
  - Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
  - Provide research, pricing and other market data;
  - Facilitate payment of Keystone's fees from your custodial accounts; and
  - Assist with back-office functions, record keeping and client reporting.
- Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of KWA personnel.

KWA does not believe that clients whose accounts held by Schwab bear any additional costs in connection with KWA's receipt of the products and services. However, KWA would not receive these products and services if the client accounts were not held in custody and traded by Schwab. In evaluating whether to recommend that clients custody their assets at Schwab, KWA takes into account the availability of those benefits received as described above as part of the total mix of factors we consider. Our evaluation is not solely the nature, cost or quality brokerage services provided by Schwab, which will create a potential conflict of interest between our recommendation of Schwab and your selection of Schwab as your custodial broker-dealer.

In recommending Schwab to you, we have evaluated the services provided to our Clients and us. In that evaluation, we have determined that Schwab provides an excellent blend of services, commission costs, and free custody services for our Clients, along with other benefits that are mutually beneficial to KWA and Clients. Our review and assessment of Schwab included, but were not limited to:

- Commission charges, execution, clearance and settlement of transactions
- Ability to block trade
- Reputation and financial strength
- Free custody services to our clients
- No-transaction fee funds (mutual funds and ETFs)

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- Access to institutional shares of mutual funds at no load or load waived shares
  - Duplicate confirmations and reports
  - Dedicated trading desks / electronic trading
  - Operational support (typically back office related services), and
  - Other benefits we receive (see Item 14, below)

We have evaluated the execution services of Schwab based on the securities we recommend to you or use in your portfolio accounts we manage. We use:

- ETFs
- Mutual Funds
- Closed end funds; and,
- Individual stocks or bonds, or options on stocks or bonds
- Hedging
- American Depositary Receipts
- Margin
- Others

Of particular importance to our Clients (and us as portfolio managers) is the availability of many ETFs or mutual funds on a “no-transaction fee” basis. This means that Schwab does not charge Clients a commission or transaction fee for the purchase or sale of hundreds of ETFs or institutional shares of mutual funds (which otherwise would not be available to you for “no transaction fee”). The use of no transaction fee funds or ETFs is one factor in providing investment advice to Clients.

Due to the type of securities we primarily (but not exclusively) use in Client accounts, we believe that even with our requirement of directed brokerage to Schwab for account transactions will achieve best execution. Schwab has this obligation for all accounts held at Schwab, not just those of our Clients.

Please note that best execution is not a defined term. It is comprised of a number of factors, which equate the best overall execution of a particular transaction (price, commission, timing, etc.) based on the then current facts and circumstances.

### **Other Broker Dealers Used - Self Directed Retirement Plan Clients**

For retirement plans, KWA is instructed to place transactions for the Client at Fidelity Investments and Fidelity’s specialty division that serves retirement plans. Retirement plan Client assets may also be held at Charles Schwab & Company.

### **Fidelity Investments**

Clients with 401a and 403b accounts at certain Universities have selected and require us to use Fidelity Investments for the Client’s security transactions. The Client separately evaluated Fidelity and determined Fidelity provides services at a cost that is reasonable and in the best interest of the plan and the plan’s participants.

Fidelity Investments is a third party, independent securities broker and custodian. We do not otherwise recommend Fidelity to any of our clients.

As the client(s) have directed us to use Fidelity for their retirement plan services, the following applies:

In requiring the use of Fidelity Investments as your directed broker, we are unable to seek out other brokers or dealers for your Account transactions, or to negotiate commissions or transaction costs. As a result, you could possibly pay higher prices or higher commission costs through direct brokerage as compared to investment advisers who have the brokerage discretionary authority to select the broker and negotiate commissions on a transaction-by-transaction basis. As a result, best execution for your transactions could possibly not be achieved.

### **Trading Activity**

When we place a transaction for your Account at Schwab, there is a commission (also known as a transaction fee) charged, unless the mutual fund or ETF is one of the “no transaction” funds available to you through Schwab. Commissions (or transaction fees) apply to stocks, bonds or other securities (options, for example). In evaluating Schwab, we believe Schwab charges an advantageous commission or transaction fee for each transaction (for purposes of disclosure, a commission and transaction fee mean the same thing). KWA does not participate directly or indirectly in these commission / transaction fees charged by Schwab.

Client trades will be executed at different times at different prices due to the timing of portfolio management decisions; certain security, liquidity constraints, and specific client objectives, risk tolerances, or tax considerations.

### **Block Trading**

If multiple Client transactions in the same security can be placed at the same time, we may, but are not obligated to, aggregate (block) the same transactions at the same time at Schwab for all Clients except those of the mutual fund for whom we are sub-advisor.

As indicated above (see Code of Ethics disclosure) we will include an employee (or employee beneficial ownership Accounts) in the block with those of Clients. In most transactions, we are able to obtain (or sell) in the full block of securities we are trying to purchase or sell. If multiple transactions occur during a trading day, Schwab will average price those transactions. Each participating Account will receive the average price for the number of shares represented by the Account in the block trade.

An Exception: Employee or related (personal) accounts. Our employee / related accounts are traded (when partial fills occur) after the full allocation for Client accounts are executed.

Block trading allows us the ability to increase the size of orders, thus allowing us (and Schwab) the opportunity to negotiate the price of the security, in an attempt to execute the transaction at a price more advantageous than placing all of the transactions separately.

You will receive directly from Schwab, a confirmation of each transaction, we place on your behalf as your registered investment advisor and portfolio manager. These confirmations are provided directly to you via US Postal Service or electronic as you elect. Your custodian also provides KWA with a copy of all confirmations for information and reconciliation purposes.

In addition, you will typically receive a monthly custodial report directly from Schwab on your

Account. This report will reflect all current positions, all transactions, including debits and credits, made to your account during the time period.

### **Mutual Funds**

As sub-advisor to the AlphaCentric Asset Rotation Fund, KWA *has brokerage discretionary authority*. This means we have the authority to select the broker and negotiate commissions on a transaction-by-transaction basis.

By Policy, we will not block non-mutual fund trades with those of the Fund when the Fund transactions are executed at a broker dealer other than Schwab.

When trading for the Fund and our other Client accounts at Schwab, KWA will block the Fund and Client accounts together, including SMAs that are held at Schwab.

We may aggregate block the transactions of our employees, personal accounts and the accounts of KWA (if any) with the transactions of the Fund for whom we are sub-advisor.

However, as described under the Code of Ethics section of this Disclosure, we require, consistent with 17j-1 under the Investment Company Act of 1940, the pre-clearance of personal security transactions into and out of the Fund for whom we are sub-adviser and we also mandate the minimum holding period of 30 days after the initial purchase to sell the holdings.

It is difficult with the pre-cleared and holding periods for KWA to aggregate block personal and proprietary trades with those of the Fund. If this does occur, all participating accounts receive their pro-rated portion of the block transaction.

KWA has reviewed a number of third party execution broker dealers based on expertise, service, financial stability and other factors as potential executing brokers for the Fund. All transaction fees for the Fund (and the ETFs traded for the Fund) are at 60mls per share (\$0.006 cents per share), or less. For the identification of our approved brokers, please contact KWA's Chief Compliance Officer at the telephone number or email address on the cover of this Brochure.

Transactions for clients are typically conducted as cash flows dictate, as rebalances are required, among other reasons. KWA typically processes ETF transactions at the "market on close" placed at approved brokers for the sub-advised funds.

For retail / SMA client accounts – the transactions are placed in mini-blocks (meaning blocking similar trades custodian by custodian). In ETF securities used by KWA, there are no liquidity issues to consider when placing such trades. Placing orders at the market on close applies to ETF transactions and AlphaRotation Strategies, only.

Due to the nature of our services and the ETF securities used in the AlphaRotation Strategies, we anticipate that transaction for the Funds and Schwab can all be completed in one day without any impact (positive or negative) on any client in the rotation.

**Transactions at Fidelity (for certain Retirement Plans):**

The disclosure above, also does not apply to retirement accounts held at Fidelity as the plan fiduciaries on behalf of the plan and its individual participants have contracted with Fidelity (and then directed KWA to use Fidelity) as the custodian of the plan and participant assets. As is the case with all retirement plans, the participant has a menu of available options for participants to invest in; as a result, KWA is limited in the services provided to these clients.

**Prohibited Brokerage Activity:**

Due to the nature of our business and portfolio management services, the following are brokerage activities we do not engage in:

- Receipt of commission compensation (direct or indirect) from security transactions, we place on your behalf at Schwab
- Client directed brokerage to any broker or dealer, except those identified in this brochure
- Soft dollar credits or transactions from Schwab or any other broker dealer used on behalf of the Fund, at this time
- Brokerage for Client referrals
- Cross, Agency cross or principal transactions

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## Item 13 – Reviews of Accounts

### **Discretionary Advisory Accounts Managed by KWA**

Client accounts are generally reviewed at least annually by our Investment Adviser Representatives (“IAR”) and each Client’s primary designated IAR. Reviews typically address the compliance of the Client account with the IPS and Risk Tolerance; Client, imposed investment restrictions, among other review activity, including performance.

Additional reviews may be triggered by material market, economic or political events or changes to your financial circumstance or situation (retirement, termination of employment, new job, move, the birth of a child, marriage, divorce, or inheritance, etc.). Please contact us as soon as practical when your personal circumstances change.

### **Financial Planning Reviews**

Financial planning services are reviewed by the firm prior to delivery of a plan to a Client.

### **Mutual Fund – Registered Investment Company**

KWA monitors the Funds by utilizing reports provided to KWA by the Fund’s custodian and administrator related to permitted securities, concentration, cash for investment or cash needed for redemptions, etc. This monitoring occurs daily.

## **Reports provided to Clients**

### **Discretionary Advisory Accounts Managed by KWA**

Schwab is the official record-keeper of your account assets for capital gain, loss or the related tax information. KWA does not provide accounting or legal advice. Please seek the guidance of these other professionals. If you have not received your Schwab custodial reports, please contact Schwab or KWA for assistance.

### **Financial Planning**

Not Applicable; updates to plans are available for an additional fee for the service.

### **Mutual Fund**

KWA does not provide reports to the Funds or the Fund’s primary advisor, unless requested. KWA receives daily reports on Fund Compliance, (i.e., compliance with investment objectives, concentration limits, etc.), that are automatically tested by the Fund’s Advisor and / or custodian / third party administrator each trading day.

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## Item 14 – Client Referrals and Other Compensation

### **Client Referrals**

KWA may use third party investment advisers as Cash Solicitor(s). In such relationships, KWA's arrangements, although compliant with the Cash Solicitors Rule under the Investment Advisers Act of 1940 are not typical Cash Referral arrangements. *This is because KWA does not pay a portion of its portfolio management fee to the Solicitor.*

In these relationships, the third party Cash Solicitor charges an advisory fee to its clients for services, including the introduction of the client to KWA. As a result, any introduced prospective client introduced to KWA charges a fee that is higher than the standard fees charged by accounts acquired by KWA directly or through TPIAs / SMAs (where KWA is a sub-adviser).

In this case, KWA charges its standard advisory fee and the Cash Solicitor charges its standard advisory fee (and will ask KWA to have that fee directly debited from your account assets under management by KWA).

This means that KWA and the Cash Solicitor's fees are added together at each (initial and quarterly debit requests).

*Please realize that KWA does not mark up or charge a higher fee on the assets managed, this is solely due to the Solicitor's decision, Form ADV Disclosures and contractual obligations with the Solicitor's clients<sup>3</sup>.*

As a result, Non-Typical Cash Solicitor introduced prospective clients are more expensive than traditional Cash Solicitor Services or those clients obtained directly by KWA or through SMA sub-advisory relationships.

In all cases when a Cash Solicitor is used to acquire clients, KWA treats such referred clients as "Retail Clients" (as described under Item 4 of this Brochure). KWA determines suitability of our advice, documents the investment policy, risk tolerance and related factors. The solicitor will review materials from KWA and meet with the introduced Client to review performance and other money managers that may be servicing the solicitor's clients, as applicable.

Although KWA does not pay a portion of KWA's standard advisory fee to clients acquired through a Solicitor, KWA will not directly debit the Solicitor's fee due and payable unless KWA has on file for

each prospective account introduced to KWA a copy of the prospective client's signed acknowledgement and receipt of the following:

- The Cash Solicitor's Form ADV, Part 2 A and 2B
- A copy of the Cash Solicitor Disclosure Document required by the Cash Solicitation Rule on the Cash Solicitor's letterhead; and,
- A copy of KWA's Form ADV Part 2 A and 2B

Please review carefully, the Cash Solicitor's Form ADV and Separate Disclosure Brochure for fee information.

Mutual Fund Transactions: KWA does not direct brokerage commissions for the Fund to any broker or dealer who is part of the Fund's selling group. To pay for mutual fund sales by directing brokerage is a prohibited practice for KWA as it is in violation of federal securities laws. Insurance Agents / Agencies: As described under Items 4 and 5, certain of KWA's employees are also separately licensed as InsAs of insurance agencies and are appointed directly with a number of insurance companies. As a result, these InsAs are licensed to receive separate and customary commission compensation from the purchase, sale or exchange of insurance products or services for KWA's Clients. The insurance commissions received by these individuals are in addition to and separate from the fees you pay to KWA for advisory services (portfolio management and financial planning). Insurance commissions earned are not offset against the advisory fees payable to KWA.

No Client of KWA is obligated in any way to use the employees of KWA who are also InsA as described above. You are free to select any broker, dealer or insurance agent / company you wish.

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<sup>3</sup> For example, if KWA's advisory fee for a Solicited prospective client is 1.25%, the total fee charged to a Client's account includes both KWA's actual fee and the Cash Solicitor's fee. For example:

1.70% on the first \$1 million of AUM (1.25% - KWA and 0.45% for the Solicitor's Services) 1.65%  
 on \$1,000,001 to \$2 million of AUM (1.25% - KWA and 0.40% for the Solicitor's Services) 1.60%  
 on \$2,000,001 to \$3 million of AUM (1.25% - KWA and 0.35% for the Solicitor's Services) 1.50%  
 on \$3,000,001 and over AUM (1.25% - KWA and 0.25% for the Solicitor's Services)



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## Item 15 – Custody

KWA does not have custody of a Client's funds or securities; however, we can directly debit your advisory fees due and payable to us via direct debit request to your custodian (as applicable). Therefore, KWA is deemed to have constructive custody solely because advisory fees are directly deducted from client's accounts by the custodian on behalf of KWA.

You should receive, at least quarterly, directly from your custodian (Schwab) an account statement which reflects all transactions, positions, debits and credits to your account, including the amount of the fee payable to KWA. We urge you to review these statements carefully and compare them to any statements received from KWA.

## Item 16 – Investment Discretion

KWA has investment discretionary authority, pursuant to its written or oral agreements, to determine, without obtaining specific client consent, the securities to be bought or sold, the amount of the securities to be bought or sold, the brokers or dealers through which transactions will be executed, and the amount of commissions or mark ups or mark downs paid. Any restrictions or limitations on KWA's discretionary authority must be made in writing and contained in limited power of attorney between KWA and the Client.

## Item 17 – Voting Client Securities (Proxy Voting)

Retail accounts: KWA does not accept and does not provide proxy voting services or take proxy voting authority for client securities. Clients will receive proxies directly from the issuer of the security through services provided by Schwab. KWA does not provide advice or guidance in regards to corporate actions related to the issuer of any security.

Mutual Fund: Consistent with the sub-advisory agreement for the Mutual Fund, KWA has the authority and responsibility to vote proxies on behalf of the Fund and its shareholders. As a result, KWA will be using the proxy voting guidelines provided by the Fund to KWA or, KWA will work with the Advisor to the Fund and to determine proxy voting guidelines.

KWA has the responsibility to vote proxy materials KWA receives from the Custodian. There is no vote responsibility for proxies not received by KWA or those received after the ballot / meeting deadline. Records of all votes received, ballots cast, and related information are maintained by KWA in its books and records for the Fund – and are communicated to the Fund's Advisor and the Fund's Board of Trustees as required. Clients can obtain information on how their proxies were voted by contacting us. KWA's proxy voting policies and procedures are available to any Client upon request.

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## Item 18 – Financial Information

Not applicable.