

Item 1 – Cover Page

Whitney-Kuhn, LLC

d/b/a

Focused Compounding Capital Management

1700 Alma Drive, Suite 460
Plano, TX 75075
972-591-6514

Date of Disclosure Brochure: March 29th, 2019

This disclosure brochure provides information about the qualifications and business practices of Whitney-Kuhn, LLC (also referred to as we, us, Focused Compounding Capital Management throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Andrew M. Kuhn at 972-591-6514 or andrew@kuhnccp.com. The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Focused Compounding Capital Management is also available on the Internet at www.adviserinfo.sec.gov. You can view our firm's information on this website by searching for Focused Compounding Capital Management or our firm's CRD number 283028.

*Registration as an investment adviser does not imply a certain level of skill or training.

Item 2 – Material Changes

Since our last amendment to this disclosure brochure was filed on March 30, 2018, the following material changes have been made:

- Effective March 2018 the firm officially changed its legal name from The Pilots Wealth Management Group, LLC to Whitney-Kuhn, LLC.
- In May 2018, the firm became registered with the Securities and Exchange Commission, and as a result is no longer registered with the State of Texas Securities Commission.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on December 31, so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Introduction

Whitney-Kuhn, LLC d/b/a Focused Compounding Capital Management is a Registered Investment Adviser based in Plano, Texas and incorporated under the laws of the State of Texas. Focused Compounding Capital Management is owned by Andrew Kuhn. Focused Compounding Capital Management is registered with the Securities and Exchange Commission and is subject to its rules and regulations. Founded in April 2016, Focused Compounding Capital Management provides specialized asset management services that are described in detail below.

The investment advisory services of Focused Compounding Capital Management are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of Focused Compounding Capital Management (referred to as your investment adviser representative throughout this brochure).

Description of Advisory Services

The following is a description of the primary advisory service of Focused Compounding Capital Management. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Focused Compounding Capital Management before we can provide you the services described below.

Specialized Asset Management Services – Focused Compounding Capital Management offers specialized asset management services, which involves Focused Compounding Capital Management providing you with continuous and ongoing supervision over your specified accounts. The specialized asset management services are provided based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities in the Account.

The specialized asset management services provided by Focused Compounding Capital Management are based on an internally developed and managed strategy of what are referred to as “overlooked stocks”. Overlooked stocks are considered to have greater risks, therefore the services of Focused Compounding Capital Management are only offered to certain clients. Overlooked stocks include stocks emerging from bankruptcy, spinoffs, illiquid stocks, over-the-counter stocks, micro-cap stocks, stocks that don’t file with the SEC, stocks that don’t provide information to the public, net-nets, and near net-nets.

We will need to obtain certain information from you to determine your financial situation and investment objectives are suitable for this type of asset management. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however, we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Limits Advice to Certain Types of Investments

Although we generally provide asset management and advice only on "overlooked stocks", we reserve the right to offer advice on any investment product that may be suitable for each client's specific circumstances, needs, goals and objectives.

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)

Tailor Advisory Services to Individual Needs of Clients

Focused Compounding Capital Management's advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Client Assets Managed by Focused Compounding Capital Management

As of March 29th, 2019, Focused Compounding Capital Management has \$26,025,000.00 in assets under management. All assets are managed on a discretionary basis.

Item 5 – Fees and Compensation

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with a description of fees. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Focused Compounding Capital Management.

Fees charged for our asset management services are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a monthly calendar basis and calculated based on the fair market value of your account as of the last business day of the current billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period's fee is billed.

In the event that a deposit in excess of \$1,000 occurs during a billing period after the fee calculation, the fee for the billing period will be recalculated at the end of the billing period and Focused Compounding Capital Management will bill a second fee pro-rata, in arrears, on the additional deposits. In the event that a withdrawal in excess of \$1,000 occurs during a billing period after the fee calculation, the fee for that billing period will be recalculated at the end of the billing period and you will be refunded the pro-rate fee that was attributable to the amount of the withdrawal.

Fees – Qualified Clients

Focused Compounding Capital Management gives certain clients the option of being charged performance-based fees. Due to strict regulatory requirements, performance-based fees can only be charged to "qualified clients". A qualified client is generally defined as a client that has over \$1 million invested with us, OR a net worth of at least \$2.1 million, excluding primary residence. Performance-based fees may not be charged to any client that does not meet the definition of a qualified client. For accounts that are charged performance-based fees, Focused Compounding Capital Management charges 1% annually billed on a monthly basis, plus 15% of the profits calculated and charged each quarter, with a high-water mark on the performance fee. For example, if a client has invested \$100,000, in addition to the \$83.33 monthly fee, Focused Compounding Capital Management would charge 15% of the positive returns made per quarter, only if the high-water mark has been achieved. This performance fee calculation starts over at the beginning of each quarter.

Performance-based compensation may create an incentive for our firm to recommend investments that may carry higher degrees of risk to the client. Focused Compounding Capital Management has a fiduciary responsibility to our clients, and we will only make recommendations that meet our clients' investment objectives and goals.

Fees – Non-Qualified Clients

For clients that do not meet the definition of a "qualified client" as stated above, the client will be charged a flat rate of 2.5% annually, charged monthly in advance.

Fees charged for our asset management services are negotiable based on the type of client, the complexity of the client's situation, the potential for additional account deposits, the relationship of the

client with the investment adviser representative, and the total amount of assets under management for the client.

Focused Compounding Capital Management believes that its annual fee is reasonable based on the amount of time and research spent on the actively managed portfolio(s). Our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you will also incur charges imposed by the custodian for transaction and brokerage costs as described in more detail below.

The advisory services continue in effect until terminated by either party (i.e., Focused Compounding Capital Management or you) by providing written notice of termination to the other party. Any prepaid, unearned fees will be promptly refunded by Focused Compounding Capital Management to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

The investment advisory fees will be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account. You will authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to our firm. You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

Accounts will be subject to brokerage commissions and/or transaction ticket fees and other fees charged by the qualified custodian, and these are billed directly to you by the qualified custodian. Focused Compounding Capital Management does not receive any portion of such fees from you or the qualified custodian. Management fees charged by Focused Compounding Capital Management are separate and distinct from the fees charged by the custodian.

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

Focused Compounding Capital Management does charge performance-based fees to certain clients and participates in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or appreciation of the assets of a client. Due to strict regulatory requirements, performance-based fees can only be charged to “qualified clients”. A qualified client is defined as a client that has over \$1 million invested with us, OR a net worth of at least \$2.1 million, excluding primary residence. Performance-based fees may not be charged to any client that does not meet the definition of a qualified client. Please see Section Item 5 – Fees and Compensation above, for more information on how performance-based fees are charged.

Performance-based compensation may create an incentive for our firm to recommend investments that may carry higher degrees of risk to the client. Focused Compounding Capital Management has a fiduciary responsibility to our clients, and we will only make recommendations that meet our clients' investment objectives and goals.

Item 7 – Types of Clients

Focused Compounding Capital Management generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals

You are required to execute a written agreement with Focused Compounding Capital Management specifying the particular advisory services in order to establish a client arrangement with Focused Compounding Capital Management.

Minimum Investment Amounts Required

Focused Compounding Capital Management typically requires a minimum of \$50,000 in order to open an account. To reach this account minimum, clients can aggregate all household accounts. Exceptions may be granted at the sole discretion of the advisor.

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

Methods of Analysis

Focused Compounding Capital Management uses the following methods of analysis in formulating investment advice:

Charting - This is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis of all investment methods since it relies on proper interpretation of chart patterns. The risk of reliance upon chart patterns is that the next day's data can always negate the conclusions reached from prior days' patterns. Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

Cyclical – This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the

bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

There are risks involved in using any analysis method.

To conduct analysis, Focused Compounding Capital Management gathers information from financial newspapers and magazines, inspection of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses and filings with the SEC, and company press releases.

Investment Strategies

Focused Compounding Capital Management uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Frequent trading. This strategy refers to the practice of selling investments within 30 days of purchase.

Short sales. A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.

Option writing including cover options, uncovered options or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

Primarily Recommend One Type of Security

We primarily recommend one type of security to clients, being equities. We recommend any product that may be suitable for each client relative to that client's specific circumstances and needs.

Risk of Loss

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

Item 9 – Disciplinary Information

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

Item 10 – Other Financial Industry Activities and Affiliations

Focused Compounding Capital Management is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are an independent registered investment adviser and only provide investment advisory and insurance related services.

Insurance Agent

You may work with your investment adviser representative in his or her capacity as an insurance agent. When acting in his or her capacity as an insurance agent, the investment adviser representative may sell, for commissions, general disability insurance, life insurance, annuities, and other insurance products to you. As such, your investment adviser representative in his or her capacity as an insurance agent, may suggest that you implement recommendations of Focused Compounding Capital Management by purchasing disability insurance, life insurance, annuities, or other insurance products. This receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

Andrew Kuhn is also a partner in another investment-related company, Focused Compounding. Focused Compounding is a members-only subscription site. It provides blog posts, discussion forums, and educational webinars. The site is based on education, and there is no personalized investment advice given to its subscribers.

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

Code of Ethics Summary

An investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Focused Compounding Capital Management has established a Code of Ethics to comply with the requirements of the securities laws and regulations that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. Focused Compounding Capital Management's Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. Focused Compounding Capital Management requires its supervised persons to consistently act in your best interest in all advisory activities. Focused Compounding Capital Management imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Focused Compounding Capital Management. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

Affiliate and Employee Personal Securities Transactions Disclosure

Focused Compounding Capital Management or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of Focused Compounding Capital Management that all persons associated in any manner with our firm must place clients' interests ahead of their own when

implementing personal investments. Focused Compounding Capital Management and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider".
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted to the Chief Compliance Officer of Focused Compounding Capital Management.

Any associated person not observing our policies is subject to sanctions up to and including termination.

Item 12 – Brokerage Practices

Clients are under no obligation to act on the recommendations of Focused Compounding Capital Management. If the firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered.

Brokerage Recommendations

Focused Compounding Capital Management recommends that you establish brokerage accounts with Charles Schwab or Interactive Brokers through their Institutional Platform. Both Charles Schwab and Interactive Brokers are members of FINRA/SIPC/NFA. Charles Schwab and Interactive Brokers are independent (and unaffiliated) SEC-registered broker-dealer and are recommended by Focused Compounding Capital Management to maintain custody of clients' assets and to effect trades for their accounts. Charles Schwab and Interactive Brokers provide us with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors at no charge to them so long as the independent investment advisors maintain a minimum amount of assets with the custodian.

Specifically, Focused Compounding Capital Management participates in the Charles Schwab and Interactive Brokers Institutional programs. Both Charles Schwab and Interactive Brokers offer to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Adviser receives some benefits from Charles Schwab and Interactive Brokers through its participation in the programs. These benefits include, but are not necessarily limited to: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk; access to block trading which provides the ability to aggregate securities transactions and allocate the appropriate shares to client accounts; the ability to have investment advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and access to mutual funds that generally require significantly higher minimum initial investments or are generally only available to institutional investors.

Charles Schwab and Interactive Brokers also make available to us other products and services that benefit our firm but may not benefit clients' accounts. Some of these other products and services assist us in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmation and account statements); provide research, pricing information and other market data; facilitate payment of the firm's fees from its clients' accounts; and assist with back-office functions; record keeping and client reporting. Many of these services generally may be used to service all or a substantial number of our accounts, including accounts not maintained at a recommended custodian. Focused Compounding Capital Management is also providing other services intended to help our firm manage and further develop our business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing.

At least annually, we will review alternative custodians in the marketplace for comparison to the currently used custodians, evaluating criteria such as overall expertise, cost competitiveness, and financial condition. Quality of execution for custodians will be reviewed through trade journal evaluations.

Focused Compounding Capital Management is independently owned and operated and not affiliated with Charles Schwab or Interactive Brokers.

The primary factor in suggesting a broker/dealer or custodian is that the services of the recommended firm are provided in a cost-effective manner. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer and money manager suggested by Focused Compounding Capital Management must be efficient, seamless, and straight-forward. Overall custodial support services, trade correction services, and statement preparation are some of the other factors determined when suggesting a broker/dealer.

Charles Schwab and Interactive Brokers do not charge separately for custody but are compensated by account holders through commissions or other transaction-related fees for securities trades that are executed by recommended money managers through the custodian or that settle into a custodian account.

Directed Brokerage

Clients should understand that not all investment advisors require the use of a particular broker/dealer or custodian. Some investment advisors allow their clients to select whichever broker/dealer the client decides. By requiring clients to use a particular broker/dealer, Focused Compounding Capital Management may not achieve the most favorable execution of client transactions and the practice requiring the use of specific broker/dealers may cost clients more money than if the client used a different broker/dealer or custodian. However, for compliance and operational efficiencies, Focused Compounding Capital Management has decided to require our clients to use broker/dealers and other qualified custodians determined by Focused Compounding Capital Management.

Soft Dollar Benefits

An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer.

Although the firm does receive benefits as described above, Focused Compounding Capital Management does not have a soft dollar agreement with a broker-dealer or a third-party.

Handling Trade Errors

Focused Compounding Capital Management has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of Focused Compounding Capital Management to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and any loss resulting from the trade error is absorbed by Focused Compounding Capital Management if the error is caused by Focused Compounding Capital Management. If the error is caused by the broker-dealer, the broker-dealer is responsible for handling the trade error. If an investment gain results from the correcting trade, the gain remains in the client's account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain.

Focused Compounding Capital Management may also confer with a client to determine if the client should forego the gain (e.g., due to tax reasons).

Focused Compounding Capital Management will never benefit or profit from trade errors.

Block Trading Policy

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by our firm when Focused Compounding Capital Management believes such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

Focused Compounding Capital Management uses the pro rata allocation method for transaction allocation.

Under this procedure, pro rata trade allocation means an allocation of the trade at issue among applicable advisory clients in amounts that are proportional to the participating advisory client's intended investable assets. Focused Compounding Capital Management will calculate the pro rata share of each transaction included in a block order and assigns the appropriate number of shares of each allocated transaction executed for the client's account.

If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which Focused Compounding Capital Management or our associated persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation as a result of block trades.

Agency Cross Transactions

Our associated persons are prohibited from engaging in agency cross transactions, meaning we cannot act as brokers for both the sale and purchase of a single security between two different clients and cannot receive compensation in the form of an agency cross commission or principal mark-up for the trades.

Item 13 – Review of Accounts

Account Reviews and Reviewers

Managed accounts are reviewed daily. Additional periodic client portfolio reviews can also be conducted at your request. Account reviews will include investment strategy and objectives review and making a change if strategy and objectives have changed. Reviews are conducted by Andrew Kuhn, with reviews performed in accordance with your investment goals and objectives.

Statements and Reports

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements in writing directly from the qualified custodian. Additionally, Focused Compounding Capital Management may provide position or performance reports to you quarterly and upon request.

You are encouraged to always compare any reports or statements provided by us against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

Item 14 – Client Referrals and Other Compensation

Focused Compounding Capital Management does not directly or indirectly compensate any person for client referrals.

The only compensation received from advisory services is the fees charged for providing investment advisory services as described in *Item 5* of this Disclosure Brochure. Focused Compounding Capital Management receives no other forms of compensation in connection with providing investment advice. Focused Compounding Capital Management does not directly or indirectly compensate anybody for client referrals.

However, as disclosed under *Item 12* above, Focused Compounding Capital Management participates in Charles Schwab's and Interactive Brokers' institutional customer programs and Adviser may recommend Charles Schwab and/or Interactive Brokers to Clients for custody and brokerage services. There is no direct link between Focused Compounding Capital Management's participation in the program and the investment advice it gives to its Clients, although we receive economic benefits that are typically not available to Charles Schwab and Interactive Brokers retail investors through our participation in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Focused Compounding Capital Management by third-party vendors. Charles Schwab and Interactive Brokers may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by Charles Schwab and Interactive Brokers through the program may benefit Focused Compounding Capital Management but may not benefit your accounts. These products or services may assist Focused Compounding Capital Management in managing and administering Client accounts, including accounts not maintained at Charles Schwab and Interactive Brokers. Other services made available by Charles Schwab and Interactive Brokers are intended to help Focused Compounding Capital Management manage and further develop its business enterprise. The benefits received by Focused Compounding Capital Management or our personnel

through participation in the program do not depend on the amount of brokerage transactions directed to Charles Schwab and Interactive Brokers. As part of its fiduciary duties to clients, we endeavor at all times to put clients' interests first. You should be aware, however, that the receipt of economic benefits by Focused Compounding Capital Management or our related persons in and of itself creates a potential conflict of interest and may indirectly influence Focused Compounding Capital Management's choice of Charles Schwab and Interactive Brokers for custody and brokerage services.

Focused Compounding Capital Management also receives from Charles Schwab and Interactive Brokers certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include access to on-line investment research services at no cost. Charles Schwab and Interactive Brokers provide the Additional Services to Focused Compounding Capital Management in its sole discretion and at its own expense, and we do not pay any fees to Charles Schwab and Interactive Brokers for the Additional Services. Focused Compounding Capital Management, Charles Schwab and Interactive Brokers have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Focused Compounding Capital Management's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Focused Compounding Capital Management, Charles Schwab and Interactive Brokers most likely considers the amount and profitability to Charles Schwab and Interactive Brokers of the assets in, and trades placed for, our Client accounts maintained with Charles Schwab and Interactive Brokers. Charles Schwab and Interactive Brokers has the right to terminate the Additional Services Addendum with Focused Compounding Capital Management, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from Charles Schwab and Interactive Brokers, Focused Compounding Capital Management may have an incentive to recommend to you that the assets under management by Focused Compounding Capital Management be held in custody with Charles Schwab and/or Interactive Brokers and to place transactions for your accounts with Charles Schwab and/or Interactive Brokers. Focused Compounding Capital Management's receipt of Additional Services does not diminish its duty to act in your best interests, including seeking best execution of trades for your accounts.

Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented.

Focused Compounding Capital Management is deemed to have custody of client funds and securities whenever Focused Compounding Capital Management is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody Focused Compounding Capital Management will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Focused Compounding Capital Management is deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against any reports received from Focused Compounding Capital Management. When clients have questions about their account statements, they should contact Focused Compounding Capital Management or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

When providing asset management services, Focused Compounding Capital Management maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Focused Compounding Capital Management so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Item 17 – Voting Client Securities

Focused Compounding Capital Management votes proxies on behalf of all Clients.

Item 18 – Financial Information

Focused Compounding Capital Management does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Focused Compounding Capital Management has not been the subject of a bankruptcy petition at any time.

Item 19 – Requirements for State-Registered Advisers

This section is not applicable because the firm is registered with the Securities and Exchange Commission.

Customer Privacy Policy Notice

Focused Compounding Capital Management has adopted this policy with recognition that protecting the privacy and security of the personal information we obtain about our customers is an important responsibility. We also know that you expect us to service you in an accurate and efficient manner. To do so, we must collect and maintain certain personal information about you. We want you to know what information we collect and how we use and safeguard that information.

WHAT INFORMATION WE COLLECT

We collect certain nonpublic personal identifying information about you (such as your name, address, social security number, etc.) from information that you provide on applications or other forms as well as communications (electronic, telephone, written or in person) with you or your authorized representatives (such as your attorney, accountant, etc.). We also collect information about your brokerage accounts and transactions (such as purchases, sales, account balances, inquiries, etc.).

WHAT INFORMATION WE DISCLOSE

We do not sell, share, or disclose your nonpublic personal information to non-affiliated third party financial companies. We will not disclose the nonpublic personal information we collect about our customers to anyone except as necessary as follows: (i) in furtherance of our business relationship with them and then only to those persons necessary to effect the transactions and provide the services that they authorize (such as broker-dealers, custodians, independent managers etc.); (ii) to persons assessing our compliance with industry standards (e.g., professional licensing authorities, etc.); (iii) our attorneys, accountants, and auditors; or (iv) as otherwise provided by law.

We are permitted by law to disclose the nonpublic personal information about you to governmental agencies and other third parties in certain circumstances (such as third parties that perform administrative or marketing services on our behalf or for joint marketing programs), however **we will not do so**. These third parties are prohibited to use or share the information for any other purpose. If you decide at some point to either terminate our services or become an inactive customer, we will continue to adhere to our privacy policy, as may be amended from time to time.

SECURITY OF YOUR INFORMATION

We restrict access to your nonpublic personal information to those employees who need to know that information to service your account. We maintain physical, electronic and procedural safeguards that comply with applicable federal or state standards to protect your nonpublic personal information.

CHANGES TO OUR PRIVACY POLICY OR RELATIONSHIP WITH YOU

Our policy about obtaining and disclosing information may change from time to time. We will provide you notice of any material change to this policy before we implement the change.