

# **KRS CAPITAL MANAGEMENT, LLC**

## **CLIENT BROCHURE**

*This brochure provides information about the qualifications and business practices of KRS Capital Management, LLC. If you have any questions about the contents of this brochure, please contact us at (248)433-0621 or via email directly to the Chief Compliance Officer at [rsteed@krscapitalmanagement.com](mailto:rsteed@krscapitalmanagement.com).*

*The information in this brochure has not been approved or verified by the State of Michigan's Office of Financial and Insurance Services or the United States Securities and Exchange Commission ("SEC"). Registration does not imply a certain level of skill or training.*

*Additional information about KRS Capital Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).  
KRS Capital Management, LLC's CRD number is: 142928*

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## **ITEM 2: MATERIAL CHANGES**

This Form ADV (Parts 2A and 2B) represents the March 2012 disclosure document prepared by KRS Capital Management, LLC in conjunction with its 2011 fiscal year end filing and its 2012 registration transition from the United States Securities and Exchange Commission ("SEC") to the State of Michigan.

In conjunction with changes to the SEC's Investment Advisers Act of 1940, (the "Advisers Act"), as required to implement provisions of the Dodd-Frank Wall Street Reform and Consumers Protection Act ("Dodd-Frank Act"), KRS Capital Management transitioned its registration from the SEC to the State of Michigan. These changes require existing Registered Investment Advisers managing under \$100 million to transition to state regulation unless they are subject to other condition which requires SEC regulation. Therefore, effective with this filing, KRS Capital Management has requested registration with the State of Michigan's Office of Financial and Insurance Services.

The other change to report with this filing is the update to the firm's fiscal year end assets under management (as of the close of business 12/31/2011). At that time, KRS Capital Management managed \$48,100,000 in a total of 122 discretionary accounts. Approximately 64% of managed assets are those of high net worth individuals and approximately 36% are those of non-high net worth individuals.

The final change to this ADV Part 2A does not impact KRS Capital Management's clients as it is a simple update in our list of services. At one time, KRS Capital Management had considered utilizing the programs of unaffiliated third-party managers in conjunction with its advisory services. It was determined that this service offered no value for clients and has been removed at Item 4 of this Brochure.

There are no other material changes to report in connection with the business of KRS Capital Management. If you should have any questions, please contact the Adviser directly. Thank you.

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## ITEM 4: ADVISORY BUSINESS

### A. DESCRIPTION OF THE ADVISORY FIRM.

KRS Capital Management is an independently owned fee-only advisory practice founded by Roger Steed, its Managing Member and Chief Compliance Officer. Mr. Steed is 100% owner of the Adviser. KRS Capital Management is headquartered and maintains its sole office in Bloomfield Hills, Michigan. The Adviser has no affiliated entities.

KRS Capital Management, LLC, ("*KRS Capital Management*", or "*Adviser*"), has been a Registered Investment Adviser since February 2007. Until March 2012, KRS Capital Management has maintained its registration with the United States Securities and Exchange Commission ("*SEC*") and its notice filings in Michigan and Texas. In March 2012, the Adviser transitioned its registration as required by the Dodd-Frank Act to the State of Michigan (and other jurisdictions as may be needed). The Adviser is now regulated by Michigan's Office of Financial and Insurance Services.

Prior to 2002, Roger Steed, the Managing Member of KRS Capital Management, worked in various capacities in the financial services industry and this experience dates back to 1976. Please refer to ADV Part 2B for detailed information about Mr. Steed.

### B. TYPES OF ADVISORY SERVICES

KRS Capital Management is a *fee-only* Registered Investment Management Firm that offers **Investment Management and Financial Planning Services**. The Adviser also offers a **complimentary newsletter** for clients.

The term "fee only" means the Adviser and its Advisory Representatives do not accept commissions but are compensated only in the form of advisory fees paid by clients. The Adviser receives fees in the form of a percentage of assets under management or a fixed fee, depending upon the nature and scope of the services provided. Advisory Representatives are those persons who are approved to provide Investment Management services on behalf of the Adviser. The Advisory Representatives of KRS Capital Management are neither registered representatives of a broker/dealer nor are they independent insurance agents.

KRS Capital Management is committed to helping its clients build, manage, and preserve their wealth, and to provide assistance in helping clients to achieve their stated financial goals. KRS Capital Management may offer a complimentary initial consultation to discuss services available, to give a prospective client the opportunity to review services desired, and to determine the possibility of a potential Client-Adviser relationship. Services begin only after the client and Adviser formalize the relationship with a properly executed Client Agreement.

After the formal engagement and depending upon the scope of the engagement, the Adviser and client will share in a data gathering and discovery process in an effort to

determine the client's needs, goals, intentions, time horizons, risk tolerance and

**Item 4: Advisory Business**  
(Continued)

investment objectives, based upon information provided by the client and the nature of services requested. The client and Adviser may complete a risk assessment, investment policy statement or similar document, depending upon the nature of services to be provided.

KRS Capital Management is not a broker/dealer or custodial firm. Any transactions in securities will be executed by an unaffiliated custodial firm of clients' choosing.

KRS Capital Management offers **Investment Management Services, Financial Planning Services, and a Complimentary Newsletter Service.**

**1. Investment Management Services** are ongoing in nature and provide for ongoing and continuous advice and services. In the delivery of initial and ongoing services, the Adviser will include a review of the overall aspects of a client's current financial situation and consider both long and short-term objectives, or as directed by the client. The Adviser can also tailor services to focus only on certain portfolio components, depending upon the client's wishes and/or the nature of the engagement. KRS Capital Management welcomes the opportunity to provide individualized services. However, where investment management services or information are limited, clients must understand that comprehensive investment needs and or objectives may not be fully considered due to the client's option not to receive limited services, the lack of information received, and/or client disclosure.

After an analysis and data-gathering process and depending upon the nature of services desired, KRS Capital Management may prepare reviews, analysis, asset allocation recommendations, and may recommend specific investments.

While KRS Capital Management will typically recommend investments low-cost mutual funds, index funds and individual securities, the Adviser may assist the client with other investments such as: Exchange traded funds and other investments in Item 8 of this ADV Part 1A. Depending on the needs of a client, the Adviser may evaluate or offer advice on U.S. Government securities, municipal bonds, and other fixed-income securities. The Adviser will attempt to construct a diversified portfolio of investments that are within its realm of expertise. Additionally, if requested and based upon information provided by the client, KRS Capital Management can prepare an evaluation of existing portfolio investments and provide recommendations for other investments as deemed appropriate. While the Adviser may offer advice on partnership investments, including hedge funds, the services provided are limited to consultation regarding the investment opportunity and a review of the offering documents. The Adviser does not manage partnership investments.

Services and investment recommendations in connection to assets invested in a corporate retirement plans are limited to those offered within the plan and via the plan's contracted service providers.

#### **Item 4: Advisory Business** (Continued)

Where an existing portfolio has been designed by the client or another party, KRS Capital Management can provide recommendations for ongoing management; re-design, adjustments or re-balancing.

Once the managed portfolio has been implemented or transferred for services, KRS Capital Management can provide continuous monitoring, recommendations and investment advice as outlined in the engagement for services. The ongoing Investment Management Services are based upon the investment strategy or policy agreed upon between KRS Capital Management and the client. In providing ongoing Investment Management Services, the Adviser will manage investor funds in accordance with an investment strategy selected by the client and the Adviser will remain available for ongoing advice and recommendations. KRS Capital Management will monitor the portfolio in accordance with the directives provided. The Adviser's Investment Management Services are continuous in nature and therefore are ongoing until terminated by either party.

Ongoing services require that clients maintain contact with KRS Capital Management. Clients are obligated to promptly notify the Adviser of any changes in the client's personal situation, lifestyle situation, needs, and financial condition that may alter the client's goals and objectives in order to provide the Adviser with the opportunity to review investment strategies to determine if adjustments may be needed. Clients may call the office at any time during normal business hours to discuss the client's portfolio, financial situation or investment needs directly with the client's Advisory Representative.

Certain clients may desire to place or keep certain assets within their account(s) that are selected by client and these assets are not the subject of investment advice provided by the Adviser. These assets are known as "self-directed" assets. The Adviser will have no responsibility to manage any self-directed assets in client accounts and the Adviser accepts no liability to those clients in connection with any loss relating to the self-directed assets. In such cases, the Adviser has/will not pass on the suitability of self-directed assets. Should the Adviser ever assist clients with self-directed implementation it may do so only as a value-added service at the client's request. The Adviser will therefore not manage this facet of the client's portfolio unless specifically agreed in writing.

**2. Financial Planning Services** are dependent upon the nature and scope of services to be provided. Advice may be provided on financial and cash management, risk management, financial issues relating to divorce or marital issues, estate planning, tax issues, retirement planning, educational funding, goal setting, or other needs as identified by the client. The Adviser may offer comprehensive planning services or the client may desire advice on certain planning components. KRS Capital Management can tailor services as desired by the client. Financial Planning Services are provided on a fixed fee project basis.

When Financial Planning Services only focus on certain areas of client interests, needs or is otherwise limited, clients must understand that a client's overall financial and investment needs and objectives may not be considered as a result of time



and/or service restraints placed on the Adviser's services. Clients requiring

**Item 4: Advisory Business**  
*(Continued)*

assistance on issues relating to matters outside of investment advisory topics should consult their personal tax adviser, legal counsel, or other professionals for expert opinions. When providing plan-related services, the advice and recommendations are limited to plan offerings. The advice provided by the Adviser may include recommendations for updates and reviews.

KRS Capital Management may suggest the client work closely with the client's attorney, accountant, insurance agent, and the client's custodian. Implementation of any advice or recommendations pertaining to non-securities matters (such as insurance), in whole or in part, is entirely at the client's discretion via the service provider(s) of the client's choice.

When providing a review or advice on investments within retirement plans, the advice and any recommendations are limited to plan offerings and the service provider(s) selected by the plan providers.

**3. Complimentary Newsletter.** KRS Capital Management will provide clients with a complimentary newsletter during the Investment Management Relationship. The newsletters are focused on general information relating to the topics of investing and financial planning.

**C. CLIENT TAILORED SERVICES AND CLIENT IMPOSED RESTRICTIONS**

KRS Capital Management recognizes that each client is unique and therefore the Adviser focuses on providing individualized services. The Adviser can tailor services to focus only on certain portfolio components, depending upon the client's wishes and/or the nature of the engagement. However, where client services or information are limited, clients must understand that comprehensive financial and/or investment needs and objectives may not be fully considered due to the client's option to receive limited services, the lack of information received, and/or client disclosure.

The Adviser and client will share in a data gathering and discovery process in an effort to determine the client's stated needs, goals, intentions, time horizons, risk tolerance and investment objectives, based upon information provided by the client and depending upon the nature of services requested. The client and Adviser may complete a risk assessment, investment policy statement or similar document, depending upon the nature of services to be provided.

Clients are welcome to set parameters on the Adviser's limited discretionary authority in writing as to types of investments and amounts purchased or sold. Clients may also impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs and these directives will be set forth in writing in the client's Investment Policy Statement. Where clients retain authority to implement recommendations, they are welcome to do so in whole or in part via the financial services provider(s) of their choice.

Clients may make additions to and withdrawals from their account at any time, subject

to the Adviser's right to terminate an account. Clients may withdraw account assets

**Item 4: Advisory Business**  
(Continued)

on notice to the Adviser, subject to the usual and customary securities settlement procedures. KRS Capital Management normally designs its portfolios as long-term investments and assets withdrawals may impair the achievement of a client's investment objectives.

**D. WRAP FEE PROGRAMS**

KRS Capital Management does not sponsor or manage a wrap fee program.

**E. AMOUNTS OF ASSETS UNDER MANAGEMENT**

KRS Capital Management's fiscal year end assets under management as reported in the Adviser's 2011 ADV Part IA fiscal year end filing are: \$48,100,000 in 122 discretionary accounts. Approximately 64% of managed assets are those of high net worth individuals and approximately 36% are those of non-high net worth individuals.

**ITEM 5: FEES, COMPENSATION  
AND TERMINATION OF SERVICES**

**A. FEE SCHEDULES**

KRS Capital Management is only compensated for advisory services in the following manner: A percentage of assets under management or fixed fees (which are dependent upon the nature and scope of the engagement).

1. Advisory fees for **Investment Management Services**. Advisory fees for Investment Management Services are agreed upon at the time of engagement. Fees are charged quarterly in advance and each invoice will be based upon the market value of the portfolio, set forth by the custodian, as of the last market day of the relevant calendar month. In the rare case where there is an absence of a portfolio value (via the custodial firm), the Adviser will utilize at least one independent third party to assess the value of the particular holding. Where services are initiated at any time other than the beginning of a calendar quarter, advisory fees will be pro-rated. Advisory fees are as follows:

<u>Portfolio Value</u>	<u>Annual Advisory Fee</u>
\$1 million to \$2 million	1.00%
Additional values above \$2 million to \$5 million	.60%
Any additional values above \$5 million	.50%

The Adviser desires a minimum annual fee of \$5,000. At the time of engagement, the Adviser reserves the right to modify Investment Management fees (higher or lower) or to waive its minimum, depending upon the nature of the engagement,

complexity of services, time to be incurred, for pre-existing relationships, or other

## **ITEM 5: FEES, COMPENSATION AND TERMINATION OF SERVICES**

*(Continued)*

special situations and at the Adviser's discretion. The Advisory fee may be revised during the engagement but only with a 30-day pre-notification from the Adviser. Should the client decide not to accept the fee adjustment, client can terminate services at any time.

Either party may terminate the agreement for Investment Management Services by written notice to the other. Services may be immediately terminated within 5 business days of signature with no fees due if the ADV 2 was not delivered at least 48 hours prior to engagement. Where services are terminated prior to the end of a calendar quarter, the Adviser will promptly return a pro-rated refund of pre-paid advisory fees.

**2. Fees for Financial Planning Services** are determined at the time of engagement based upon the time and effort required and/or the nature and complexity of services. The Adviser's minimum project fee is \$5,000 for Financial Planning projects. KRS Capital Management may require a retainer equal to ½ the proposed project fee in order to schedule services. The Adviser does not accept fee for services to be performed six or more months in advance. Where a retainer is required, the project balance is due upon the delivery of services. Should the client's financial situation change during the course of services such that new advice, recommendations or research are required or the Adviser must re-work the prepared financial planning services, additional fees will apply. However, the Adviser will not engage in additional services that result in fees without the client's approval.

Financial Planning Services may be terminated within 5 business days of signature with no fees due if the ADV 2 was not delivered at least 48 hours prior to engagement. Otherwise, clients are only be invoiced for time incurred by the Adviser up until the effective date of termination or prepaid but unearned fees will be promptly refunded.

### **3. Complimentary Newsletter Service**

Clients receiving Investment Management Services receive the Adviser's quarterly newsletter on a complimentary basis. Receipt of the newsletter can be terminated at any time upon written request.

**ITEM 5: FEES, COMPENSATION  
AND TERMINATION OF SERVICES**  
(Continued)

**B. PAYMENT OF FEES**

1. Unless otherwise agreed in writing, **Investment Management fees** are payable quarterly in advance as disclosed herein. Payment of Investment Management fees may be made directly to the Adviser or through a debit directly to the client's account by the qualified custodian holding the client's funds and securities. The Adviser follows the following criteria when payment is made via a qualified custodian as required by the State of Michigan Uniform Securities Act of 2002, as amended:

1) The client provides written authorization permitting the fees to be paid directly from the client's account held by the independent qualified custodian and the authorization is limited to withdrawing contractually agreed upon Investment Adviser fees; (2) The client will directly receive regular (monthly or quarterly) reports from the qualified custodian which reflect the Adviser's fee deduction; (3) The frequency of fee withdrawal shall be specified in the written authorization/agreement; (4) The custodian of the account shall be advised in writing of the limitation on the Adviser's access to the account and; (5) The client shall be able to terminate the written billing authorization or agreement at any time.

It is important to note that custodial firms do not verify advisory fees. Therefore, clients should review their custodial statements carefully. If a client should have any questions or concerns in connection with an advisory fee deduction, they should promptly contact KRS Capital Management.

If at any time during the engagement, the client fails to receive the regular statements produced by the custodian, it is important for the client to promptly notify KRS Capital Management and the custodial firm.

If the designated account(s) do not contain sufficient funds to pay advisory fees, the client can leave standing orders to deduct fees via other accounts. In the absence of alternate instructions, the Adviser will issue an invoice for advisory fees to the client and payment is expected with 10 days of the invoice date.

**2. Financial Planning** fees are invoiced and paid directly by the client.

**3. Newsletter Services** are complimentary and available to active Investment Management clients.

**C. CLIENTS ARE RESPONSIBLE FOR FEES ASSOCIATED WITH INVESTING**

Clients are responsible for the payment of all third party fees associated with investing. Clients may pay transaction and brokerage commission to their broker/dealer or other service providers ("*Financial Institution[s]*") as well as any fees associated with their particular accounts (e.g., account opening, maintenance, transfer, termination, wire transfer, retirement plan, trust fees, and all such applicable

## **ITEM 5: FEES, COMPENSATION AND TERMINATION OF SERVICES**

*(Continued)*

third party fees, deferred sales charges, oddlot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

The Adviser donates a portion of its earned fees to various charitable organizations. A list of these charitable entities is available upon request, in the event this is important to our client.

KRS Capital Management's Investment Advisory fees are not "performance based" (based upon a share of capital gains or capital appreciation for any portion of funds under an advisory contract). The fees noted herein represent fees for advisory services only. Clients may pay transaction and brokerage commission to their broker/dealer as well as any fees associated with their particular accounts (e.g., account opening, maintenance, transfer, termination, cash wire transfer, retirement plan, trust fees, and all such applicable third party fees). All fees paid to the Adviser for advisory services are separate from the fees and expenses charged to shareholders of ETF's or mutual fund shares by mutual fund companies or by the investment Adviser managing a fund portfolio. If a mutual fund previously purchased by or selected by a client should impose a sales charge, a client may pay an initial or deferred sales charge. A complete explanation of the expenses charged by a mutual fund is contained in the respective mutual fund prospectus. Clients are encouraged to read each fund prospectus and securities offering document before investing. KRS Capital Management does not receive any portion of these investment-related fees. Clients should read all disclosure documents before investing.

Portfolio additions may be in cash or securities provided the Adviser reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Adviser may consult with its clients about the options and ramifications of transferring securities. However, clients are hereby advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

### **D. PREPAYMENT OF FEES**

KRS Capital Management collects Investment Management fees quarterly and in advance of services. The Adviser may require a pre-paid retainer for Financial Planning Services unless otherwise agreed upon at the time of engagement.

As previously noted in the service sections of this brochure, clients who do not receive the Adviser's Form ADV Part 2A and applicable 2B brochures at least 48 hours prior to engagement have the right to terminate the Adviser's services within 5 business days of signature without penalty (no fees due or prepaid fees will be promptly refunded). *Alternatively:*

**ITEM 5: FEES, COMPENSATION  
AND TERMINATION OF SERVICES**  
(Continued)

Either party may terminate the agreement for Investment Management Services by written notice to the other. Services may be terminated within 5 business days of signature with no fees due if the ADV 2 was not delivered at least 48 hours prior to engagement. Where services are terminated prior to the end of a calendar quarter, the Adviser will promptly return a pro-rated refund of pre-paid fees. The Adviser will calculate the refund using the effective date of termination and the remaining calendar days in which services were pre-paid.

Financial Planning Services may be terminated within 5 business days of signature with no fees due if the ADV 2 was not delivered at least 48 hours prior to engagement. Thereafter, the client will only be invoiced for time incurred by the Adviser up until the effective date of termination or prepaid but unearned fees will be promptly refunded.

**E. OTHER COMPENSATION FOR THE SALE OF SECURITIES OR OTHER  
INVESTMENT PRODUCTS TO CLIENTS**

KRS Capital Management is a *fee-only* Registered Investment Adviser.

Neither the Adviser nor its supervised persons accept any compensation/commission for the recommendation of securities or non-securities products including asset-based sales charges or service fees from the sale of mutual funds.

**ITEM 6: PERFORMANCE-BASED FEES  
AND SIDE-BY-SIDE MANAGEMENT**

KRS Capital Management's fees associated with services are not "performance based" (based upon a share of capital gains or capital appreciation, or performance, for any portion of funds under an advisory contract). The fees noted herein represent fees for advisory services only.

**ITEM 7: TYPES OF CLIENTS  
AND MINIMUM CONDITIONS**

KRS Capital Management is available to provide advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

## **ITEM 7: TYPES OF CLIENTS AND MINIMUM CONDITIONS**

*(Continued)*

If an account is subject to the Employee Retirement Income Security Act of 1974, as amended, ("*ERISA*"), the Adviser acknowledges that Adviser is a fiduciary within the meaning of the Act and the ERISA Client is a named fiduciary with respect to the control or management of the assets in the Account. In each instance, the Client will agree to obtain and maintain a bond satisfying the requirements of Section 412 of ERISA and to include the Adviser and the Adviser's principals, agents, and employees under those insured under that bond and will deliver to the Adviser a copy of the governing plan documents. If the Account assets for which the Adviser provides services represent only a portion of the assets of an employee benefit plan, Client will remain responsible for determining an appropriate overall diversification policy for the assets of such plan.

KRS Capital Management desires a minimum annual fee of \$5,000. The Adviser may modify its fee(s) as disclosed in Item 1.D of this Schedule.

The Adviser reserves the right to decline to provide Investment Management services to any person or firm in its sole discretion and for any reason.

## **ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

The Adviser believes each client presents a unique set of goals, values, interests, objectives, time horizons and challenges. KRS Capital Management provides individualized Investment Management Services to its clients. The Adviser can provide advisory services for portfolios ranging from conservative to moderately aggressive; each designed to meet the varying needs of and within the direction set forth by the investors. The Adviser selects the portfolio best suited to their individual needs after clients have defined their objectives, risk tolerance and time horizons and the selection is approved by the client.

The Adviser attempts to measure an investor's risk tolerance, time horizon, goals and objectives through an interview and data-gathering process in an effort to determine an investment plan or portfolio to best fit the investor's profile. Client participation and the client's delivery of accurate and complete information are critical to the Adviser's process. In performing its services, the Adviser shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information.

The Adviser may recommend the services of itself, its Advisory Representatives in their individual capacities as investment managers, and other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if the Adviser

## **ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

*(Continued)*

recommends its own services. Any professional referrals (*i.e.*, insurance agents/firms, accounting professionals, legal professionals, etc.) are *solely* a courtesy and the Adviser receives no direct or indirect compensation as a result of referrals. The client is welcome but is never under any obligation to act upon any of the recommendations made by the Adviser under a consulting engagement and/or engage the services of any such recommended professional, including the Adviser itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of the Adviser's recommendations.

Investment strategies may be based upon a number of concepts and determined by the type of investor. Services are customized for each individual client. The concept of asset allocation, or spreading investments among a number of asset classes (domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. government securities) is generally in the forefront of our strategies. At its heart, asset allocation seeks to achieve the most efficient diversification of assets, to help lessen risk while not sacrificing the effectiveness of the portfolio in an effort to help yield the client's objectives. Since risk reduction is a key element to long-term investment success, asset allocation principles are a key part of the Adviser's overall approach in preparing advice for clients.

The Adviser seeks to minimize trading costs and the impact of investments on taxes. To this end, the Adviser generally sets target ranges for the percentage of assets in each asset class. These ranges are not intended to attempt to time the market, but instead to provide flexibility to reduce trading activity and taxable income. Within each asset class, the Adviser will typically seek to construct broadly diversified portfolios using individual securities or low-cost mutual funds. The choice of whether to use mutual funds will depend on a number of factors, including whether purchasing individual securities in a particular asset class would allow for sufficient diversification consistent with reasonable trading costs, whether there are tax advantages to individual securities, and whether the Adviser believes that there are market inefficiencies that justify buying particular securities.

Portfolio holdings or recommendations are generally judged by (managers' or investments') experience, track record and performance of like-kind investments. The Adviser will actively manage each portfolio. Investors should expect to remain fully invested within the ranges of their selected asset allocation plan at all times unless restated by the client. KRS Capital Management looks to the long-term when developing advice and recommendations based upon information provided by the client.

While the Adviser makes every effort to consider tax consequences, the sale of investments may cause taxable gain(s) or loss(es) to the client. Clients are welcome to consult their independent personal tax adviser about tax consequences resulting from transactions or any particular investment held in their account.

In certain situations, the Adviser may assist clients who wish to more actively trade securities. In such cases, the Client and Adviser may devise various strategies in order to generate short-term gains. Short-term investment strategies may not be appropriate for every investor. The Adviser reserves the right to decline to offer services to any



**ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES  
AND RISK OF LOSS**  
*(Continued)*

investor and for any reason and investors interested in the short-term strategies should be able to sustain a possible total loss of investment.

The Adviser may utilize one or more of the following methods of analysis. However, the KRS Capital Management takes the position that no single strategy can be relied upon to outperform the market. As outlined in this section, KRS Capital Management's goal in its analysis is not to time the market.

**1. Fundamental Analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages. 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.

For example, an investor can perform fundamental analysis on a bond's value by looking at economic factors, such as interest rates and the overall state of the economy, and information about the bond issuer, such as potential changes in credit ratings. For assessing stocks, this method uses revenues, earnings, future growth, return on equity, profit margins and other data to determine a company's underlying value and potential for future growth. In terms of stocks, fundamental analysis focuses on the financial statements of the company being evaluated.

Very broadly described, this type of analysis involves a method of evaluating a security that entails 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 company-specific factors (like financial condition and management).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is the primary analysis method used but Technical Analysis is used alongside Fundamental Analysis to help assist appropriate timing of entering and exiting securities.

Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts. There are several possible objectives:

- to conduct a company stock valuation and predict its probable price evolution,
- to make a projection on its business performance,
- to evaluate its management and make internal business decisions,
- to calculate its credit risk.

**2. Technical Analysis** is a method of evaluating securities by analyzing the statistics generated by market activity, such as past prices and volume. Generally speaking, technical analysts do not attempt to measure a security's intrinsic value, but instead use

**ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES  
AND RISK OF LOSS**  
(Continued)

charts and other tools to identify patterns that can suggest future activity. The field of technical analysis is based on three assumptions:

1. The market discounts everything.
2. Price moves in trends.
3. History tends to repeat itself.

This type of analysis can be broadly described as 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. It is a discipline for forecasting the direction of prices through the study of past market data, primarily price and volume. Technical analysts lean towards the belief that the historical performance of stocks and markets are likely indications of future performance.

KRS Capital Management utilizes many sources of public information to include financial news and research materials. Investment strategies may include long-term and short-term purchases depending upon the individual needs of the client.

**3. Cyclical Analysis** is a method that generally looks at cycles that can impact that market, depending upon the type of securities. This analysis method takes into consideration that there are cyclical and noncyclical securities.

Cyclical stocks are stocks that follow the general economic environment. The automotive industry is a prime example of a cyclical sector. Cyclical stocks do well in times of economic prosperity and generally suffer greater during times of economic recession or hardship.

Conversely, health care stocks are an excellent example of non-cyclical stocks as there will always be a need for health care, regardless of the economic situation. These stocks typically have consistent profits, rather than spikes.

Historically, the difference between cyclical and noncyclical stocks has been cash flow. The cash flow of cyclical stocks is affected by the movement of the economy in general. A major category of cyclical stocks is retail consumer products. When the market swings up, cyclical stocks make big upward swings and when it swings down, they move way down. Their movement is widely followed as indicators of the overall health of the economy. However, some cyclical companies attempt to alleviate the impact of cyclical changes by diversifying their product line, expanding to overseas markets and segmenting a cyclical division out to its own stock symbol. Additionally, technology has minimized the impact of cyclical organizations.

Noncyclical stocks are less affected by a downturn in the economy. Referred to as "defensive industries," they are the types of goods that are purchased regardless of the economy. These may include food, insurance and drugs. Analysts attempt to use their knowledge about the cyclical nature of certain industries to predict revenues, interpret

**ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES  
AND RISK OF LOSS**  
*(Continued)*

earnings reports and make judgments about the overall financial health of a company.

Generally speaking, the stock prices of cyclical companies tend to increase when analysts predict positive news about the future of the economy. If investors feel the market is moving up, cyclical stocks may offer growth opportunities. If they feel the market is moving down, noncyclical stocks may provide stability.

**4. Other.** KRS Capital Management's investment strategies may be based upon a number of concepts and determined by the type of investor. Services are customized for each individual client. The concept of asset allocation, or spreading investments among a number of asset classes (domestic stocks vs. foreign stocks; large cap stocks vs. Small cap stocks; corporate bonds vs. government securities), certainly has a great deal of acceptance in the professional investment community. At its heart, asset allocation seeks to achieve the most efficient diversification of assets, to help lessen risk while not sacrificing the effectiveness of the portfolio in an effort to yield the client's objectives. Since KRS Capital Management believes that risk reduction is a key element to long-term investment success, asset allocation principles are a key part of the Adviser's overall approach in preparing advice.

When appropriate and based on the individual needs of clients, the Adviser may utilize covered puts and calls as a hedging strategy to help manage risk. Where client accounts are of a smaller size however, this strategy may not be available.

KRS Capital Management believes that clients must be kept aware of developments in the global economy, shifts in domestic markets and indicators that signal key opportunities on which to take action. When the Adviser is engaged for the delivery of long-term Investment Management Services, KRS Capital Management communicates with its clients on a regular basis to make sure that critically important information is communicated properly.

Numerous publicly available sources of economic, financial and investment research are used by the Adviser. Asset allocation software and historical performance modeling software may also be utilized. When special situations arise, the Adviser may also consult with outside experts for additional input (no nonpublic personal client data is shared). Examples of these outside, unaffiliated consultants include, but are not limited to: Attorneys, actuaries, accountants, pension specialists and insurance experts. Any costs associated with these consultations would be born solely by KRS Capital Management unless other arrangements have been made, in writing, with the client in advance. Any fees paid by the Adviser to any outside persons would be disclosed in advance with a Compensation Disclosure Document and signed by the client.

Typically, sales of investments result in taxable gain(s) or loss(es) to the Client. Also, the sale of investments to maintain the Client asset allocation policy may cause taxable gain(s) or loss(es) to the Client. The Client understands that KRS Capital Management does not render tax advice and is not responsible for the tax consequences to the Client as a result of account transactions. Clients are encouraged to consult their tax adviser

## **ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

*(Continued)*

about tax consequences as a result of transactions or any particular investment held in their account.

In providing Financial Planning Services, KRS Capital Management looks to the long-term. After KRS Capital Management evaluates the Clients' financial needs, the Adviser will design investment and risk-management strategies to help the Client achieve his or her financial goals.

Recommendations for or purchases of investments will be based on publicly available reports and analysis. In the case of mutual funds, recommendations will be based on reports and analysis of performance and managers, and certain computerized models for asset allocation and investment timing. Tactical asset allocation (market timing, stock selection and track record investment) is greatly discouraged.

Portfolio holdings or recommendations are generally judged by (managers' or investments') experience, track record and performance of like-kind investments.

KRS Capital Management will actively manage each portfolio. Investors should expect to remain fully invested within the ranges of their selected asset allocation plan at all times unless restated by the client. The Adviser generally looks to the long-term when developing advice and recommendations based upon information provided by the client.

While already stated herein, it is critically important that the client promptly notifies the Adviser of any change in the client's financial condition so the Adviser has the opportunity to assess any possible changes needed in the advice, recommendations or investment strategies. Changing conditions in the client's financial life or significant changes in market conditions may warrant a collaborative effort with the client to modify their strategic investment framework, which consequently may also trigger changes to investment holdings within the portfolio.

*It is important to understand that investing in securities involves a risk of loss that a client should be prepared to bear.*

### **B. MATERIAL RISKS INVOLVED**

KRS Capital Management takes the general position that investors with diverse portfolios have a better chance of making a profit because it is difficult to accurately predict the movement of the economy.

No single strategy can be relied upon to outperform the market. As outlined below, KRS Capital Management's goal in preparing its analysis is not to time the market.

KRS Capital Management generally utilizes long-term trading; short-term trading; short sales; margin Transactions; options writing strategies (including covered options, uncovered options or spreading strategies).

**ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES  
AND RISK OF LOSS**  
*(Continued)*

KRS Capital Management seeks to utilize investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Short sales and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

Clients may make additions to and withdrawals from the account at any time, subject to the Adviser's right to terminate an account. Clients may withdraw account assets on notice to the Adviser, subject to the usual and customary securities settlement procedures. The Adviser generally designs its client portfolios as long-term investments and assets withdrawals may impair the achievement of a client's investment objectives.

As previously noted herein, additions may be in cash, cash equivalents and securities provided that the Adviser reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. The Adviser may consult with its clients about the options and ramifications of transferring securities when provided pre-notification of the client's intentions. Clients are hereby advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (*i.e.*, contingent deferred sales charge) and/or tax ramifications.

Clients may choose to make self-directed securities transactions, which are investments that are not reviewed and/or not recommended by the Adviser. In such cases, the Adviser has not passed on the suitability of said investments and while the Adviser may assist with client-directed implementation as a value-added service at the client's request, the Adviser will not manage these types of investments unless agreed in writing.

*As previously noted, it is important to understand that investing in securities involves a risk of loss that a client should be prepared to bear.*

**C. RISKS OF SPECIFIC SECURITIES UTILIZED**

KRS Capital Management generally seeks investment strategies that do not involve significant risk or unusual risk beyond that of the general domestic and / or international equity markets.

Investments in individual stocks can be risky. Some risks can be controlled and some risks can be guarded against but no investment strategy can carry guarantees from loss. Certain market risks cannot be controlled, such as market or economic conditions. Certain strategies may be employed to adjust portfolios or the Adviser and client may agree to hold the portfolio's course. KRS designs portfolio strategies for the long-term, unless otherwise specifically requested in writing. Therefore, KRS does not attempt to time the market.

## **ITEM 8: METHOD OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

*(continued)*

Investments in mutual funds may bear a risk of investment loss. Clients who invest should also be prepared to bear a loss of investment proceeds.

There are certain risks involved in investing in all types of bonds: Government, Municipal, and Corporate.

KRS Capital Management does *not* recommend Mortgage-backed/Asset-backed securities (MBS/ABS).

Thoughtful investment selections that meet a client's stated goals and risk profile may help keep individual stock and bond risks at an acceptable level.

The following is an overview of the types of risks that one should consider: Interest rate risk; reinvestment risk; inflation risk; mark risk, selection risk, timing risk, and price risk. Additional risks for some government agency, corporate and municipal bonds may include: Legislative risk (a change in the tax code could affect the value of taxable or tax-exempt interest income); Call risk (some corporate, municipal and agency bonds have a "call provision" entitling their issuers to redeem them at a specified price on a date prior to maturity. Declining interest rates may accelerate the redemption of a callable bond, causing an investor's principal to be returned sooner than expected. In that scenario, investors have to reinvest the principal at the lower interest rates. If the bond is called at or close to par value, as is usually the case, investors who paid a premium for their bond also risk a loss of principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called. Additionally, there may be a liquidity risk involved if investors may have difficulty finding a buyer when they want to sell and may be forced to sell at a significant discount to market value. Liquidity risk is greater for thinly traded securities such as lower-rated bonds, bonds that were part of a small issue, bonds that have recently had their credit rating downgraded or bonds sold by an infrequent issuer. Bonds are generally the most liquid during the period right after issuance when the typical bond has the highest trading volume.

Additional risks for corporate and municipal bonds may include: Credit risk; default risk; event risk and duration risk.

*Past performance is not a guarantee of future returns. Investing in securities involves A risk of loss that all clients should be prepared to bear.*

## **ITEM 9: DISCIPLINARY INFORMATION**

A. Neither KRS Capital Management, nor any of our employees, has had any civil or criminal actions brought against them.

## **ITEM 9: DISCIPLINARY INFORMATION**

*(continued)*

B. Neither KRS Capital Management, nor any of our employees, has had any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

C. Neither KRS Capital Management, nor any of our employees, has had any proceedings before a self-regulatory organization.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **A. REGISTRATION AS A BROKER/DEALER OR BROKER/DEALER REPRESENTATIVE**

Neither KRS Capital Management nor its representatives are registered as a broker/dealer or as Representatives of a broker/dealer.

### **B. REGISTRATION AS A FUTURES COMMISSION MERCHANT, COMMODITY POOL OPERATOR OR A COMMODITY TRADING ADVISER**

Neither KRS Capital Management nor its representatives are registered as a FCM, CPO or a CTA.

### **C. REGISTRATION RELATIONSHIPS MATERIAL TO THIS ADVISORY BUSINESS AND CONFLICTS OF INTEREST**

Neither KRS Capital Management nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

KRS Capital Management does not maintain registration relations with any of the following:

- broker-dealer, municipal securities dealer, or government securities dealer or broker
- 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)
- other investment adviser or financial planner
- futures commission merchant, commodity pool operator, or commodity trading Adviser
- banking or thrift institution
- accountant or accounting firm
- lawyer or law firm
- insurance company or agency

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

*(continued)*

- pension consultant
- real estate broker or dealer
- sponsor or syndicator of limited partnerships.

KRS Capital Management does not operate and does not have a material relationship with a hedge fund or other type of private pooled investment vehicle.

### **D. SELECTION OF OTHER ADVISORS OF MANAGERS AND HOW THIS ADVISER IS COMPENSATED FOR THOSE SELECTIONS**

KRS Capital Management does *not* recommend the services of any third party managers in connection with its advisory services.

Clients are always welcome to engage any other service providers of their choosing when it comes to their financial and investment needs.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. CODE OF ETHICS**

KRS Capital Management takes the issue of regulatory compliance seriously and is committed to maintain compliance with federal and applicable state securities laws. Additionally, KRS Capital Management has a position of public trust and it is our goal to maintain that trust; provide excellent service, good investment performance; and advice that is suitable.

KRS Capital Management places great value on ethical conduct. Therefore, the ultimate goal of our internal policies is to challenge our staff to live up not only to the letter of the law, but also to the ideals set forth by the Adviser.

Clients may be familiar with the roles fiduciaries play in various legal situations and in certain industries. As a Registered Investment Adviser, KRS Capital Management is a fiduciary to each and every client. As fiduciaries, Investment Advisors owe their clients several specific duties. According to the SEC, to which state regulators defer on this subject, an Investment Adviser's fiduciary duties include (please see the following page):



**ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

*(continued)*

- ❖ Providing advice that is suitable;
- ❖ Providing full disclosure of material facts and potential conflicts of interest (such that the client has complete and honest disclosure in order to make an informed decision about services of the Adviser and about investment recommendations);
- ❖ The utmost and exclusive loyalty and good faith;
- ❖ Best execution of transactions under the available circumstances;
- ❖ The Adviser's reasonable care to avoid ever misleading clients;
- ❖ Only acting in the best interests of clients.

It is KRS Capital Management's policy to protect the interests of each of the Adviser's clients and to place the clients' interests first and foremost in each and every situation. KRS Capital Management will abide by honest and ethical business practices to include, but is not limited to:

- ❖ The Adviser will not induce trading in a client's account that is excessive in size or frequency in view of the financial resources and character of the account.
- ❖ The Adviser will make investment decisions with reasonable grounds to believe that the decisions are suitable for the client on the basis of information furnished by the customer and we will document suitability.
- ❖ The Adviser and Advisory Representatives will not borrow money from clients.
- ❖ KRS Capital Management will not recommend the purchase of a security without the reasonable belief that the security is registered, or the security or transaction is exempt from registration in states where we provide investment advice and based upon information the Adviser receives.
- ❖ The Adviser will not recommend that the client place an order to purchase or sell a security through a broker/dealer or agent, or engage the services of a broker/dealer that is not licensed, based upon information available to the Adviser.

**ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

*(continued)*

- ❖ The staff of the Adviser will report all required personal securities transactions to Roger Steed, the Chief Compliance Officer of KRS Capital Management as required by securities rules and regulation. Reportable trades for this Adviser include all but the following exceptions:
  - Transactions effected pursuant to an automatic investment plan;
  - Securities held in accounts over which the access person has no direct or indirect influence or control;
  - Transactions and holdings in direct obligations of the Government of the United States;
  - Money market instruments — bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments;
  - Shares of money market funds;
  - Transactions and holdings in shares of mutual funds are not reportable, since the Adviser does not have a material relationship with an investment company which would otherwise require reporting;
  - Transactions in units of a unit investment trust are not reportable if the unit investment trust is invested exclusively in unaffiliated mutual funds.

All applicable securities rules and regulations will be strictly enforced. KRS Capital Management will not permit and has instituted controls against insider trading.

Advisory Representatives and administrative personnel who do not follow the Adviser's Code of Ethics or who in any way violate securities rules and regulations, or who fail to report known or suspected violations will be disciplined or terminated, depending upon severity. Such persons could also face action by the SEC and/or state securities regulators.

Clients are welcome to request a copy of the Adviser's Code of Ethics by contacting the Adviser's office.

The Adviser emphasizes the unrestricted right of clients to decline to implement any advice rendered, in whole or part. Where the Adviser is granted discretionary authority of the client's accounts, clients are welcome to set investment parameters and/or limitations in writing and such direction is followed until such time the client's instructions are amended in writing.

**ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT  
TRANSACTIONS AND PERSONAL TRADING**

*(continued)*

**B. RECOMMENDATIONS INVOLVING MATERIAL FINANCIAL INTERESTS**

KRS Capital Management does not recommend that clients buy or sell any security in which any of KRS Capital Management's Related persons have a material financial interest.

**C. INVESTING PERSONAL MONIES IN THE SAME SECURITIES AS CLIENTS**

KRS Capital Management and/or individuals associated with KRS Capital Management may have similar investment goals and objectives and as a result the interests of the Adviser or related persons' accounts may coincide with (or be different from) the interests of clients' accounts; however at no time will the Adviser or any related person receive an added benefit or advantage over clients with respect to these transactions. In every case, the interests of clients will always be placed ahead of the Adviser and its staff.

The Adviser has established written policies and procedures for staff persons who may invest personal monies. The Investment Adviser will not permit insider trading and has established written policies and procedures pertaining to insider trading and other duties. All applicable securities rules and regulations are strictly enforced. The Chief Compliance Officer is in charge of monitoring the personal trading of the Adviser's personnel.

**D. TRADING SECURITIES AT/AROUND THE SAME TIME AS CLIENTS'  
SECURITIES**

The Adviser has established written policies and procedures for staff persons ("access persons") who may invest personal monies. KRS Capital Management its Advisory Representatives acknowledge the Adviser's fiduciary responsibility to place the investment needs of clients ahead of the Adviser and its staff. The interests of clients are held in the highest regard. At no time will the Adviser or any related person receive an added benefit or advantage over clients with respect to these transactions. The Adviser and its associated persons will not place itself in a position to have added benefit as a result of advice given to clients.

The staff of KRS Capital Management shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

*(continued)*

Roger Steed, the Chief Compliance Officer of KRS Capital Management, is responsible for the monitoring of personal trading conducted by staff.

When the Adviser is purchasing or considering for purchase any security on behalf of a client, an access person of the Adviser may only effect a transaction in that security with prior written approval from the Adviser's Chief Compliance Officer. KRS Capital Management does not invest its clients in thinly traded securities. Similarly, when the Adviser is selling or considering the sale of any security on behalf of a client, no access person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security without the written approval from the Chief Compliance Officer (via a "pre-clearance form"). These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

## **ITEM 12: BROKERAGE PRACTICES**

### **A. FACTORS USED TO SELECT CUSTODIANS AND/OR BROKER/DEALERS**

Financial Planning Clients are welcome to utilize the service provider(s) of their choice and are welcome to implement recommendations in whole or in part, entirely at their discretion.

KRS Capital Management is a fee-only Investment Management firm. The Advisory Representatives of KRS Capital Management are not registered representatives of Charles Schwab & Co., or any other broker/dealer.

KRS Capital Management typically recommends the services of Charles Schwab & Co., Inc. ("*Charles Schwab & Co.*") for its advisory transactions.

KRS Capital Management participates in the Schwab Institutional ("SI") service program. Schwab Institutional is a division of Charles Schwab & Co. and provides back office and other services to independent investment advisers. To date, Charles Schwab & Co. serves more independent Registered Investment Advisers than any other custodial firm in the nation.

Except as provided for in any applicable wrap fee program, the brokerage commissions and/or transaction fees charged by Charles Schwab & Co., or any other designated broker-dealer are exclusive of and in addition to the Adviser's fee.

## ITEM 12: BROKERAGE PRACTICES

*(continued)*

An Adviser's duty to provide best execution for its clients means that the Adviser must seek to execute client transactions so that the client's total cost or proceeds in each transaction is the most favorable under the circumstances, although the Adviser may consider a variety of factors in making this determination. KRS Capital Management recognizes its duty to obtain best price and execution for its clients under the circumstances available.

The Adviser believes that excellent customer service and trade execution available through its preferred services provider is superior to most non-service oriented and Internet-based brokers that may otherwise be available to the general public. The Adviser's recommended service provider features a broad line of products and services that may be suitable to many types of investors with varying investable assets.

The Adviser recognizes its duty to obtain best price and execution for its clients under the circumstances available. The decision to utilize Charles Schwab & Co. is based on a number of criteria which include: The discount rates available, product and management program offerings, and execution services available. As previously noted, the Adviser believes this custodial firm provides excellent customer service to investors and to the Adviser.

The Adviser also takes into consideration the following:

- ❖ Quality of overall execution services provided;
- ❖ Promptness of execution;
- ❖ Creditworthiness, financial condition, and business reputation;
- ❖ Research (if any) provided;
- ❖ Promptness and accuracy of reports on execution;
- ❖ Ability and willingness to correct errors;
- ❖ Promptness and accuracy of confirmation statements;
- ❖ Ability to access various market centers;
- ❖ The broker-dealer's facilities and technology;
- ❖ The market where the security trades;
- ❖ Any expertise in executing trades for the particular type of security;
- ❖ Commission charged;
- ❖ Reliability of the broker-dealer;
- ❖ Ability to use ECNs to gain liquidity, price improvement, lower commission rates and anonymity;
- ❖ Operational capabilities

Charles Schwab & Co. is a large and sophisticated order sender. This custodial firm also enables the Adviser to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

KRS Capital Management has reviewed Charles Schwab & Co.'s best execution documentation. Charles Schwab & Co. utilizes its routing intelligence in combination with the speed of its proprietary routing technology. Among the factors this firm

## ITEM 12: BROKERAGE PRACTICES

*(continued)*

considers include: The amount of net price improvement, speed of execution, certainty of execution, cost of execution, service issues, reliability, credit worthiness of counterparties, and accessibility. Charles Schwab & Co. indicates it regularly and rigorously monitors execution quality through a regular and rigorous review of the execution quality it receives from the venues through which it routes equity and option orders. Additionally, the firm indicates it is continually looking for opportunities to improve execution quality. Among the factors considered, these may include: The amount of net price improvement, speed of execution, certainty of execution, cost of execution, service issues, reliability, credit worthiness of counterparties, and accessibility. Generally the larger service providers compare the reported executions and unexecuted orders to the National Best Bids and Offers (NBBO's) at the time of order entry and identify a subset of items that require review.

Charles Schwab offers SmartEx™, which is an intelligent order routing system which is designed to route most NASDAQ market or marketable limit orders quickly and seek the best available trade execution. The firm also offers Direct Access trading technology, which provides for the ability to target the price desired want by routing orders directly to the selected ECN or NASDAQ market maker.

Additionally, Charles Schwab & Co. states it will match any broker's guarantee, no matter how fast. Of course, market volatility, volume and system availability may delay account access and trade executions. Price can change quickly in fast market conditions, resulting in an execution price different from the quote displayed at order entry. Execution price, speed and liquidity and account access are affected by many factors, including market volatility, size and type of order and available market centers. Price improvement is not guaranteed and will not occur in all situations.

The commissions paid by the Adviser's clients shall comply with the Adviser's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Adviser determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while the Adviser will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Advisory clients are welcome to evaluate service providers before opening an account since they are welcome to select their preferred firm. While it is possible that clients may pay higher commissions or transaction fees through its preferred service provider, the Adviser has determined it currently offers the best overall value to the Adviser and clients for the brokerage, service, and technology provided. The Adviser periodically reviews other alternatives that are available to the Adviser market.

## **ITEM 12: BROKERAGE PRACTICES**

*(continued)*

### **1. RESEARCH AND OTHER SOFT DOLLAR BENEFITS**

KRS Capital Management receives no research, product or service other than execution from a broker/dealer or third-party in connection with client securities transactions. The Adviser does not receive any “soft dollar” benefits.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker/dealers (“Schwab”) in return for investment research products and/or services which assist the Adviser in its investment decision-making process. Such research generally will be used to service all of the Adviser’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest.

The Adviser may receive from Charles Schwab & Co., without cost to the Adviser, computer software and related systems support, which allow the Adviser to better monitor client accounts maintained at Charles Schwab & Co. The Adviser may receive the software and related support without cost because the Adviser renders Investment Management services to clients that maintain assets at Charles Schwab & Co.

The software and related systems support may benefit the Adviser, but not its clients directly. In fulfilling its duties to its clients, the Adviser endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the Adviser’s receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence the Adviser’s choice of broker/dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, the Adviser may receive the following benefits from Charles Schwab & Co. through its Charles Schwab & Co. Adviser Solutions division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Charles Schwab & Co. Adviser Solutions participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

### **2. BROKERAGE FOR CLIENT REFERRALS**

KRS Capital Management receives no referrals from a broker/dealer or third party in exchange for using that broker/dealer or third party.

### **3. CLIENTS DIRECTING WHICH BROKER/DEALER/CUSTODIAN TO USE**

Clients are welcome to utilize the service provider of their choice, and in such cases, will direct the Adviser to use their firm of choice (via written direction). In such cases, the client will negotiate terms and arrangements for the account with that broker-dealer, and the Adviser will not seek better execution services or prices from other broker-dealers or

## **ITEM 12: BROKERAGE PRACTICES**

*(continued)*

be able to “batch” client transactions for execution through other broker-dealer(s) with orders for other accounts managed by the Adviser. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, the Adviser may decline a client’s request to direct brokerage if, in the Adviser’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **B. AGGREGATION (BLOCK) TRADING FOR MULTIPLE CLIENT ACCOUNTS**

When possible, the Adviser will aggregate securities transactions (“block trading”). Due to the individualized nature of services, however, large orders of securities are not always consistent with the nature of the Adviser’s services. Aggregation is undertaken in firms processing large orders of securities in order to realize more effective trade execution and the cost efficiencies that come from executing larger order sizes. In each case, the Adviser strives to allocate investment opportunities or trades among its clients in a manner that is fair and equitable and based upon the client investment objectives.

Normally, under this procedure, transactions will generally be averaged as to price and allocated according to the Adviser’s standard allocation procedure. This procedure considers the circumstances of each trade and always strives for fairness and cost-effectiveness to the client. In most cases when the Adviser executes only a partial fill of a targeted buy order, allocations will prioritize complete fills for clients with the most available cash as a percentage of portfolio assets. Likewise, when the Adviser executes only a partial fill of a targeted sell order, allocations will prioritize complete fills for clients with the least available cash as a percent of portfolio assets. To the extent that the Adviser determines to aggregate client orders for the purchase or sale of securities, including securities in which the Adviser’s Advisory Representatives may invest, the Adviser shall normally do so in accordance with applicable rules promulgated under the SEC’s Investment Advisors Act and no-action guidance provided by the staff of the SEC. An allocation statement will be prepared and any special circumstances or conditions will be outlined in connection with each event. The Adviser shall not receive any additional compensation or remuneration as a result of the aggregation.

Certain issues may impact the Adviser’s allocation under the particular circumstances and in such cases, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit



## ITEM 12: BROKERAGE PRACTICES

*(continued)*

and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed);

(iv) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Clients are encouraged to discuss any questions that may arise regarding investment policies throughout the course of our engagement.

The Adviser receives no additional benefit as a result of the proposed aggregation.

Within the prime broker program, at times, Charles Schwab & Co. may effect Clients' over-the-counter securities transactions on an agency basis. Charles Schwab & Co. executes transactions based upon a number of factors. These include: Size of order, trading characteristics of the security, favorable execution prices, access to reliable data, availability of efficient transaction processing and possible price reductions. In filling these orders, Charles Schwab & Co. may transact with a market-making broker-dealer ("market maker") on the other side of the trade. A market maker may mark-up/down the price of securities for which it makes a market, which is a cost that will be incurred by the

Client in addition to any agency commissions assessed by Charles Schwab & Co. Normally, best price and execution is obtained for over-the-counter securities transactions by executing directly with the market maker on a principal basis. The Adviser's choice to utilize the service provider's prime broker program available through the selected service provider may limit or eliminate the Adviser's ability to obtain best price and execution in each case. In certain cases, a security may be purchased through another service provider and in such cases, the security purchased is then transferred to the client account at the client's selected custodian, and a "trade away" delivery fee is assessed to the client account. Broker custody of client assets may limit or eliminate the Adviser's ability to obtain best price and execution of transactions in over-the counter securities.

**Trade error policy:** On rare occasions, trade errors may occur. In the event the Adviser is responsible for a trading error that results in a monetary loss to the client, the Adviser will make the client whole.

Charles Schwab & Co.'s policy on trade errors is to reimburse clients for any loss if the amount is \$100 or less. If the loss is greater than \$100 the Adviser will reimburse the client for a loss. Conversely, if there is any gain from the trade error, Charles Schwab & Co. retains that gain and it is a general policy to donate these error funds in accordance with their then current internal policy.

## **ITEM 13: REVIEW OF ACCOUNTS**

### **A. FREQUENCY AND NATURE OF PERIODIC REVIEWS AND WHO CONDUCTS THE REVIEWS**

**Investment Management Services** KRS Capital Management's Investment Management Services involve continuous and ongoing services to include frequent monitoring and internal review of portfolio assets. The timing of reviews is guided by the client's stated objectives or at the Adviser's discretion. The underlying assets of client portfolios are generally reviewed internally on at least a monthly or quarterly basis, but reviews of underlying assets may occur as often as daily, with the frequency relative to the types of holdings. Individual portfolio reviews may also occur at the time of significant new deposits or withdrawals, during substantial changes in market conditions, at the Adviser's discretion, at a stated client's request, or according to the interval agreed upon at the time of engagement. Reviews entail analysis of securities, asset allocation, sensitivity to various markets, investment results and other factors that may be specific to each client. Reviews are conducted by Roger Steed, the Managing Member and Chief Compliance Officer of the Adviser. KRS Capital Management requests that clients meet with the Adviser at least annually, but as previously noted, clients are obligated to immediately inform the Adviser of any changes in their financial, personal, or investment situation which could require an immediate review/revision of the client's investment plan.

**Financial Planning Services** are project based pursuant and to the terms of the Client Agreement will automatically terminate upon the delivery of services. While the advice provided may include the recommendation of follow-up services or annual reviews, the client is welcome to secure any additional services under a new or amended Agreement, if desired.

### **B. REVIEWERS**

Reviews are conducted by Roger Steed, the Managing Member and Chief Compliance Officer of KRS Capital Management.

### **C. FACTORS THAT WILL TRIGGER NON-PERIODIC REVIEWS OF CLIENT ACCOUNTS**

The timing of Internal portfolio reviews may also be guided by the underlying assets of the portfolio, individual circumstances as reasonably known by the Adviser, market conditions and the request of the client.

Reviews may also be triggered by material market, economic or political events. Reviews could also be triggered by reported changes in the client's financial situation (which may include but are not limited to: Termination of employment, physical relocation, inheritance or retirement).

**ITEM 13: REVIEW OF ACCOUNTS**  
(continued)

**D. CONTENT AND FREQUENCY OF REGULAR REPORTS PROVIDED TO CLIENTS**

Clients can expect to receive confirmation statements from all transactions and monthly account statements directly from the custodial brokerage firm. Clients receive confirmation statements from all transactions and a monthly statement, directly from their custodian. The custodian's quarterly reports detail account value, net monthly change, portfolio holdings, and all account activity.

**ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

**A. ECONOMIC BENEFITS PROVIDED BY THIRD PARTIES FOR ADVICE RENDERED TO CLIENTS (INCLUDES SALES AWARDS OR OTHER PRIZES)**

KRS Capital Management does *not* receive any economic benefit, directly or indirectly from any third party in connection with advice rendered to KRS Capital Management clients.

**B. COMPENSATION TO NON-ADVISORY PERSONNEL FOR CLIENT REFERRALS**

KRS Capital Management does *not* directly or indirectly compensate any person who is not part of KRS Capital Management's advisory personnel in connection with advisory services.

**ITEM 15: CUSTODY**

KRS Capital Management does *not* take custody of client accounts (funds or securities) at any time. Custody of clients' accounts is held at Charles Schwab & Co., Member FINRA, NYSE, SIPC, or the client's selected custodial firm. Clients will receive regular and customary account statements from the custodian and should carefully review those statements.

In all cases, clients have a direct and beneficial interest in their securities (individual ownership), rather than an undivided interest in a pool of securities. Execution of transactions and custody of client funds and securities are services provided by the client's selected brokerage/custodial services provider(s).

## **ITEM 15: CUSTODY**

*(continued)*

The Adviser will only have access to custodial accounts in order to implement trades via written authorization and to deduct Investment Management fees and only with the appropriate client authorization. In each instance where fee deduction occurs, it is important that clients receive custodial statements directly. If clients find that statements are not being received directly, they must promptly contact KRS Capital Management and their custodial firm.

The Adviser does not accept fees in excess of \$500 or more for services to be performed more than six months in advance.

## **ITEM 16: INVESTMENT DISCRETION**

Clients engaging the Adviser for Investment Management Services have the ability to leave standing instructions with the Adviser to refrain from investing in particular industries, invest in limited amounts of securities and to re-balance portfolios (also termed as “limited discretion”).

With the client’s authorization as provided in the custodial account forms and the Adviser’s Client Agreement, KRS Capital Management will maintain limited discretionary trading authority to execute securities transactions in the investor’s portfolio within investor’s designated investment objectives, to include the securities to be bought and sold, and the amount of securities to be bought and sold. KRS Capital Management will never have full power of attorney nor will the Adviser ever have authority to withdraw funds or to take custody of investor funds or securities other than the ability to deduct advisory fees via investor’s qualified custodian and only with client authorization.

The Adviser also may render non-discretionary Investment Management services to its clients relative to: (1) variable life/annuity products that they may own, and/or (2) their individual accounts held through employer-sponsored retirement plans. In so doing, the Adviser either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable life/annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client’s retirement plan. Investments and service providers relative to Plan offerings are limited to only those available through the respective Plans and are determined by the Plan Sponsor(s).

## **ITEM 17: VOTING CLIENT SECURITIES (PROXIES)**

Clients retain the authority to vote proxies. The Adviser requests that investors ensure that proxy ballots are mailed directly to them or to an authorized third party. The Adviser will not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies.

## **ITEM 18: FINANCIAL INFORMATION**

### **A. BALANCE SHEET**

KRS Capital Management does not require nor solicit prepayment of more than \$500 in fees per client, six months or more in advance of services and therefore is not required to include a balance sheet with this brochure.

### **B. FINANCIAL CONDITIONS REASONABLY LIKELY TO IMPAIR THE ADVISER'S ABILITY TO MEET CONTRACTUAL COMMITMENTS TO CLIENTS**

Neither KRS Capital Management nor its management have any financial conditions that are likely to reasonably impair the Adviser's ability to meet contractual commitments to clients.

### **C. BANKRUPTCY PETITIONS IN PREVIOUS TEN YEARS**

KRS Capital Management has not been the subject of a bankruptcy petition in the last ten years.

## **ITEM 19: ADDITIONAL INFORMATION FOR STATE REGULATED ADVISERS**

For information about KRS Capital Management's 100% Owner, Managing Member and Chief Compliance Officer, please refer to ADV 2, Part B which accompanies this Form.

KRS Capital Management is solely engaged in the business of providing investment advisory and financial planning services. Roger Steed, the Managing Member and Chief Compliance Officer of the Adviser is not engaged in any outside business activities.

KRS Capital Management and its Advisory Representatives do not accept performance-based fees in connection with its advisory services.

KRS Capital Management and its Advisory Representatives have not been involved in any arbitration claims or any civil, regulatory or self-regulatory proceedings.

KRS Capital Management is a fee-only Adviser. The Adviser and its Advisory Representatives do not have any relationship or arrangement with any issuers of securities.

# **KRS CAPITAL MANAGEMENT, LLC**

## **FORM ADV PART 2B INDIVIDUAL DISCLOSURE BROCHURE**

*for*

**ROGER N. STEED**

*This brochure provides information about Roger N. Steed that supplements the KRS Capital Management, LLC ("KRS Capital Management") brochure. Please contact the office of KRS Capital Management via the contact information listed below if you did not receive KRS Capital Management's brochure or if you have any questions about the contents of this supplement.*

*Additional information about KRS Capital Management, LLC and Roger Steed is also available on the SEC's Adviser Info. website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration does not imply a certain level of skill or training.*

*The CRD Number for Roger Steed is: 1046542*

**101 W. Long Lake Rd.  
Bloomfield Hills, MI  
48304  
(248) 433-0621**

**rsteed@krscapitalmanagement.com  
krscapitalmanagement.com**

Version Date 3/2/2012

## **EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

### **ROGER STEED**

#### **MANAGING MEMBER AND CHIEF COMPLIANCE OFFICER**

YOB 1954

#### **Secondary Education:**

BBA, Finance (1978), University of Oklahoma, Norman, OK

#### **Business:**

KRS Capital Management, LLC, Bloomfield Hills, MI

Managing Member and Chief Compliance Officer

Registered Investment Adviser January 2007 – Present

Sigma Investment Counselors

Chief Investment Officer

Registered Investment Adviser February 2002 – January 2007

Responsibilities: Led Investment Committee comprised of six analysts and portfolio Managers. As CIO, responsible for all buy and sell decisions for model portfolio.

Sigma Investment Counselors

Portfolio Manager and Investment Committee Member.

Registered Investment Adviser November 2000 – January 2007

R.H. Bluestein & Co.

Vice-President and Portfolio Manager

Investment Management Co. February 1998 – November 2000

Evaluated, advised and managed over 200 accounts comprised of individual investors, trusts, estates, pension and profit-sharing plans. Responsible for initiating asset raising ideas for the company's hedge fund. Created in-depth studies for clients Evaluating security opportunities in emerging markets including: Thailand, India, and Venezuela.

Salomon Brothers Inc.

Vice-President, Senior Account Manager

Broker/Dealer 1981 TO 1998 Senior Account Manager, NYC, NY 1988 – 1997

Managed and supervised institutional accounts with combined equity over \$100 billion.

Vice President, Account Manager, London, England 1983 to 1988

Managed institutional accounts in Germany, Holland and Great Britain, marketing and cross-selling numerous Salomon Brothers products.

Trading Sales Representative, Dallas, TX 1981 TO 1983

Provided trading sales support to Southwestern U.S. Institutional Accounts.

First National Bank of Oklahoma City, OK 1976 - 1981

Vice-President, Investment Department. Managed and traded equities for bank's investment department. Managed trust accounts and audited banks throughout Oklahoma.

**Roger Steed**  
(continued)

## **DISCIPLINARY INFORMATION**

Roger Steed has no record of investment-related legal or disciplinary events. Mr. Steed has no disciplinary record or information that would impact a client's or prospective client's evaluation of Mr. Steed or the integrity of his practice.

Roger Steed has not been involved in any issues involving criminal or civil actions; administrative proceedings before the SEC or any other federal, state or foreign regulatory authorities. Mr. Steed has not been involved in any self-regulatory organization proceedings.

Disclosure background on representatives can be located via the Financial Industry Regulatory Authority's ("FINRA") BrokerCheck system which is located at the following link: [www.finra.org/brokercheck](http://www.finra.org/brokercheck)

## **OTHER BUSINESS ACTIVITIES**

Roger Steed is not otherwise engaged in any other business activities.

### ***Community Service***

KRS Capital Management and its founder are committed to supporting great humanitarian community service throughout the world. We support financially and emotionally both local and global organizations that have focused on improving the world we live in through creative endeavors. These entities include: Dignitas; Great Lakes Christian Foundation; Opportunity International and Partners in Health.

## **ADDITIONAL COMPENSATION**

Other than salary, annual bonuses and regular bonuses, Roger Steed does not receive any economic benefit from any person, company or organization, either directly or indirectly, in exchange for providing advisory services.

## **SUPERVISION**

As Managing Member and Chief Compliance Officer KRS Capital Management, Roger Steed maintains a vested interest in the firm's internal compliance and risk management program. As Chief Compliance Officer of KRS Capital Management, Mr. Steed is in charge of supervising the day-to-day activities of the Adviser and its personnel.

The Adviser's supervisory system establishes clear lines of authority, accountability and responsibility. The Adviser takes the issue of compliance and risk management seriously. Clients are welcome to contact the Chief Compliance Officer with questions or



***Roger Steed***  
*(continued)*

concerns in connection with staff monitoring or the Adviser's internal compliance program. Mr. Steed's contact information is listed on the cover page of ADV Part 2A.

Roger Steed, the Managing Member and Chief Compliance Officer of the Adviser is not engaged in any outside business activities. KRS Capital Management is solely engaged in the business of providing investment advisory and financial planning services.

Roger Steed has never been the subject of any arbitration, civil, regulatory or self-regulatory proceedings. Mr. Steed has never been the subject of a bankruptcy.