

**Part 2A of Form ADV: *Firm Brochure***

**Kavar Capital Partners, LLC.**

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March 15, 2017

This brochure provides information about the qualifications and business practices of Kavar Capital Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 913-428-3300 or [Stefanie@kavarcapital.com](mailto:Stefanie@kavarcapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Kavar Capital Partners, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

Additional information about Kavar Capital Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 155805.

## **Item 2    Material Changes**

The information contained in this section relates only to material changes that have occurred since the last update. We define a material change as any change that an average client would consider important to know prior to making an investment decision. The following are short summaries of the material changes that have occurred since our last annual update on February 29, 2016 with regard to our services or business operations.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

To obtain our firm brochure and brochure supplements (information regarding each of our financial Advisers), our Code of Ethics, or our Privacy Policy, please contact us at Stefanie@kavarcapital.com, 913-428-3300 or mail your request to the address below.

**Kavar Capital Partners, LLC**

**Main Office Address:**

**11460 Tomahawk Creek Pkwy, Suite 420**

**Leawood, Kansas 66211**

**Main Phone: 913-428-3300**

**Web Site Address: [www.kavarcapital.com](http://www.kavarcapital.com)**

This year, although our firm has not made material changes, we have updated language in Items 4, 5, 12 and 14. Please see those specific items for our updates.

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## **Item 4    Advisory Business**

Kavar Capital Partners, LLC is a SEC-registered investment Adviser with its principal place of business located in Leawood, Kansas. Kavar Capital Partners, LLC (KCP) began conducting business in January, 2011.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- Douglas G. Ciocca, CEO

KCP offers the following advisory services to our clients:

### **WEALTH MANAGEMENT AND INVESTMENT SERVICES**

Kavar Capital Partners (KCP) wealth management services provide a comprehensive evaluation of a client's current and future financial state by using known variables to analyze future cash flows, asset values and withdrawal plans. Throughout the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Wealth planning may include, but is not limited to, a review of prior year's tax returns, investment holdings, insurance policies, estate documents and other relevant information. KCP will then organize the data, design a financial plan to establish goals, report the results of the plan, provide recommendations to fill any gaps that would prevent a client from reaching goals and assist a client in implementing the plan. This service is designed to be an ongoing process of monitoring and refinement as circumstances dictate. However, it remains the client's responsibility to promptly notify KCP if there is ever any change in the client's financial situation or objectives.

Implementation of the plan is inherent in KCP's Wealth Management Services offering. A summary of KCP's investment management services, which is also available on a stand-alone basis, is addressed below. Clients utilizing this financial planning service will complete a questionnaire regarding current financial status, tax status, future goals, return objectives and attitudes towards risk and thus will receive a written or electronic report which provides a detailed plan designed to assist the client in achieving his or her financial goals and objectives.

KCP manages advisory accounts on both a discretionary and a non-discretionary basis as determined by the client. Account supervision is guided by the client's stated objectives (Aggressive Growth, All Equity, Capital Preservation, Growth & Income, Growth, or Income) as well as any income needs and tax considerations, as noted by the client in the questionnaire, a risk profile on the Investment Management Agreement and/or information obtained during the financial planning stage of the engagement.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding equity securities (including options), fixed income products, mutual funds, government securities, money-market (or cash) instruments and alternative assets in the form of liquid alternatives or structured products.

Because some types of investments involve additional degrees of risk, they will only be implemented or recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability. Certain products or strategies are only recommended to accredited or institutional investors.

In general, the financial plan is designed to address business planning, investments, retirement, education, estate planning and tax and cash flow needs of the client. KCP does not provide professional services for certain non-investment implementation purposes (e.g., attorneys, accountants, insurance agents, etc.) and clients should seek guidance in this area. If KCP provides a recommendation for non-investment related services, such as tax preparation, insurance agents or accountants, the client is under no obligation to engage the services of any such recommended professional. The client retains discretion over all such implementation decisions and is free to accept or reject any recommendation from our firm.

Our firm generally recommends KCP for investment advisory services and implementation of the plan, when the Financial Consultant feels the recommendation is appropriate. As stated above, financial planning is a service included with our investment management program and is not offered as a stand-alone service.

Clients may choose to have KCP manage investment assets without completing a full financial plan by requesting stand-alone investment management services and providing KCP with required information regarding their risk tolerance, time horizon, income needs and overall objectives on their Investment Management Agreement.

### **CONSULTING – SPECIFIC SERVICES**

Our firm may also provide non-continuous, non-discretionary asset management services to clients with variable life/annuity products/mutual funds they may own in their employer sponsored retirement plans, 529 plans or other products that may not be held by the client's primary custodian. In this case, we will make recommendations for the allocation of client assets among the various investment options designated by the current policy provision and/or Plan Administrator. KCP may also provide general investment education regarding investing and risk management. The client's assets are maintained by the designated custodian of the policy/plan.

KCP may also provide investment advice directly to plan participants but only as a non-discretionary fiduciary. Our firm provides participants with diversification strategies and recommendations, and the participants will execute the transactions.

Plans governed by ERISA and Individual Retirement Accounts: As an investment adviser, our firm is considered a "fiduciary" and strives to maintain the highest level of care over client's assets by providing advice to clients without regard for KCP's financial benefit, affiliated and non-affiliated relationships or other interests and disclosing these potential conflicts of interest. When our firm acts on behalf of a client, we will always act in the client's best interest. KCP has outlined fees and expenses for our services in Item 5 of this disclosure.

KCP does not have any relationships or affiliations with other money managers or sub-advisers and the firm receives no payment from other money managers or sub-advisers. From time to time, KCP may be asked by the plan administrators to meet with plan participants and provide general investment education, which may include basic information

regarding plan approved products and mutual funds. KCP never takes custody of plan participant's assets nor executes transactions for plan participant's accounts.

In any case for the above services, recommendations are based on the individual needs of the client. Through personal discussions, in which goals and objectives based on the client's circumstances are established, we develop a client's personal investment strategy. We offer advice based on that strategy. All individual consulting services are tailored to the client's requests and mutually agreed upon with the client prior to entering into a service agreement.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2016, we were actively managing \$ 523,313,120 of clients' assets on a discretionary basis plus \$8,084,540 of clients' assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **WEALTH MANAGEMENT AND INVESTMENT SERVICES FEES**

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

KCP is considered a "level-fee Adviser". As such, the annualized fees for Wealth Management and Investment Supervisory Services are charged as a percentage of assets under management, per the following schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee</u></b>
Up to \$500,000	1.25%
\$500,001 - \$2,000,000	1.00%
\$2,000,001 - \$4,000,000	0.75%
\$4,000,001 – \$9,999,999	0.50%
Greater than \$10,000,000	Negotiated

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Investment Management Agreement.

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

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter. Client's financial planning services are incorporated into investment supervisory services.

## CONSULTING –SPECIFIC- SERVICES FEES

For clients seeking specific services or limited management, as described in Item 4 of this disclosure brochure, KCP's fees are separately negotiated with the client and based on the size, scale and complexity of the engagement. All fees are clearly outlined in each client's specific advisory agreement. The fees may be directly debited or separately billed, as directed by the client in the client's advisory agreement.

## GENERAL INFORMATION

**Limited Negotiability of Advisory Fees:** Although KCP has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group, or "household", certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our Advisory clients, may be offered to family members and friends of associated persons of our firm.

**Direct Debiting of Fees:** KCP, under a separate agreement with Schwab, may have the authorization to directly debit the client's account through Schwab's institutional custodial platform. Schwab will debit the client's account for KCP's fee and directly remit the fee to KCP. Schwab has agreed to send a statement to all clients', at least quarterly, indicating all amounts disbursed from the account, including the amount of all fees paid to KCP. In contrast, we do manage accounts that are not on Schwab's custodial platform, in which the client will be billed directly.

**Grandfathering:** Pre-existing Advisory client relationships are subject to KCP's advisory fees in effect at the time the client entered the Advisory relationship. Therefore, our firm's minimum fees and account requirements will differ among clients.

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of written or verbal notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement per the number of days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to KCP for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate for each client's financial condition and objectives. Accordingly, the client should review both the fees

charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***ERISA Accounts:*** KCP is deemed to be a fiduciary to Advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, KCP may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions, administrative, revenue sharing or 12b-1 fees from sponsors or custodians.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

KCP does not charge performance-based fees and does not manage any side-by-side relationships.

## **Item 7 Types of Clients**

KCP provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans
- Charitable organizations

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:



**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on an investor sentiment, rather than the fundamentals of the company being reviewed.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement and spotting historical trends may not help to predict such trends in the future. There is no guarantee that KCP will be able to accurately predict optimal market movements.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest successfully over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are aware of indications that certain data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

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

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

**Option writing.** We also use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We use call options to speculate on the possibility of a sharp price swing. We also use options to “hedge” a purchase of an underlying security by engaging in covered call writing or by selling puts on positions that we would want to own at prices lower than the market price.

We use “covered calls”, in which we sell an option on a security that a client owns. In this strategy, clients receive a fee (known as a premium) for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price up until a known date in the future.

We use “short puts”, in which we sell a put option on a security that we may want to own at a price below the current market price. In this strategy, clients receive a fee (known as a premium) for committing to purchase the underlying stock at an agreed-upon price up until a known date in the future.

We use a “spread strategy”, in which we purchase two or more option contracts (for example: the purchase and the sale of a call option at different strike prices and, potentially but not necessarily different expiration dates) for the same underlying security. This effectively puts clients on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of Loss.** Securities investments are not guaranteed and clients may lose money on their investments. We ask that clients work with us to help us understand their tolerance for risk.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

The following are disciplinary events relating to our firm and/or our management personnel:

In June 2009, a former client of Mr. Douglas Ciocca registered a dispute with FINRA's Dispute Resolution Division against his then broker/dealer, Securian Financial Services, of which Mr. Ciocca was named as the investment adviser representative. The dispute was settled between the broker/dealer and the former client in September 2010. The disclosure can be reviewed on FINRA's website under Disclosure Information for Mr. Douglas Ciocca. Mr. Ciocca's FINRA CRD number is #2495495 and the docket/case number is 09-03290.

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

Currently, one investment adviser representative, who is also a minority shareholder of KCP, acts as a Treasurer and Board Member for a 501(c)(3) charitable foundation, Dominic L. Passantino Memorial Foundation "Organization". The Organization is not affiliated with KCP and is not a client of KCP. Clients of KCP may be affiliated as Board Members with the Organization in a separate capacity. As such, we disclose this activity to inform clients and mitigate any conflicts. Individuals who partake in financial activities outside of KCP must disclose such activities to KCP at least annually. KCP reviews such activities and endeavors to undertake mitigating any conflicts through proper disclosure to our clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

KCP and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) and prohibits KCP employees from participating in an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

KCP's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our Advisory clients and prospective clients. You may request a copy by email sent to stefanie@kavarcapital.com, or by calling us at 913-428-3300.

KCP and individuals associated with our firm are prohibited from engaging in principal transactions.

KCP and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interests of Advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients with certain limitations. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an Advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received through his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that persons associated with us, who wish to purchase or sell securities in which KCP is also transacting business, aggregate their purchases and sales with client transactions. KCP has established a "black out" period for such transactions that are not aggregated with client transactions. The "black out" effectively prohibits the purchase or sale of a recommended security(ies) thirty (30) days post of KCP transacting business in that security for client accounts. This prevents such employees from benefiting from transactions placed on behalf of Advisory accounts.
4. Our firm requires prior approval for any private placement investments and prohibits employees from participating in IPO's.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this Advisory practice that has access to Advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.

6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment Advisory practices.
8. We have established a Code of Ethics and require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm. Employees are required to report violations to management.
9. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

### **Discretion & Best Execution**

For discretionary clients, KCP requires clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for their respective transactions.

Discretionary clients must include any security specific limitations on this discretionary authority in their Advisory agreement. Clients may change/amend these limitations. Such amendments must be provided to us in writing.

KCP will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help KCP in providing investment management services to clients. KCP may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

KCP will aggregate trades where possible and when we reasonably believe the aggregation would be advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Kavar's written investment management agreement gives us the authority to choose the broker/dealer. As such, we primarily utilize the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. KCP is independently owned and operated and not affiliated with Schwab.

KCP believes Schwab's services provide what we consider the best benefit to our clients. Schwab provides KCP with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. Services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage

services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

### **Aggregated Trades and Allocations**

KCP will aggregate trades where possible and when we reasonably believe the aggregation would be advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Aggregated trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. KCP will typically aggregate trades among clients whose accounts can be traded at a given broker. Our firm's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's Advisory agreement with KCP or our firm's order allocation policy.
- 2) The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable KCP to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written or electronic order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated based on fair treatment among the participating client accounts.
- 7) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order.
- 8) Our client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified in our records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

### **Benefits received from Schwab**

Schwab Institutional also makes available to our firm other products and services that benefit our firm but may not directly benefit all of our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- ii. publications and conferences on practice management and business succession; and
- iii. access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to KCP. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

### **Directed Brokerage**

Clients may also direct us to use a particular broker-dealer and custodian under certain circumstances, such as a pre-existing relationship with the broker-dealer. Accounts for which clients have directed us, in writing, to direct their account transactions to a specific broker-dealer (referred to as directed brokerage) should be aware that the client, not our firm, will have the sole responsibility to negotiate terms and arrangements for the account with the

directed broker-dealer. Our firm cannot batch or aggregate these transactions with our Schwab-custodial clients and therefore, the client may or may not pay higher commissions or other costs or may receive less favorable net prices on transactions for the account than would otherwise be the case.

### **Brokerage for Client Referrals**

KCP does not participate in any programs whereby we receive client referrals from broker-dealers or other third parties.

## **Item 13 Review of Accounts**

### **WEALTH MANAGEMENT**

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Douglas Ciocca and Tom Boling

**REPORTS:** In addition to the monthly or quarterly statements and confirmations of transactions that clients receive from their broker-dealer, we provide semi-annual reports summarizing account performance, balances and holdings. Clients also have the ability to review their account holdings on-line through a client portal.

### **CONSULTING SERVICES**

**REVIEWS:** Reviews may occur at different stages depending on the nature and terms of the specific engagement.

**REPORTS:** Consulting clients will not typically be provided with a report unless otherwise contracted for.

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

### **CLIENT REFERRALS**

KCP has initiated a program in which the firm will begin to pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and



- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is KCP's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the Advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits Advisory fees from our clients Charles Schwab accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Aside from the direct debiting of fees, our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment Advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other

type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

## **Item 18 Financial Information**

As an Advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. KCP has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

KCP has not been the subject of a bankruptcy petition at any time during the past ten years.