

**FIRM BROCHURE**  
**(Part 2A of Form ADV)**

**August 11, 2020**

**Kingstone Capital Partners Texas, LLC**

5080 Spectrum Drive Suite 1000E  
Addison, TX 75001  
Phone: (866) 361-1600

600 B Street, Suite 07-146  
San Diego, CA 92101  
Phone: (866) 361-1600

26 West Dry Creek Circle, Suite 600  
Littleton, CO 80120  
Phone: (866) 361-1600

8009 34<sup>th</sup> Avenue South, Ste. 825  
Bloomington, MN 55425  
Phone: (651) 365-5000

[www.kingstonefinancial.com](http://www.kingstonefinancial.com)

[www.lenanderadvisory.com](http://www.lenanderadvisory.com)

**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Kingstone Capital Partners Texas, LLC. If you have any questions about the contents of this Brochure, please contact Kenneth Blattenbauer at (866) 361-1600. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Kingstone Capital Partners Texas, LLC is registered as an investment adviser with the SEC; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about Kingstone Capital Partners Texas, LLC (CRD# 281593) and its investment adviser representatives is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## ITEM 2: MATERIAL CHANGES

Kingstone Capital Partners Texas, LLC (“KCP” or the “Firm”) has updated our ADV Part 2A Disclosure Brochure to reflect the following change(s):

- Item 1 – Cover Page – Updated to: (i) include the Firm’s office location in the State of Minnesota; and (ii) include reference to the Firm being registered as an investment adviser with the Securities and Exchange Commission.
- Item 4 – Advisory Business – Updated to: (i) include reference to the Firm being registered as an investment adviser with the Securities and Exchange Commission; (ii) disclose the Firm’s current assets under management as of August 7, 2020; and (iii) disclose the Firm’s current assets under advisement as of August 7, 2020.
- Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss – Updated to provide additional information regarding the Firm’s investment strategies. Specifically, the Firm’s use of leveraged ETFs and investment risks associated therewith.
- Item 14 – Client Referrals and Other Compensation – Updated to include disclosures related to the Firm’s payment to solicitors for referring clients to the Firm.

Our previous version of Form ADV Part 2A was dated February 7, 2020.

Pursuant to state regulation, KCP will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of KCP’s fiscal year-end. Additionally, as the Firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please contact us at (866) 361-1600.

Additional information about KCP and its investment adviser representative is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4: Advisory Business

### A. Description of Firm

Founded in 2015, Kingstone Capital Partners Texas, LLC (“KCP” or the “Firm”)<sup>1</sup> is a Texas-based investment advisory firm that provides investment supervisory services on a discretionary basis to certain clients described in Item 7 herein (“Clients”). The investment instruments KCP advises its clientele on include, but are not limited to, equity stocks, fixed income securities, bonds, exchange traded funds (“ETFs”), mutual funds, and cash equivalent instruments. Please refer to Item 8 for additional information relating to the investment strategies pursued by KCP and their associated risks.

### B. Principal Owners

The Firm is a limited liability company having organized in the State of Texas. The Firm is owned by Kingstone Partners Holdings 1, LLC (“KPH”). Members of KPH include KB Investments, LLC (“KBI”), a Texas limited liability company that owns 100% of KPH’s voting Membership Interests. KBI is owned 100% by Mr. Kenneth Blattenbauer. There also exist “economic only” Members of KPH whose interests do not exceed 25% ownership, nor are they entitled to vote or hold any control of KPH operations. Thus, such economic only Members are not involved in the day-to-day management of KCP.

### C. Types of Advisory Services Offered

#### 1. Financial Planning Services

KCP’s financial planning services range from comprehensive financial planning to more focused consultations, depending on the needs of each Client. Generally, KCP evaluates the Client’s financial, business and investment information and makes recommendations designed with the intention of achieving the Client’s overall goals and objectives. Clients should understand that a conflict of interest exists because KCP has an incentive to recommend its own investment management services as KCP receives additional compensation for such services. Advice and recommendations will at times also be given on non-securities matters. Clients always have the right to accept or reject any or all recommendations made by KCP. Should Clients to decide to act on such recommendations, Clients always have the right to decide with whom they choose to do so.

Financial planning recommendations are based on the Client’s financial situation at the time the recommendations are provided and are based on the information provided by the client. In addition, certain assumptions are made with respect to interest and inflation rates, use of past trends and performance of the market and economy. Past performance is in no way an indication of future performance and KCP cannot offer any guarantees or promises that the Client’s financial goals and objectives will be met. As a Client’s financial situation, goals, objectives, or needs change, the Client is strongly urged to promptly notify KCP. For more information on the risks associated with investing, please refer to Item 8, below.

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<sup>1</sup> In certain jurisdictions, the Firm also utilizes the dba of “Lenander Financial Advisory” when performing advisory services. Please see the Firm’s Form ADV Part 1, Schedule D for further details.

Please refer to Item 5 below for detailed information on fees and compensation for these services.

## **2. Investment Management Services**

KCP provides discretionary investment advice and management to separately managed accounts on a continuous basis and in accordance with the investment objectives and strategies provided by the Client. KCP holds a limited power of attorney to act on a discretionary basis with Client funds. The Firm's discretionary authority is subject to conditions or restrictions imposed by a Client, such as when a Client restricts or prohibits transactions in a particular security. Please refer to Item 16 for additional information.

KCP will not maintain possession or custody of the funds or securities of any Client. The Client funds will typically be deposited in either a brokerage firm or bank custodian account. With Client's written consent, KCP will cause its management fees to be paid out of its Clients separately managed accounts by the Client's custodian.

All investment advice is customizable, with each account managed according to the investment objectives, needs, guidelines, risk tolerance, conditions/restrictions and other information as provided by the Client. This begins through gathering information from each Client on a Client Profile Form, or other similar documentation. The Firm also utilizes both in-person meetings and/or telephonic interviews with the Clients to gather information. Based upon information received from the Client, the Firm selects appropriate investment opportunities and invests Client assets in various types of securities. However, the Firm employs a "Core Investment Strategy" for several of its Clients. As such, multiple Clients will be invested in the same or similar model portfolio at any given time. As part of its Core Investment Strategy, the Firm will often invest in leveraged and inverse ETFs on behalf of Clients. Please refer to disclosures in Item 8 regarding risks associated with leveraged and inverse ETFs.

## **3. Pension Consulting Services**

KCP offers pension-consulting services to qualified and non-qualified retirement and deferred compensation plans. In general, these services typically include the review and/or development of an Investment Policy Statement ("IPS"); analysis, review and recommendation of investment selections; asset allocation advice; communication and education services where KCP assists the plan sponsor in providing meaningful information regarding the retirement plan to its participants; investment performance monitoring and/or ongoing consulting. The plan fiduciary always has the right to seek independent advice about the appropriateness of any recommended services for the plan.

## **4. Reporting Services**

KCP offers a service whereby the firm compiles and prepares periodic reports on certain of client's accounts as specified and agreed upon between the client and KCP. Typically such reports serve as a data aggregation tool that captures various securities, real estate holdings and other illiquid securities held by a respective client, and aggregates such holdings with those managed by the Firm to provide the client with a comprehensive understanding of all outstanding assets.

For this service KCP relies on information provided by the client and/or other third-party service providers to compile and prepare the periodic reports. Therefore, all information furnished within any of KCP's reports is entirely dependent on the quality of the information being provided to KCP. KCP is not required to verify any information and/or directions obtained from the client or the client's independent investment advisors, attorneys, accountants or other representatives. KCP does not charge a fee for this service at this time but can, subject to an additional Agreement with Client, begin charging for this service at a future date.

## **5. Educational Seminars**

At times, KCP delivers educational seminars and/or workshops for Client and prospective Clients. The workshops and seminars are not designed to provide specific and/or personal advice to a specified Client, nor does KCP provide individualized investment advice to attendees during these seminars. Such educational seminars and/or workshops are provided on an "as announced" basis for groups seeking general advice on investments and other areas of personal finance. The content of these seminars will vary depending upon the needs of the attendees. KCP does not charge a fee for attending such seminars.

## **D. Advisory Agreements**

### **1. Information Received by Individual Clients**

At the onset of the Client relationship, KCP gathers information on each Client's investment objectives, risk tolerance, time horizons and financial goals. KCP does not assume responsibility for the accuracy of the information provided by the Client and is not obligated to verify any information received from the Client or from any of the Client's other professionals (e.g., attorney, accountant, etc.). Under all circumstances, Clients are responsible for promptly notifying KCP in writing of any material changes to the Client's objectives, risk tolerance, time horizon, and financial goals. In the event that a Client notifies KCP of any changes, KCP will review such changes and implement any necessary revisions to the Client's portfolio.

### **2. Client Agreements and Disclosures**

Each Client is required to enter into a written agreement with KCP setting forth the terms and conditions under which the Firm shall render its services (the "Agreement"). In accordance with applicable laws and regulations, KCP will provide its disclosure brochure (ADV Part 2A), brochure supplement (ADV Part 2B) and most recent Privacy Notice to each Client prior to or contemporaneously with the execution of the Agreement. The Agreement between KCP and the Client will continue in effect until terminated by either party pursuant to the terms of the Agreement. KCP's fees (as discussed below) shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the Client, as appropriate, in a timely manner.

Neither KCP nor the Client may assign the Agreement without the prior consent of the other party. Transactions that do not result in a change of actual control or management of KCP shall not be considered an assignment.

As further discussed in Item 15 below, Client's assets will be custodied with a qualified custodian. All custodial and execution fees assessed for Client's assets remain the sole responsibility of Client.

**E. Participation in Wrap Programs**

KCP does not participate in any wrap programs at this time.

**F. Amount of Client Assets Managed**

As of August 7, 2020, the following represents the amount of client assets under management by the Firm on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management
Discretionary	\$107,027,304
Non-Discretionary	\$0
<b>Total:</b>	<b>\$107,027,304</b>

**1. Assets Under Advisement**

KCP also provides investment and financial advice for assets that are not directly managed by the Firm ("Assets Under Advisement" or "AUA"), such as a client's annuity product, 401K, pension or other deferred compensation plans. As of August 7, 2020, the following represents the amount of AUA by KCP:

Type of Account	Assets Under Advisement ("AUA")
<b>Total:</b>	<b>\$2,878,522</b>

**ITEM 5: FEES AND COMPENSATION**

**A. Compensation for Advisory Services**

As described in greater detail below, KCP charges different types of fees, including fees based on a percentage of assets under management, fixed fees and hourly fees. The specific fees charged by KCP for its financial planning and investment management services will be set forth in the Client's Agreement.

Fees are negotiable under certain circumstances at the sole discretion of KCP. In addition, KCP has full discretion to waive its advisory fees in their entirety. Although KCP believes its advisory fees are competitive, Clients should be aware that lower fees for comparable services may be available from other sources.

**Please note** that certain "legacy clients" of the Firm will have a fee schedule and/or billing practices that differ from those disclosed herein. Legacy clients are those clients that had a pre-existing arrangement with an investment adviser representative before that investment adviser representative became registered with KCP. In those instances, the specific fees and billing practices will be as described in the respective legacy client's agreement.

### 1. Fixed and Hourly Fees

For Financial Planning services, the Firm generally charges a fixed fee and/or an hourly fee. The Firm's fixed fees are typically assessed as a one-time fee, or an ongoing fee dependent upon the services received. Generally, rates range from \$500 – \$10,000 on a fixed fee basis, or from \$250 – \$350 on an hourly rate basis, based on the scope and complexity of the requested services, as stipulated in the Agreement. These rates can be negotiated based on the sole discretion of the Firm.

Clients are generally requested to pay 50% of the estimated fee upon execution of the Agreement. An invoice for services is issued on completion of the written analysis, which is payable upon receipt. Clients may terminate the Agreement, without penalty, at any time upon written notice. At the time of termination, any prepaid fees will be prorated based on the amount of work completed by the Firm as of the date the notice of termination is received and any unearned fees will be returned to the Client.

### 2. Fees Based Upon a Percentage of Assets Under Management

The Firm provides investment management services to clients for a fee based upon a percentage of assets under management (including cash and cash equivalents) as of the close of business on the last business day of the preceding calendar quarter. The Firm's investment management fees are calculated and assessed quarterly, in advance, based on the following annual percentages:

Account Size	Annual Fees
First \$1,000,000	2.00%
\$1,000,001-\$5,000,000	1.50%
\$5,000,001-\$10,000,000	1.00%
Over \$10,000,001	Negotiated

Investment management fees will be deducted from the Client's account by the custodian as soon as practicable following the end of each applicable period. If requested by the Client, KCP may, in its sole discretion, invoice Client directly for fees as opposed to debiting Client's Account. In such cases, invoices are due and payable upon receipt.

Should a Client open an account during a quarter, the Firm's investment management fee will be prorated based on the number of days the account was open during the quarter. In the event the Firm's services are terminated mid-quarter, any paid, unearned fees will be promptly refunded to the Client. The number of days the account was managed during the quarter until termination is used to determine the percentage of the investment management fee earned (based on the total number of days in the quarter) and the balance is refunded.

Unless instructed otherwise, each Client account managed by the Firm will be billed individually for its respective share of fees owed. However, the Firm will at times bill Client accounts disproportionately for fees should such actions be necessary due to insufficient funds in any respective Client account, or if doing so is deemed by the Firm to be in the best interest of Client.

Fees are negotiable and arrangements with any particular Client can differ from those described above. Negotiated fees will be captured in and agreed upon by the Client as part of the Client's



Agreement. In addition, for family and friends of the Firm, the Firm will at times, in its sole discretion, reduce or waive management fees in their entirety. For purposes of calculating assets under management, KCP will consider all investment management accounts which constitute a “household” of the Client’s assets. Typically, a Client’s household consists of any spouse, parent, child, partner or sibling who resides at the same mailing address as the Client.

The Firm may amend its standard fee schedule at any time by giving thirty (30) days advanced written notice to Clients. Although KCP believes its investment management fees are competitive, Clients should be aware that lower fees for comparable services may be available from other sources.

### **B. Pension Consulting Fees**

The Firm’s pension consulting fees range from 0.25% to 1.0% of the assets under management of the plan and are calculated and assessed quarterly, in advance. The pension consulting fees are calculated by the custodian and deducted from the Client’s account by the custodian as soon as practicable as of the last business day of the previous calendar quarter. If requested by the Client, KCP may, in its sole discretion, invoice Client directly for fees as opposed to debiting Client’s Account. In such cases, invoices are due and payable upon receipt.

Should a Client begin receiving pension consulting services during a quarter, the Firm’s investment management fee will be prorated based on the number of days the account was open during the quarter. In the event the Firm’s services are terminated mid-quarter, any paid, unearned fees will be promptly refunded to the Client. The number of days the account was managed during the quarter until termination is used to determine the percentage of the investment management fee earned (based on the total number of days in the quarter) and the balance is refunded.

Fees are negotiable and arrangements with any particular Client can differ from those described above. Negotiated fees will be captured in and agreed upon by the Client as part of the Client’s Agreement. Although KCP believes its investment management fees are competitive, clients should be aware that lower fees for comparable services may be available from other sources.

### **C. Reporting Services**

Currently KCP does not charge client additional fees for its reporting services, but can, subject to an additional Agreement with Client, begin charging for this service at a future date.

### **D. Other Fees and Expenses**

Clients should understand that the fees described above do not include certain charges imposed by third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which shall be disclosed in the fund’s prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, Clients will often incur brokerage commissions and transaction fees. Clients should further understand that such charges, fees and commissions incurred in connection with transactions for a Client’s account will be paid out of the assets in the account and are exclusive of and in addition to the fees charged by KCP.

**E. Additional Information Regarding KCP's Fees**

The Agreement for separately managed accounts executed by Clients specifies that payment of KCP's management fees will be made by the qualified custodian directly from Client's custodial account, unless otherwise specified in writing by the Client. Further, the qualified custodian agrees to deliver an account statement to the Client, at least quarterly, showing all disbursements, including KCP's advisory fees, deducted from the account. The Client is encouraged to review all account statements for accuracy and compare them to the invoices and reports received by Client. It is the Client's responsibility (and not the custodian's) to ensure the fee and its calculation in relation to the Client's account is correct. Please note that the fees charged by investment company funds and the Client's custodian are exclusive of, and in addition to, KCP's investment advisory fee. Please refer to Item 5.B below. Advisers, such as KCP, which are deemed to have custody as a consequence of the authority to debit fees directly from Client accounts, are not required to obtain an independent verification of those Client funds and securities maintained by a qualified custodian so long as certain steps are followed. This includes providing each Client (as well as the custodian) with an invoice or similar statement that includes the adviser's fee and information on how it was calculated. Clients should understand that it is their responsibility to ensure that the fee calculation is correct, and not the custodian. Please see item 15 below for additional information regarding Custody.

An Agreement for a separately managed account can be cancelled at any time, by either party, for any reason, customarily upon receipt of 30 days written notice. The advance notice requirement for termination varies by Agreement. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any earned, unpaid fees will be due and payable.

Under state regulations, KCP is deemed to have custody of Client funds or securities by reason of the fact that KCP has authority to debit its fees directly from the Client's account. Please refer to Item 15 below for information as to how the Firm will comply with custody considerations, including KCP's use of an independent qualified custodian for maintaining Client account(s).

**F. Outside Compensation**

Certain representatives of KCP serve as registered representatives of unaffiliated, third-party broker-dealers, and are licensed insurance agents with an affiliated, life, health and disability insurance company, Kingstone Insurance Company ("Kingstone Insurance"). There are times when representatives of KCP recommend the purchase of certain securities and/or insurance products to KCP clients. Upon purchase, the KCP representative, in his or her capacity as registered representative and/or insurance agent, will receive normal and customary commission. Certain employees of the KCP are also employees of Kingstone Family Office Partners, an affiliated Certified Public Accountancy Firm. For a detailed description of these arrangements, please see Item 10 below.

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

The Firm does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory Client). Consequently, the Firm does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described above, the Firm provides advisory services for a percentage of assets under management, in accordance with applicable state law.

## **ITEM 7: TYPES OF CLIENTS**

### **A. Description**

KCP provides discretionary investment supervisory and management services on a continuous basis to individuals, high net worth individuals, charitable organization, corporations and pension and profit-sharing plans ("Client").

### **B. Conditions for Managing Accounts**

The Firm generally requires a minimum initial investment of \$1,000,000 to open an account, which could be negotiable by the Firm in its sole discretion or differ for Legacy Clients. However, the Firm reserves the right to accept or decline a potential Client for any reason in its sole discretion. Prior to engaging the Firm to provide any of the investment advisory services described in this Brochure, the Client will be required to enter into one or more written Agreements with the Firm setting forth the terms and conditions under which the Firm shall render its services.

There are times when certain restrictions are placed by a Client, which prevents KCP from accepting or continuing to manage the account. KCP reserves the right to not accept and/or terminate management of a Client's account if it feels that the Client imposed restrictions which would limit or prevent it from meeting and/or maintaining its overall investment strategy.

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

### **A. Methods of Analysis and Investment Strategies**

KCP uses a variety of analytical information to assist with its security analysis. However, the primary type of method of analysis the Firm engages in is analysis of securities' fundamentals. KCP typically begins by using a fundamental, "bottom-up" research process to find investments with superior risk adjusted yield characteristics and attractive valuations. In addition, the Firm will use market intelligence to capitalize on long-term trading opportunities to generate additional income for the accounts. The sources of information used by KCP to perform its analysis include, but are not limited to, market news reports, financial publications, rating services, outside research reports, annual reports, prospectuses, SEC filings, company press releases, and interpretation of exchange market data. The Firm will then overlay their bottom-up approach with a "top-down" approach to identify securities, sectors and portfolio strategies that it believes will produce strong relative performance to appropriate benchmarks for each risk/return.

## **1. Kingstone Core Investment Strategy**

The investment strategies KCP pursues on behalf of Clients include long-term purchases and trading. The Firm will recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk. KCP will also at times recommend specific stocks to increase sector weighting and/or dividend potential, or employing cash positions as a possible hedge against market movement which has the potential to adversely affect the portfolio. Additionally, KCP will at times recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in the risk tolerance of the client, or any risk deemed unacceptable for the client's risk tolerance.

### **a. Use of Leveraged ETFs**

The use of broad market, leveraged ETFs is a part of our overall Core Investment Strategy. The primary purpose of the utilization of broad market leveraged ETFs is to reflect a positive outlook of the US economy as a whole. In our analysis, we have determined that large market capitalization, publicly traded entities are the bellwether of this economy and its growth can, at times, be disproportionately affected by the largest companies operating within it. Therefore, the inclusion of a levered ETF designed to track these large firms: (i) permits us to investment in a broader market than would otherwise be possible if attempting to purchase individual stocks in such companies, and (ii) the leveraged nature of such ETFs allows us to amplify our investment contribution. Moreover, as investment professionals, we've used our asset allocation experience to develop an allocation strategy whereby a relatively small portion of our strategy is dedicated to leveraged ETFs in an effort to generate outsized, risk-adjusted returns.

### **b. How & When Levered ETFs are Used:**

The fluctuation of the size of leveraged ETF positions on the Firm's Core Investment Strategy is a result of the confidence our analysis shows at any given time, in the forward-looking growth of the overall US economy. We employ a long-term holding period for this position as we do all positions incorporated in our investment strategy. The Firm recognizes that employing leveraged ETFs in this manner carries with it certain additional risks (as more fully described below).

### **c. Risk Management**

Given the enhanced risk-profile of a levered ETF, we incorporate standing stop-loss trades on the position. Calculation of these stop-losses are determined from quantitative analysis of the historic volatility of the position using the calculated beta of the holding compared to the index used as a benchmark. Given the fact that its benchmark is also the exact index it was created to track, assessing the inherent risk profile of our levered position compared to the risk of the market at large becomes relatively straightforward. With the mathematically assessed stop-losses in place, we are aware of the expected percentage of the holding at risk at any given time. This allows us to gauge the downside risk of the position as well as its overall contribution to the risk analysis of the strategy. Those risks, as stated in the prospectus of the respective leveraged ETF, are: (i) Risks Associated with the Use of Derivatives, (ii) Leverage Risk, (iii) Compounding Risk, (iv) Correlation Risk, (v) Rebalancing Risk, (vi) Counterparty Risk, (vii) Early Close/Late Close/Trading Halt Risk, (viii) Equity and Market Risk, (ix) Index Performance Risk, (x)

Intraday Price Performance Risk, (xi) Large-Cap Company Investment Risk, (xii) Liquidity Risk, (xiii) Market Price Variance Risk, (xiv) Non-Diversification Risk, (xv) Portfolio Turnover Risk, (xvi) Tax Risk, and (xvii) Valuation Risk. The detailed explanation of these listed risks are discussed in the “Principal Risks” section of the leveraged ETF prospectus. Clients receive a copy of this prospectus upon investment and are encouraged to ask the Firm and its advisers any questions they may have as to the product and/or its associated risks.

## **B. Risk of Loss**

Investing in securities involves a significant risk of loss which Clients should be prepared to bear. KCP investment recommendations are subject to various market, currency, economic, political and business risks, and such investment decisions are not always profitable. Clients should be aware that there a loss or depreciation to the value of the Client’s account can occur. There can be no assurance that the Client’s investment objectives will be obtained and no inference to the contrary should be made.

Past performance is not indicative of future results. Therefore, Clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there are varying degrees of risk. Because of the inherent risk of loss associated with investing, the Firm is unable to represent, guarantee, or even imply that its services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

The market value of fixed income securities will generally fluctuate inversely with interest rates and other market conditions prior to maturity. Fixed income securities are obligations of the issuer to make payments of principal and/or interest on future dates, and include, among other securities: bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by the U.S. government or one of its agencies or instrumentalities, or by a non-U.S. government or one of its agencies or instrumentalities; municipal securities; and mortgage backed and asset-backed securities. These securities may pay fixed, variable, or floating rates of interest, and can include zero coupon obligations and inflation-linked fixed income securities. The value of longer duration fixed income securities will generally fluctuate more than shorter duration fixed income securities.

There are certain additional risks associated with the securities recommended and strategies utilized by KCP including, among others:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of Client investments. This is also referred to as systemic risk.
- Sector Risk – The chance that significant problems will affect a particular sector, or that returns from that sector will trail returns from the overall stock market. Daily fluctuations in specific market sectors are often more extreme than fluctuations in the overall market.
- Non-Diversification Risk – The risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with

a single economic, political or regulatory occurrence than a more diversified portfolio might be.

- Equity (stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If Client held common stock, or common stock equivalents, of any given issuer, Client would generally be exposed to greater risk than if Client held preferred stocks and debt obligations of the issuer.
- Fixed Income Risk – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Interest Rate Risk – The chance that prices of fixed income securities will decline because of rising interest rates. Similarly, the income from fixed income securities may decline because of falling interest rates.
- Reinvestment Risk – The risk that interest and principal payments from a bond will be reinvested at a lower yield than that received on the original bond. During periods of declining interest rates, bond payments may be invested at lower rates; during periods of rising rates, bond payments may be invested at higher rates.
- Management Risk – Client's investment with the Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Opportunity Cost Risk – The risk that an investor may forego profits or returns from other investments.
- Derivatives Risk – Derivatives are types of investments where the investor does not own the underlying asset. There are many different types of derivative instruments, including, but not limited to, options, swaps, futures, and forward contracts. Derivatives have numerous uses as well as various risks associated with them, but they are generally considered an alternative way to participate in the market. Investors typically use derivatives for three reasons: to hedge a position, to increase leverage, or to speculate on an asset's movement. Some ETFs use derivatives, such as swaps, options and futures, among others. Derivative instruments may be illiquid, difficult to value and leveraged so that small changes can produce disproportionate losses to a client. Over-the-counter derivatives, such as swaps, are also subject to counterparty risk, which is the risk that the other party in the transaction will not fulfill its contractual obligation. Losses from investments in derivatives can result from a lack of correlation between the value of those derivatives and the value of the underlying asset or index. In addition, there is a risk that the performance of the derivatives or other instruments used by ETFs to replicate the performance of a particular asset or asset class may not accurately track the performance of that asset or asset class.
- Leverage Risk – Leverage (borrowing) may be used in investment and trading, generally through purchasing inherently leveraged instruments, such as certain ETFs. The prices of leveraged instruments can be highly volatile, and investments in leveraged instruments may, under certain circumstances, result in losses that exceed the amounts invested. Borrowing magnifies the potential for losses and exposes the client to interest expense on

money borrowed. Leveraged ETFs and derivatives will amplify losses because they are designed to produce returns that are a multiple of the equity index to which they are linked.

- Mutual Funds and Exchange Traded Funds ("ETFs") Risk – Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds or ETFs, derivatives and other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. This results in mutual funds and ETFs being subject to investment advisory and other expenses, which will be indirectly paid by clients. As a result, the cost of the investment strategy will be higher than the cost of investing directly in a mutual fund and/or ETFs. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors. ETFs can also be subject to tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its underlying index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their underlying indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its underlying index, or its weighting of investment exposure to such securities may vary from that of the underlying index. Some ETFs may invest in securities or financial instruments that are not included in the underlying index, but which are expected to yield similar performance.
- Leveraged and Inverse ETF Risk – A leveraged ETF generally seeks to deliver multiples of the daily performance of the index or benchmark that it tracks.<sup>2</sup> An inverse ETF generally seeks to deliver the opposite of the daily performance of the index or benchmark that it tracks. Inverse ETFs often are marketed as a way for investors to profit from, or at least hedge their exposure to, downward-moving markets. Some ETFs are both inverse and leveraged, meaning that they seek a return that is a multiple of the inverse performance of the underlying index. To accomplish their objectives, leveraged and inverse ETFs use a range of investment strategies, including swaps, futures contracts

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<sup>2</sup> For example: A 2X fund will have a multiplier of two times (2x) the Index. A single day movement in the Index approaching 50% at any point in the day could result in the total loss of a shareholder's investment if that movement is contrary to the investment objective of the leveraged ETF, even if the Index subsequently moves in an opposite direction, eliminating all or a portion of the earlier movement. This would be the case with any such single day movements in the Index, even if the Index maintains a level greater than zero at all times.

and other derivative instruments. Leveraged, inverse, and leveraged inverse ETFs are more volatile and riskier than traditional ETFs due to their exposure to leverage and derivatives, particularly total return swaps and futures. At times, the Firm will recommend leveraged and/or inversed ETFs, which may amplify gains and losses.

- Risks Associated with Holding Leveraged and/or Inverse ETFs for an Extended Period of Time – Most leveraged ETFs are typically designed to achieve their desired exposure on a daily (in a few cases, monthly) basis, and reset their leverage daily. A "single day" is measured from the time the leveraged ETF calculates its net asset value ("NAV") to the time of the leveraged ETF's next NAV calculation. The return of the L-ETF for periods longer than a single day will be the result of each day's returns compounded over the period. Due to the effect of this mathematical compounding, their performance over longer periods of time can differ significantly from the performance (or inverse performance) of their underlying index or benchmark during the same period of time. For periods longer than a single day, the leveraged ETF will lose money when the level of the Index is flat, and it is possible that the leveraged ETF will lose money even if the level of the Index rises. Longer holding periods, higher index volatility and greater leverage all exacerbate the impact of compounding on an investor's returns. During periods of higher Index volatility, the volatility of the Index may affect the leveraged ETF's return as much as or more than the return of the Index itself. Therefore, holding leveraged, inverse, and leveraged inverse ETFs for longer periods of time increases their risk due to the effects of compounding and the inherent difficulty in market timing. Leveraged ETFs are riskier than similarly benchmarked ETFs that do not use leverage. Non-traditional ETFs are volatile and not suitable for all investors. Positions in non-traditional ETFs should be monitored closely due to their volatile nature and inability to track the underlying index over an extended period of time.

## ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers such as KCP are required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of KCP or the integrity of its management. Examples of such events would include, but are not limited to, instances where KCP, or a management person of KCP: (i) was convicted of, or pled guilty or nolo contendere ("no contest") to a crime of moral turpitude; (ii) is the subject of an administrative proceeding before the SEC, any other federal or state regulatory agency; or (iv) any other legal or disciplinary event that is material to a client's or prospective client's evaluation of KCP's business or the integrity of its management. Neither KCP, nor its management persons, have any such legal or disciplinary events and therefore has nothing to disclose with respect to this Item.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Certain representatives of KCP serve as registered representatives of unaffiliated, third-party broker-dealers, and are licensed insurance agents of Kingstone Insurance, an affiliated life, health and disability insurance company. There are times when representatives of KCP recommend the purchase of certain securities and/or insurance products to KCP clients. Upon



purchase, the KCP representative, in his or her capacity as registered representative and/or insurance agent, will receive normal and customary commission.

Due to the fact such representatives are licensed and can recommend the purchase of securities, insurance or other investment products where they receive commissions or other compensation for doing so, a conflict of interest exists because the representatives have an incentive to make recommendations based on the compensation received rather than on a client's needs. KCP has adopted certain procedures designed to mitigate the effects of these conflicts. As part of our fiduciary duty to clients, the Firm and our representative's endeavor at all times to act in the Client's best interest, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. Additionally, the conflicts presented by these practices are disclosed to clients through the Firm's Brochure, Brochure Supplements, the client Agreement and/or verbally prior to or at the time of entering into an agreement with KCP. Clients always have the right to decide whether or not to implement any recommended transactions by the Firm. Should the client choose to do so, the Client always has the right to choose the professional in which to do so. KCP clients should understand that lower fees and/or commissions for comparable services may be available from other sources.

Additionally, certain representatives of KCP are also owner/employees of Kingstone Family Office Partners, DBA Kingstone Family Enterprises ("KFOP"), a Certified Public Accountancy firm affiliated with KCP due to common ownership. At times, representatives of KCP will recommend clients utilize the services of KFOP for their accountancy needs. There are no fees paid for such referrals. However, should clients of KCP choose to engage KFOP, KCP representatives who are also employed by KFOP will receive normal compensation for their respective role with KFOP. Additionally, as KCP and KFOP have common ownership, profits received by KFOP will be shared by owners of KCP. This additional receipt of compensation creates a conflict of interest in that the owners and certain representatives of KCP have a financial incentive to recommend KFOP as opposed to other accounting firms. In order to mitigate this conflict, it is disclosed to clients through this Brochure and relevant Brochure Supplements. Further, clients are made aware – typically through the delivery of this Brochure, that they always have the right to decide whether or not to implement any recommended transactions by the Firm are under no obligation to utilize KFOP for their accounting needs, and are free to select any accountancy firm of their choosing.

Neither KCP nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity pool trading advisor or an associated person of the foregoing entities.

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

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

KCP is a fiduciary who owes its Clients undivided loyalty. This fiduciary obligation imposes upon KCP and its associated persons a duty to deal fairly and to act in the best interest of its Clients. In addition, this obligation imposes upon KCP and its associated persons numerous responsibilities, including the duty to render disinterested and impartial advice; to make suitable

recommendations within the context of the total portfolio to Clients in light of their needs, financial circumstances and investment objectives; to exercise a high degree of care to ensure that adequate and accurate representations of its business and other information about securities are presented to Clients; and to not engage in fraudulent, deceptive or manipulative practices.

To this end, KCP has adopted a Code of Ethics ("Code") which establishes standards of conduct for the firm's supervised persons and includes general requirements that such supervised persons comply with the their fiduciary obligations to Clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of Client information.

Because KCP's investment professionals and associated persons will at times transact in the same securities for personal accounts as they buy or sell for Client accounts, it is important to mitigate potential conflicts of interest. As such, KCP has adopted personal securities transaction policies in its Code, which all of KCP's associated persons must follow. Specifically, the Code requires personnel to report personal trades and holdings and prohibits or requires pre-clearance for certain trades in certain circumstances. The Code also contains procedures for reporting violations and enforcement. The Code is reviewed and distributed to personnel annually. KCP will provide a copy of its Code of Ethics to any Client or prospective Client upon request. Please contact KCP at (866) 361-1600.

#### **B. Participation or Interest in Client Transaction**

It is KCP's policy not to enter into any principal transactions or agency cross transactions on behalf of Client accounts. Principal transactions occur where an adviser, acting as principal for its own account, buys securities from or sells securities to any advisory Client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction.

KCP or individuals associated with KCP will at times buy or sell for their personal account(s) securities or investment products identical to those recommended to or already owned by Clients. Alternatively, KCP could cause Clients to buy a security in which KCP or such individuals have an ownership position. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the Client. Nevertheless, such practices present conflicts of interest. To mitigate these conflicts, KCP has adopted a Code of Ethics, which outlines the procedures regarding personal trading that must be followed (see details below). Additionally, as part of KCP's fiduciary duty to Clients, KCP and its supervised persons will endeavor at all times to act in the Client's best interest and at all times are required to adhere to KCP's Code of Ethics.

#### **C. Personal Trading**

On occasion employees of KCP will buy for their own accounts securities which KCP also recommends to Clients. It is possible that officers or employees of KCP will buy or sell securities or other instruments that KCP has recommended to Client and engage in transactions for their own account in a manner that is inconsistent with KCP's recommendations to a Client.

Personal securities transactions by employees raise conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a Client.

In order to mitigate this conflict of interest and to comply with all applicable laws and regulations, KCP's Code of Ethics sets forth the professional and fiduciary standards that all associated persons must follow. The Firm's intention is to protect Client interests at all times and to demonstrate KCP's commitment to its fiduciary duties of honesty, good faith and fair dealing with Clients. All associated persons are expected to adhere strictly to the policy and are required to follow specific procedures regarding personal trading, including:

- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Conduct all personal securities transactions in a manner consistent with the adopted policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws and similar state statutes and rules.

KCP and its Associated Persons will also at times buy or sell specific securities for their own accounts based on personal investment considerations, which KCP does not deem appropriate to buy or sell for Clients.

## **ITEM 12: BROKERAGE PRACTICES**

When the Firm places orders for the execution of portfolio transactions for Client accounts, transactions are allocated to the Client's broker-dealer for execution in various markets at prices and commission rates that, based upon good faith judgment, will be in the best interest of the Client. Clients should be aware that in most instances, the broker-dealer performing such transactions also serves as the client's custodian. The following discussion summarizes the material aspects of the Firm's practices for the selection of broker-dealers to execute Client transactions.

### **A. Discretionary Authority and Selection Criteria**

All separately managed account clients are required to establish custodial accounts with a qualified custodian of record. KCP will only implement its investment management recommendations after the Client has arranged for and furnished the Firm with all information and authorization regarding accounts with appropriate financial institutions to act as custodian. In addition, in most cases, a Client's broker-dealer also acts as the custodian of the Client's assets for little or no extra cost. Clients should thoroughly consider, however, the differences between having their assets custodied at a broker-dealer versus at a bank or trust company. Some of these differences include, but are not limited to, custodian costs, trading issues, security of assets, client reporting and technology.

Factors which KCP considers in recommending broker-dealers include their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by particular brokers selected by KCP can be higher or lower than those charged by other broker-dealers.

KCP generally affects all transactions for separately managed accounts through the broker dealer. KCP periodically evaluates the commissions charged and the service provided by the broker- dealer and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative broker-dealers. Other factors KCP considers when evaluating its choice of broker dealer include:

- Ability to trade mutual funds and other investments that KCP determines suitable for a Client's portfolio;
- Any custodial relationship between the Client and the broker-dealer;
- Excellent customer service;
- Interaction simplicity with the Adviser;
- Discount transaction rates; and
- Reliability and financial stability.

For those clients who select broker-dealers not recommended by KCP, clients should be aware that KCP will often not be able to negotiate specific brokerage commission rates with the broker on the Client's behalf, or seek better execution services or prices from other broker-dealers. As a result, the Client could end up paying higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case and that KCP will have limited ability to ensure the broker-dealer selected by the Client will provide best possible execution.

#### **B. Best Execution**

KCP will generally seek "best execution" in light of the circumstances involved in transactions. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. KCP will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction. Consistent with the foregoing, while KCP will seek competitive rates, it will not always obtain the lowest possible commission rates for Client transactions.

To ensure that brokerage firms selected by KCP are conducting overall best qualitative execution, KCP will periodically (and no less often than annually) evaluate the trading process and brokers utilized. This evaluation will include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

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

KCP maintains relationships with, and recommends the services of various qualified third party broker-dealer custodians. In connection with these relationships, KCP receives certain benefits. As further described below, such benefits include research reports, services and seminars, computer software and other products and services to assist the Firm in research and other facets of its day-to-day activities. Selecting a broker-dealer in recognition of the provision of services or products other than transaction execution is known as paying for those services or products with “soft dollars.” The Firm’s receipt of soft dollar services and products benefit KCP since client brokerage fees are used to obtain such benefits and the Firm does not have to produce or pay for the research, products or services. Consequently, KCP has an incentive to select or recommend a broker-dealer based on these benefits rather than in the clients’ interest in receiving most favorable execution. These practices could also cause Clients to pay fees that are higher than those that another qualified broker-dealer might charge to effect the same or similar transaction.

Some of these services are provided to KCP as part of a “bundled package” from the broker dealer. KCP does not attempt to match a particular client’s trade executions with broker-dealers who have provided research services which have directly benefited that client’s portfolio. Rather, research services and other soft dollar benefits received by KCP are generally used for the ultimate benefit of all of its clients. Alternatively, some of the services will benefit only a specific segment of KCP’s Clients.

To help mitigate the conflicts of interest created by KCP’s receipt of soft dollar benefits and to help ensure that broker-dealer custodians recommended by the Firm are conducting overall best qualitative execution, KCP will periodically evaluate its trading process and brokers utilized. KCP will review the brokerage firm’s services, their value added to the Firm’s investment process along with the broker’s ability to affect trades in a fair and timely manner at competitive commission rates. At that time brokerage firms not currently utilized will be considered for inclusion if the President of KCP deems that such brokerage firms will significantly improve the Firm’s overall management of client accounts.

## **2. Directed Brokerage**

Under certain circumstances, KCP allows a client to direct the Firm to execute all or a portion of client transactions through a specific broker (“Directed Brokerage”). If that is the case, the client should understand that: (1) KCP generally does not negotiate specific brokerage commission rates with the broker on client’s behalf, or seek better execution services or prices from other broker/dealers and, as a result, the Client could end up paying higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case; and (2) transactions for that account generally will be effected independently unless KCP is able to purchase or sell the same security for several clients at approximately the same time (“block trade”), in which case the Firm will include such client’s transaction with that of other Clients for execution by the same broker. If transactions are not able to be traded as a block, the Firm will have to enter the transactions for the Client’s account after orders for other Clients, with the result that market movements could work against the Client. Therefore, prior to directing the Firm to use a specific broker-dealer, a Client should consider whether, under that restriction, execution, clearance and settlement capabilities, commission expenses and whatever amount is

allocated to custodian fees, if applicable, would be comparable to those otherwise obtainable. Clients should understand that he/she might not obtain commissions rates as low as it might otherwise obtain if KCP had discretion to select or recommend other broker-dealers. Consequently, Directed Brokerage could result in the client paying more money for brokerage services.

Subject to its objective to achieve best execution, KCP reserves the right to decline a Client's request to engage in Directed Brokerage if, in Firm's sole discretion, such Directed Brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker dealers.

### **C. Trade Aggregation and Allocation**

KCP typically effects transactions for each client account independently, and therefore is usually unable to aggregate client orders. However, when able to, the Firm will typically aggregate trades of accounts. Trade aggregation, or "bunching of orders," often results in better execution and/or better realized prices. Because KCP's Investment Management Services utilize various types of investments and securities, it is not always possible to bunch orders. Alternatively, even when possible, KCP not always be able to execute all shares of an aggregated trade because of prevailing market conditions and other variables, in which case the Firm will allocate the trade among participating accounts in an equitable manner determined prior to execution of the trade. In certain cases, the Firm will not be able to purchase or sell the same security for all clients that could transact in the security, which is generally based on various factors such as the type of security, size of the account, cash availability and account restrictions. For clients requiring directed brokerage, the Firm typically will not be able to effectively "bunch" orders on the client's behalf, which could impact the possible advantage clients derive from the aggregation of orders.

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

### **A. Periodic Reviews**

Accounts are monitored on an ongoing basis, which includes detailed periodic reviews. The frequency of reviews is at the discretion of KCP, but accounts are typically reviewed not less than quarterly. Accounts are reviewed for performance, consistency with the investment strategy and Client objectives, and other account parameters in order to determine if any adjustments need to be made. Reviews are performed by the investment adviser representative performing services for the respective Client.

### **B. Other Reviews and Triggering Events**

In addition to the periodic reviews described above, reviews can be triggered by changes in a Client's personal, tax or financial status. Account holdings also are reviewed when changing market conditions warrant such review. Clients are encouraged to notify the Firm and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

### **C. Regular Reports**

Written account statements are generated no less than quarterly and are sent directly from the account custodian. These statements list the account positions, activity in the account over the covered period, and other related information, including any fees deducted from the account. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived. Clients are urged to carefully review all account statements.

In addition, clients typically receive other supporting reports from mutual funds, trust companies, broker-dealers or insurance companies based on their involvement with the account and their applicable internal reporting requirements.

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

### **A. Incoming Referrals**

The Firm has retained solicitors and will pay solicitation fees for clients who are referred to the Firm. All such agreements are in writing and comply with the applicable state and federal regulations. When a referred client is introduced to the Firm by a solicitor, the Firm will pay that solicitor a fee in accordance with the applicable federal and state securities law requirements. While the specific terms of each agreement may differ, generally, the compensation will be based upon a varying percentage of the fees paid to the Firm by such referred clients. Any such fee shall be paid solely from the Firm's investment management fee and will not result in any additional charge to the client. The Firm only conducts business with registered solicitors or solicitors that are not required to be registered because they are exempt from registration requirements.

### **B. Referring Clients to Third Parties**

From time to time, the Firm will refer a client to unaffiliated, third-party advisors ("TPA"). Should the client engage such advisors, KCP will be compensated for its services by receipt of a fee to be paid directly by the third-party adviser to KCP. Such fee is generally a portion of the investment management fee charged by the designated adviser, which is typically based upon a percentage of the market value of the assets being managed by the designated adviser. Any such fee shall be paid solely from the adviser's investment management fee and shall not result in any additional charge to the client.

Prior to making an investment with a TPA, each client will be furnished with a disclosure brochure for that TPA. Because KCD and/or its advisory representatives receive compensation from these TPAs for referring clients and because such compensation differs depending on the individual agreement with each TPA, a conflict of interest exists in that KCD and/or its advisory representatives have an incentive to recommend certain TPAs over others with less favorable compensation arrangements. As part of our fiduciary duty to Clients, the Firm and our representative's endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the client. To further mitigate this conflict, the Firm discloses its existence to clients at the time of solicitation, mainly through the delivery of this Brochure and the solicitation disclosure document. Client should be aware however that KCP will not provide ongoing reviews of the TPAs selected by the Client.

The fees charged by independent advisers will vary dependent upon the adviser selected, the size of the account and the services provided. In addition, the terms of the compensation to be paid to KCP by such advisers will vary dependent upon the adviser selected and will be set forth in a written agreement between KCP and each adviser for which KCP solicits or refers clients and/or prospective clients. Where applicable, all solicitation activities will be conducted in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended (the “Advisers Act”), and any corresponding state securities laws, rules, regulations, or requirements.

### **C. Economic Benefits Received**

As discussed under Item 12, KCP receives “soft dollar” benefits whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist KCP in its investment decision-making process. The receipt of such services are deemed to be the receipt of an economic benefit by KCP, and although customary, these arrangements give rise to conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a Client’s interest in receiving most favorable execution.

Additionally, as mentioned above, certain KCP representatives have outside business activities that provide additional compensation. There also exists affiliated companies of KCP (due to common ownership), whereby owners of KCP share in profits of such affiliated companies that can be utilized by KCP clients. Please refer to Items 5 and 10 above, and/or the respective representative’s Form ADV Part 2B, for detailed information regarding these business activities, the compensation received, the related conflicts and how KCP mitigates such conflicts.

## **ITEM 15: CUSTODY**

Pursuant to the Investment Advisers Act of 1940, the Firm is deemed to have “constructive custody” of client funds because we have the authority and ability to debit our fees directly from the accounts of those clients receiving our services. Additionally, certain clients have, and could in the future, sign a Standing Letter of Authorization (“SLOA”) that gives us the authority to transfer funds to a third-party as directed by the client in the SLOA. This is also deemed to give us custody. Custody is defined as any legal or actual ability by the firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure clients’ managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. Confirm that account statements from the custodian contain all transactions that took place in the client’s account during the period covered and reflect the deduction of advisory fees; and
4. Obtain a surprise audit by an independent accountant on the clients’ accounts for which the advisory firm is deemed to have custody.

However, the rules governing the direct debit of client fees and SLOAs exempts us from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:



1. When debiting fees from client accounts, we must receive written authorization from clients permitting advisory fees to be deducted from the client's account.
2. In the case of SLOAs, we must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third-party receiving the transfer is not related to our firm, and (ii) ensure that certain requirements are being performed by the qualified custodian.

The qualified custodian that is selected by a client maintains actual physical custody of client assets. Client account statements from custodians will be sent directly to each client to the email or postal mailing address that is provided to the qualified custodian selected by the client. Clients are encouraged to compare information provided in reports or statements received by our firm with the account statements received from their custodian for accuracy. In addition, clients should understand that it is their responsibility, not the custodian's, to ensure that the fee calculation is correct.

If client funds or securities are inadvertently received by our firm, they will be returned to the sender immediately, or as soon as practical.

We encourage our clients to raise any questions with us about the custody, safety or security of their assets. The custodians we do business with will send you independent account statements listing your account balance(s), transaction history and any fee debits or other fees taken out of your account.

## **ITEM 16: INVESTMENT DISCRETION**

### **A. Discretionary Authority; Limitations**

KCP requires full investment discretion over (1) which securities are to be bought or sold in Client accounts; (2) the amount of securities to be bought or sold in Client accounts; and (3) when transactions are made. This means that KCP does not have to obtain prior consent from the Client when investing Client assets. In addition, KCP's authority to trade securities could be limited in certain circumstances by applicable legal and regulatory requirements. In some instances, KCP's discretionary authority can be limited by conditions imposed by Clients on KCP's discretionary authority, including restrictions on investing in certain securities or types of securities. All such limitations, restrictions, and investment guidelines must be provided to KCP in writing.

### **B. Limited Power of Attorney**

By signing KCP's Agreement, Clients authorize KCP to exercise this full discretionary authority with respect to all investment transactions involving the Client's investment management account. Pursuant to such Agreement, KCP is designated as having limited power of attorney with discretionary authority to effect investment transactions in the Client's account which authorizes KCP to give instructions to third parties in furtherance of such authority.

## **ITEM 17: VOTING CLIENT SECURITIES**

KCP has adopted a policy not to accept proxy voting authority with respect to client securities holdings. Consequently, all proxy solicitations related to securities held by clients will be sent directly to clients for voting. In the event a proxy solicitation is sent to KCP on a client's behalf, it is the Firm's practice to forward the solicitation to the client's address of record immediately so that they may cast the proxy vote. While KCP will at times answer Client questions related to proxies, please note that KCP will not be deemed to have proxy voting authority solely as a result of providing information relating to a particular proxy to an inquiring client.

## **ITEM 18: FINANCIAL INFORMATION**

KCP does not require or solicit prepayment of more than \$1200 in fees per Client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. KCP does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to Clients and has not been the subject of a bankruptcy proceeding.

On April 15, 2020, KCP obtained financial assistance by participating in Paycheck Protection Program ("PPP") established by the U.S. Small Business Administration ("SBA") in conjunction with the relief afforded from the CARES Act. PPP is intended to assist the Firm with maintaining its business in response to the COVID-19 pandemic by providing low-interest loans for business essentials. These loans are eligible for forgiveness, but it is not guaranteed. The Firm used the PPP Loan to aid with its ongoing obligations such as payroll, overhead, and servicing interest payments. The Firm did not suffer any interruption of service prior to obtaining the PPP Loan.