

## Item 1 – Cover Page

**The Kairos Method, LLC**  
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Date of Disclosure Brochure: March 2020

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This disclosure brochure provides information about the qualifications and business practices of The Kairos Method, LLC (also referred to as we, us, The Kairos Method and TKM throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Paul E. LaForge at 385-275-5577 or [plaforge@kairosmethod.com](mailto:plaforge@kairosmethod.com). The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Kairos Method is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for The Kairos Method, LLC or our firm's CRD number 284387.

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

## **Item 2 – Material Changes**

The material changes made to this disclosure brochure since our last required annual amendment was filed in March 2019:

- An update to the firm's assets under management – See Item 4 – Advisory Business
- Ownership equity has changed – See Item 4 – Advisory Business

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

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## **Item 4 – Advisory Business**

The Kairos Method is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company (LLC) formed under the laws of the State of Utah.

- Paul E. LaForge is the Managing Member and 50% owner of TKM.
- Steven J. Fliflet is a 31% owner of TKM.
- Darin F. Brush is a 19% owner of TKM.
- The Kairos Method was approved as an investment adviser in July 2016.

### **Introduction**

The investment advisory services of TKM are provided to you primarily through an interactive website using appropriately licensed and qualified individuals who are investment adviser representatives of TKM (referred to as your investment adviser representative throughout this brochure).

### **Description of Advisory Services**

The following are descriptions of the primary advisory services of TKM. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and TKM before we can provide you the services described below.

**Asset Management Services** – TKM offers web-based asset management services, which involve TKM providing you with continuous and ongoing supervision over your specified accounts.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by Interactive Brokers (the qualified custodian) under your name. Interactive Brokers maintains physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide investment advice through the buying and selling of securities and implementing capital preservation strategies.

We will need to obtain certain information from you to determine your financial situation, risk tolerance and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objectives and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to determine if there are any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to

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

### **Specialization**

TKM specializes in providing advisory services through an interactive website using computer-based applications to collect your information. Our asset management services are based on our assessment of economic conditions and investment valuations as well as investment models derived by machine learning algorithms.

### **Limits Advice to Certain Types of Investments**

TKM provides investment advice on the following types of investments:

- Exchange-listed Securities
- Exchange Traded Funds
- Exchange Traded Real Estate Investment Trusts

Although we generally provide advice on the products previously listed and other exchange traded securities, we reserve the right to offer advice on any investment product that may be suitable for each client's specific financial situation, risk tolerance and investment objectives.

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

### **Tailor Advisory Services to Individual Needs of Clients**

We manage client accounts in accordance with one or more investment models. Therefore investment selections are based on the underlying model and we do not develop customized (or individualized) portfolio holdings for each client. Clients in the same investment strategy may have different portfolio holdings based on the account management start date. However, the determination to use a particular model or models is always based on each client's individual financial situation, risk tolerance and investment objectives.

### **Client Assets Managed by The Kairos Method**

As of December 31, 2019, TKM has \$573,929 assets under management to report. All assets are managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

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

### **Asset Management Services**

Fees charged for our web-based asset management services are charged as a percentage of assets under management and accumulate each trading day based on the fair market value of your account at the close of the previous trading day. After the end of each calendar quarter, these fees are billed to your account. No fees will be assessed for those trading days when your account balance is zero. If the initial billing period starts on a day different than the first trading day of the calendar quarter, you will only be charged for the trading days your account is active and funded.

The asset management services continue in effect until terminated by either party (i.e., TKM or you) by providing written notice of termination to the other party. When fees are billed in arrears, TKM will prorate the final fee payment based on the number of days services are provided during the final quarter. The amount of client assets on the termination date will be used to determine the final fee payment.

The annual fee for asset management services will be 0.50% billed quarterly as outlined above.

There is a minimum account size of \$5,000 for managed accounts with all accounts being held at Interactive Brokers.

TKM believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation you will pay commissions and you may also incur charges imposed at the Exchange Traded Fund level (e.g., advisory fees and other fund expenses).

The investment advisory fees will be deducted from your account and paid directly to our firm by Interactive Brokers. You should review your account statements received from Interactive Brokers and verify that appropriate investment advisory fees are being deducted. Interactive Brokers will not verify the accuracy of the investment advisory fees deducted.

Brokerage commissions and/or transaction ticket fees charged by Interactive Brokers are billed directly to your account by Interactive Brokers. TKM does not receive any portion of such commissions or fees from you or Interactive Brokers. In addition, you may incur certain charges imposed by third parties other than TKM in connection with investments made through your account including, but not limited to, IRA and qualified retirement plan fees, and charges imposed by Interactive Brokers. Management fees charged by TKM are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus.

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

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because we do not charge or accept performance-based fees.

## **Item 7 – Types of Clients**

The Kairos Method generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals

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

### **Minimum Investment Amounts Required and Other Conditions**

TKM requires a minimum of \$5,000 in order to open an account.

Investors evaluating TKM's web based investment management service should be aware that TKM's relationship with clients is likely to be different from the "traditional" investment advisor relationship in several aspects:

1. TKM is an Internet-based investment advisor which means each client must acknowledge her ability and willingness to conduct her relationship with TKM on an electronic basis. Under the terms of our agreement, each client agrees to receive in aggregate all account information and account documents (including this Brochure), and any updates or changes to same, through their access to our website and/or TKM's electronic communications. Unless noted otherwise on the website or within this Brochure, TKM's advisory service, the signature for our client agreement, and all documentation related to the advisory services are managed electronically. TKM does make individual representatives available through our website to respond to questions concerning client accounts.
2. To provide its advisory services and tailor its investment decisions to each client's specific needs, TKM collects information from each client, including specific information about their investing profile such as financial situation, investment experience, and investment objectives. TKM maintains this information in strict confidence subject to our Privacy Policy. When customizing our investment solutions, TKM relies upon the information received from a client. Although TKM contacts its clients periodically as described further in Item 13 below, a client must promptly notify TKM of any change in her financial situation or investment objectives that might require a review or revision of her portfolio.
3. The financial advisory service contains preselected investments for each model portfolio within the plan recommended to a client. TKM does not allow Clients to select their own investments because each investment and model portfolio is considered to be part of the overall investment plan. Investors with overly restrictive investment restrictions may not be permitted to become clients.

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

### **Methods of Analysis**

TKM uses its own assessment of economic conditions, investment valuations as well as machine learning algorithms in formulating investment advice, depending on the strategy used. The machine learning algorithms conduct proprietary analysis of a security's price history and other related market data while also utilizing probabilities in making security selections for clients.

There are risks involved in using any analysis method.

### **Primarily Recommend One Type of Security**

We primarily recommend exchange traded equity securities and Exchange Traded Funds; however, we reserve the right to recommend any product that may be suitable for each client relative to that client's specific circumstances and needs.

### **Investment Strategies**

TKM uses the following investment terms when describing its investment strategies:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

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

Investment Models. Model portfolios that specify allocations to certain securities.

Machine Learning Algorithms. Computer programs that build a prediction system using probabilities based on an example training set of input observations.

We offer two types of strategies when managing client assets and/or providing investment advice. One type of strategy is based on our assessment of economic conditions and investment valuations; the other is based on machine learning algorithms we have developed.

The Foundation strategy is based on our assessment of economic conditions and investment valuations. The MRE and ETF Allocation strategies are based on machine learning algorithms we have developed and do not take into consideration economic conditions or investment valuations.



### ***The Foundation Strategy***

Our **Foundation** strategy is based on our long-term assessment of both the U.S. economy as well as the current valuations of several investment markets such as U.S. common stocks, U.S. investment grade bonds, commodities and real estate. We determine what level of exposure to these investments will best help our clients meet their financial objectives as well position themselves for the opportunities we see in the near future. As economic conditions and investment valuations change, we review our clients' portfolios to ensure they're still consistent with their financial objectives. This strategy does not use machine learning algorithms.

There is no guarantee a Foundation strategy portfolio will be diversified. It is also possible that a Foundation strategy portfolio will have some or possibly its entire allocation in cash or cash equivalent holdings.

The Foundation strategy may include long-term purchases; however, because this strategy considers current investment valuations, investors should assume this strategy will feature short-term purchases and frequent trading.

### ***Managed Risk Equity Strategy***

This strategy typically invests in up to 25 securities that are selected from the S&P 500® and our tracked list of Exchange-Traded Funds (ETFs). This list of tracked ETFs is available upon request.

This strategy moves in and out of equity positions based on trading signals from our MRE machine learning algorithms and uses stop-loss orders as part of its strategy to reduce the risk of investment loss. There is no guarantee a MRE strategy portfolio will be diversified. While the MRE seeks less volatility than the S&P 500®, investors should assume this strategy will experience greater portfolio volatility than the S&P 500®. Given the above considerations, this strategy is not appropriate for all investors. Some investors should only follow the MRE strategy with a portion of their investible assets allocated toward equities. Please read more about the MRE machine learning algorithms below to better understand this strategy and its limitations.

It is also possible that a MRE strategy portfolio will have less than 25 positions during those trading days when no new MRE signals are generated by the MRE machine learning algorithms. In these cases, the remaining funds will be held as cash until a MRE signal is given.

While it is possible the MRE strategy may include long-term purchases, investors should assume this strategy will feature short-term purchases and frequent trading.

### ***The MRE Machine Learning Algorithms***

The MRE strategy uses machine learning algorithms based on technical indicators to generate probabilities of security price movements in the future. It also generates an initial stop-loss price based on the recent price history of a security. Initial stop-loss prices tend to be 6 to 16% lower than the closing price of the security the day the signal was generated. These stop-loss prices may increase over time if the security rises in price.

If the machine learning algorithms indicate there is a 70% chance or greater of at least an 8 to 12% upward price movement before the stop-loss is triggered, a buy signal will be generated. When the

machine learning algorithms determine there is a greater probability of downward price movement than upward price movement, a close-out signal is generated. The signal is presumed to be active until the close-out signal is given or the stop-loss order executes. There are no guarantees the probabilities generated by the machine learning algorithms reflect the actual probabilities of a stock's future price movements.

Because the machine learning algorithms used by the MRE strategy only incorporate technical indicators, no weighting is given to economic conditions, investment valuations, profit outlooks, or other fundamentals of a security. However, there are some non-technical aspects that TKM takes into account when managing clients following the MRE strategy. For example, if a company announces its stock will be purchased at a particular price, TKM may subsequently exit that trade. In addition, because the MRE strategy generally invests in 25 securities at a time, TKM may have to delay acting upon a signal until an existing position closes out.

There are occasions when the exchange-listed securities tracked by TKM may not always match the S&P 500® constituents. For example, if a security is removed from the S&P 500® but represents an existing position in the strategy's portfolio, TKM will continue to hold that security until that position is closed as determined by the machine learning algorithms. There can also be delays for new securities added to the S&P 500®. Whenever a new security is added, TKM must analyze the price history of a security before it can be tracked and analyzed on a nightly basis. Consequently, there are occasions when the time between the announcement of a security joining the S&P 500® and the day it becomes part of the index does not allow enough time for us to complete the processing. In these instances, we will add it to our tracked list of securities once this processing has completed.

There are risks associated with stop-loss orders. For example, there is no guarantee a security that has dropped in price will trigger a stop-loss order at the stop-loss price. If the market for a security is trading lower than its stop-loss price that security will likely be sold at a price less than the stop-loss order requested. It is also possible that a stop-loss order could be triggered during a temporary price downturn for a security before returning to the original price only moments after the security has been sold.

### ***ETF Allocation Strategies***

ETF Allocation strategies allocate funds between cash and selected ETFs based on our ETF Allocation machine learning algorithms. We have developed several ETF Allocation strategies but typically use the following types of ETF Allocation strategies when managing Client accounts:

- Emerging Markets – allocates funds between cash and one or more emerging market ETF that represents one or more developing countries
- Market Capitalization – allocates funds between cash and ETFs that represent different sizes of companies (small-cap, mid-cap, large-cap)
- International – allocates funds between cash and one or more ETFs that represent a non-U.S. country or group of countries
- Intermediate & Long-Term Bonds – allocates funds between cash and ETFs that represent government bonds with durations ranging from 3 to 20+ years and/or corporate bonds.
- Short-Term Bonds – allocates funds between cash and ETFs that represent government bonds with durations of 3 years or less

Each TKM ETF Allocation strategy identifies a maximum percentage of funds to be allocated for each ETF that is part of the strategy. The ETF Allocation machine learning algorithms indicate how much of that maximum percentage should be allocated toward the ETF with the remaining percentage allocated to cash. These machine learning algorithms seek to allocate larger percentages of the maximum percentage to those securities that it indicates will yield greater investment returns than the others before the next signal change.

TKM Investment Advisor Representatives monitor these daily allocations as well how these allocations are trending. A TKM Investment Advisor Representative periodically adjusts the allocations of client portfolios to match the machine learning algorithms' allocations. It is possible that there may be no allocation changes for several months, but generally TKM will reallocate funds once or twice a month as market conditions change. It is also possible reallocations may occur more frequently based on market conditions or the machine learning algorithms' output.

Asset allocation and diversification may not protect against market risk, loss of principal, or volatility. This strategy may also lead to long-term purchases, short-term purchases and frequent trading. Investors should assume that all securities purchased while following an ETF Allocation strategy will be held less than one year.

There is no guarantee that any investment strategy will be successful or achieve any particular level of results. Investing involves risk, including possible loss of principal. Buying and selling securities, including ETFs, will result in brokerage commissions.

### **Risk of Loss**

Past performance is not a guarantee of future results. Therefore, you cannot 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 may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

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

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. When the stock market as a whole goes down, it is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- ETF Risk – When investing in an ETF, you will bear additional expenses based on your pro rata share of the ETF's operating and administration expenses, including the potential duplication of management fees. The risk of owning an ETF generally reflects the risks of owning the underlying securities the ETF holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and selection of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment may decrease.

Additionally, there are certain risks associated with utilizing automated investment tools like the ones developed, used and offered by TKM.

- Our investment tools are programmed to use certain economic assumptions that may not be updated in a timely manner or respond to shifts in the market.
- The output of the automated investment tools depends upon the parameters and variables included in the investment tools and algorithms as well as the accuracy of the information inputted into the tools.
- There may be certain factors or variables which have not been included in the automated investment tool. To the extent some questions are over-generalized, ambiguous or designed to fit a pre-determined option, the output may not be right for all investor's needs or goals.
- By relying on automated investment tools, investors may lose out on the value of human judgment and oversight. Investors may lose out on these qualities when interacting with only a computer program.

## **Item 9 – Disciplinary Information**

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

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

TKM is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, an investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment

company or "hedge fund," and offshore fund), another investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

TKM is an independent registered investment adviser and only provides investment advisory services. TKM is not engaged in any other business activities and offers no other services except those described in this Disclosure Brochure. However, while TKM does not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with us.

### **Other Business Activities of Company Principals**

Paul E. LaForge also works for BioMetrix (dba Fathom) as their Chief Technology Officer. He spends approximately 80% of his time on this activity.

Steven Fliflet is a personal investor in real estate. Some of his properties are held for appreciation, some are used as income-generating rental properties, and some of those farms planted in almonds are operated by his farming entity Flyfloat Farms, Inc. He spends approximately 70% of his time on this activity. He is also engaged as the Managing Member or Co-Manager of various LLC entities formed to hold ownership in personal real estate investments. He spends less than 25% of his time on these activities.

Darin Brush is employed full-time as President of Davis Applied Technology College. Since Mr. Brush is not active in the day to day management or operations of the firm this should not present a material conflict of interest.

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

### **Code of Ethics Summary**

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. TKM has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as "supervised persons". All employees, officers, directors and investment adviser representatives are classified as supervised persons. TKM requires its supervised persons to consistently act in your best interest in all advisory activities. TKM imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

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

### **Affiliate and Employee Personal Securities Transactions Disclosure**

TKM or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of TKM that all persons associated in any manner with our firm must place clients' interests ahead of their own when implementing personal investments. TKM and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

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

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

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

### **Item 12 – Brokerage Practices**

In managing client assets we are responsible to ensure that the client receives the best reasonable execution possible. Best reasonable execution possible does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is the best as reasonably possible. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

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

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

TKM will solely utilize Interactive Brokers as the custodial broker dealer for all client accounts. Interactive Brokers is a member of FINRA and SIPC and is an independent (and unaffiliated) SEC-registered broker-dealer and is solely utilized by TKM to maintain custody of clients' assets and to effect trades for their accounts.

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

### **Brokerage Requirements**

If you decide to implement the web-based asset management services provided by TKM, Interactive Brokers will be used solely as the broker/dealer for your account. TKM is independently owned and operated and not affiliated with Interactive Brokers.

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

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

Interactive Brokers provides TKM with access to their institutional trading and custody services, which are typically not available to retail investors. The services from Interactive Brokers include brokerage services, custody, research tools, 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.

Interactive Brokers also makes available to TKM other products and services that we benefit from but may not benefit your Account. Some of these other products and services assist us in managing and administering our clients' accounts. These benefits include software and other technology that:

- Provide access to client account data (such as trade confirmations and account statements)
- Facilitate trade executions (and allocation of aggregated trade orders for multiple client accounts)
- Provide research, pricing information, & other market data
- Facilitate payment of our fees from client accounts
- Assist with back-office functions, recordkeeping & client reporting

Many of these services generally may be used to service all or a substantial number of our clients' accounts. Interactive Brokers also makes available other services intended to help us manage and further develop our business. These services may include:

- Consulting, publications, & conferences on practice management
- Information technology
- Regulatory compliance
- Marketing

Our requirement is that you maintain your assets in accounts at Interactive Brokers and is based in part on the benefit to us of the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Interactive Brokers. This creates a potential conflict of interest.

### **Directed Brokerage**

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

### **Soft Dollar Benefits**

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

TKM utilizes the services of Interactive Brokers. While there is no direct linkage (except in certain circumstances) between the investment advice given to clients and TKM's participation in the Interactive Brokers program, economic benefits are received by TKM which would not be received if we did not give investment advice to clients.

Although TKM does not allow a directed brokerage, we may still receive benefits from Interactive Brokers if the firm reaches certain levels of transaction activity. These benefits may be used for both research and non-research purposes and will allow us to supplement, at no cost, our own research and analysis activities. These benefits include: a dedicated trade desk that services the program participants exclusively, a dedicated service group and an account services manager dedicated to TKM's accounts, performance reporting for client accounts, access to a real-time order matching system, the ability to "block" clients' trades, electronic download of trades, balances and position information, duplicate and batched client statements, confirmations, year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), availability of third-party research and technology.

The benefits received through participation in the Interactive Brokers program do not depend upon the amount of transactions directed to or amount of assets managed through Interactive Brokers.



Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. TKM does not attempt to allocate the relative costs or benefits of research among clients because we believe that, in the aggregate, the research received benefits all clients and assists us in fulfilling our overall duty to you.

These arrangements may be deemed to create a conflict of interest to the extent that TKM would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades are always implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

### **Block Trading Policy**

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

TKM uses the pro rata allocation method for transaction allocation.

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

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

### **Agency Cross Transactions**

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

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Model portfolios are each reviewed daily by an investment advisor representative.

TKM assumes that a model portfolio will deviate from its intended risk level and asset allocations over time and must be periodically rebalanced back to its original targets to maintain the intended risk level and asset allocations. TKM reviews each client's account when it is opened, and continuously monitors and periodically rebalances each client's portfolio to seek to maintain a client's targeted risk tolerance and optimal return for the client's risk level. TKM also conducts reviews when material changes may have occurred to a client's portfolio or investment objectives.

On at least an annual basis, TKM will electronically notify clients to remind them to review and update the profile information they previously provided. TKM also requests that clients reconfirm the same information on an annual basis. These notifications and confirmations include a link to the client's current information and contact information.

Reviews are conducted by Paul E. LaForge, with reviews performed in accordance with the client's investment goals and objectives.

### **Statements and Reports**

You are provided with access to transaction confirmation notices and regular quarterly account statements in writing or electronic form directly from Interactive Brokers.

Since our clients use Interactive Brokers solely as the qualified custodian, performance information is available on-demand on an ongoing basis from Interactive Brokers. Clients may also receive periodic communications from TKM describing portfolio performance, Account information, and product features.

You are encouraged to always compare any reports or statements provided by us against the account statements made available or delivered from Interactive Brokers. When you have questions about your account statement, you should contact us and/or Interactive Brokers.

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

TKM does not directly or indirectly compensate any person for client referrals. The only compensation received from advisory services are the fees charged for providing investment advisory services as described in *Item 5* of this Disclosure Brochure. TKM receives no other forms of compensation in connection with providing investment advice.

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

## **Item 15 – Custody**

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

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

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

### **Item 16 – Investment Discretion**

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

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

### **Item 17 – Voting Client Securities**

TKM does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from Interactive Brokers; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided.

### **Item 18 – Financial Information**

*Item 18* is not applicable to this brochure. TKM does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, TKM has not been the subject of a bankruptcy petition at any time.

## **Business Continuity Plan**

TKM has a business continuity and contingency plan in place designed to reasonably respond to significant business disruptions. These disruptions can be both internal and external. Internal disruptions will impact our ability to communicate and do business, such as a fire in the office building. External disruptions will prevent the operation of the securities markets or the operations of a number of firms, such as earthquakes, wildfires, hurricanes, terrorist attack or other wide-scale, regional disruptions.

Our continuity and contingency plan has been developed to safeguard employees' lives and firm property, to allow a method of making financial and operational assessments, to quickly recover and resume business operations, to protect books and records, and to allow clients to continue transacting business.

The plan includes the following:

- Alternate locations to conduct business;
- Hard and electronic back-ups of records;
- Alternative means of communications with employees, clients, critical business constituents and regulators; and
- Details on the firms' employee succession plan

Our business continuity and contingency plan is reviewed and updated on a regular basis to ensure that the policies in place are sufficient and operational.

## **Customer Privacy Policy Notice**

In November of 1999, Congress enacted the Gramm-Leach-Bliley Act (GLBA). The GLBA requires certain financial institutions, such as investment advisor firms, to protect the privacy of customer information. In situations where a financial institution does disclose customer information to nonaffiliated third parties, other than permitted or required by law, customers must be given the opportunity to opt out or prevent such disclosure. TKM does not share or disclose customer information to nonaffiliated third parties except as permitted or required by law.

**Commitment to Your Private Information.** TKM is committed to safeguarding the confidential information of its clients. TKM holds all personal information provided by clients in the strictest confidence and it is the objective of the firm to protect the privacy of all clients. Except as permitted or required by law, the firm does not share confidential information about clients with nonaffiliated parties. In the event that there were to be a change in this policy, the firm will provide clients with written notice and clients will be provided an opportunity to direct TKM as to whether such disclosure is permissible.

**Why We Collect and How We Use Information.** To conduct regular business, TKM may collect personal information from sources such as:

- Information reported by the client on applications or other forms the client provides to the firm
- Information about the client's transactions implemented by the firm or others
- Information developed as part of analyses or investment advisory services

To administer, manage, service, and provide related services for client accounts, it is necessary for TKM to provide access to customer information within the firm and to nonaffiliated companies, with whom the firm has entered into agreements with. To provide the utmost service, the firm may disclose the information below regarding customers and former customers, as necessary, to companies to perform certain services on the firm's behalf.

- Information TKM receives from the client on applications (name, social security number, address, assets, etc.)
- Information about the client's transactions with the firm or others (account information, payment history, parties to transactions, etc.)
- Information concerning investment advisory account transactions
- Information about a client's financial products and services transaction with TKM

**Sharing Information with Other Companies Permitted Under Law.** Since TKM shares nonpublic information solely to service client accounts, the firm does not disclose any nonpublic personal information about the firm's customers or former customers to anyone, except as permitted by law. However, the firm may also provide customer information outside of the firm as required by law, such as to government entities, consumer reporting agencies or other third parties in response to subpoenas. In the event that the firm has a change to its customer privacy policy that would allow it to disclose non-public information not covered under applicable law, the firm will allow its clients the opportunity to opt out of such disclosure.

**Former Customers.** Even if we cease to provide you with financial products or services, our Privacy Policy will continue to apply to you and we will continue to treat your nonpublic information with strict confidentiality.

## FORM ADV PART 2B BROCHURE SUPPLEMENT - Paul E. LaForge

### **Item 1 – Cover Page**

Paul E. LaForge  
The Kairos Method, LLC  
547 E. Camden Park Lane  
Draper, UT 84020  
385-275-5577  
[www.kairosmethod.com](http://www.kairosmethod.com)

Date of Supplement: March 2020

**This brochure supplement provides information about Paul E. LaForge that supplements The Kairos Method, LLC disclosure brochure. You should have received a copy of that brochure. Please contact Paul E. LaForge at 385-275-5577 or at [plaforge@kairosmethod.com](mailto:plaforge@kairosmethod.com) if you did not receive The Kairos Method's brochure or if you have any questions about the contents of this supplement.**

**Additional information about Paul E. LaForge is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Item 2 – Educational Background and Business Experience**

#### **Paul E. LaForge**

Born 1972, CRD # 6671323

#### ***Post-Secondary Educational Background:***

North Central University, B.A. Philosophy: 2016  
University of Utah, PhD Economics: 2016

#### ***Business Background:***

The Kairos Method, Managing Member, 01/2012 to Present; Investment Advisor Representative  
06/2016 to Present  
BioMetrix (dba Fathom), Chief Technology Officer, 01/2016 to Present  
State of Utah, IT Architect, 12/2016 to 4/2018  
Center for Regional Economic Competitiveness, Independent Software Development Contractor,  
01/2016 to 12/2016  
State of Utah, Researcher, 04/2016 to 10/2016  
Capital Church, or of Organizational Development / Director of Finance, 06/2008 to 04/2016

### **Item 3 – Disciplinary Information**

Paul E. LaForge has no legal or disciplinary events to report.

**Item 4 – Other Business Activities**

Paul E. LaForge also works for BioMetrix (dba Fathom) managing software and analytics development. He spends approximately 80% of his time on this activity.

**Item 5 – Additional Compensation**

Paul E. LaForge receives no additional compensation related to his investment advisory activities.

**Item 6 – Supervision**

Paul E. LaForge is the Chief Compliance Officer of The Kairos Method. He is responsible for overseeing and enforcing the firm's compliance programs that have been established to monitor and supervise the activities and services provided by the firm and its representatives. Paul E. LaForge can be contacted at 385-275-5577.

**FORM ADV PART 2B BROCHURE SUPPLEMENT – Steven J. Fliflet**

**Item 1 – Cover Page**

Steven J. Fliflet  
The Kairos Method, LLC  
547 E. Camden Park Lane  
Draper, UT 84020  
385-275-5577  
[www.kairosmethod.com](http://www.kairosmethod.com)

Date of Supplement: March 2020

**This brochure supplement provides information about Steven J. Fliflet that supplements The Kairos Method, LLC disclosure brochure. You should have received a copy of that brochure. Please contact Paul E. LaForge at 385-275-5577 or at [plaforge@kairosmethod.com](mailto:plaforge@kairosmethod.com) if you did not receive The Kairos Method's brochure or if you have any questions about the contents of this supplement.**

**Additional information about Steven J. Fliflet is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2 – Educational Background and Business Experience**

**Steven J. Fliflet**

Born 1964, CRD # 6671330

***Post-Secondary Educational Background:***

Modesto Junior College: 1982-1985  
Fresno State University, BS Mechanical Engineering: 1988

***Business Background:***

The Kairos Method, Partner, 01/2012 to Present; Investment Advisor Representative 02/2018 to Present  
Flyfoot Farms, Farm Manager, 05/2015 to Present;  
Self Employed, 08/2012 to Present;  
Summit Energy, Energy Trader, 07/2004 to 08/2012

**Item 3 – Disciplinary Information**

Steven J. Fliflet has no legal or disciplinary events to report.

**Item 4 – Other Business Activities**



Steven J. Fliflet is a personal investor in real estate. Some of his properties are held for appreciation, some are used as income-generating rental properties, and some of those farms planted in almonds are operated by his farming entity Flyflood Farms, Inc. He spends approximately 70% of his time on this activity. He is also engaged as the Managing Member or Co-Manager of various LLC entities formed to hold ownership in personal real estate investments. He spends less than 25% of his time on these activities.

**Item 5 – Additional Compensation**

Steven J. Fliflet receives no additional compensation related to his investment advisory activities.

**Item 6 – Supervision**

Paul E. LaForge is the Chief Compliance Officer of The Kairos Method. He is responsible for overseeing and enforcing the firm's compliance programs that have been established to monitor and supervise the activities and services provided by the firm and its representatives including Steven J. Fliflet. Paul E. LaForge can be contacted at 385-275-5577.