



**KOZAK & ASSOCIATES**  
Private Asset Management

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

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**May 12, 2020**

This brochure provides information about the qualifications and business practices of Kozak & Associates, Inc. ("KAI"). If you have any questions about the contents of this brochure, please contact us at 303-847-4045. 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. KAI is a Registered Investment Adviser. Registration as an Investment Adviser with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about KAI is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as an IARD number. The IARD number for KAI is CRD #298353.

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## ITEM 2 – MATERIAL CHANGES

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This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The following material changes have been made since our last annual amendment dated February 11, 2020.

Item 18 was updated to reflect receipt of Paycheck Protection Plan Loan through the SBA in conjunction with the relief afforded from the CARES Act.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our Chief Compliance Officer, Christopher Kozak at 303-847-4045.

We encourage you to read this document in its entirety.

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**ITEM 3 – TABLE OF CONTENTS**

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ITEM 1 – COVER PAGE	<u>1</u>
ITEM 2 – MATERIAL CHANGES	<u>2</u>
ITEM 3 – TABLE OF CONTENTS	<u>3</u>
ITEM 4 – ADVISORY BUSINESS	<u>4</u>
ITEM 5 - FEES AND COMPENSATION	<u>7</u>
ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT	<u>10</u>
ITEM 7 - TYPES OF CLIENTS	<u>10</u>
ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	<u>10</u>
ITEM 9 - DISCIPLINARY INFORMATION	<u>15</u>
ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	<u>15</u>
ITEM 11 - CODE OF ETHICS PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	<u>16</u>
ITEM 12 - BROKERAGE PRACTICES	<u>17</u>
ITEM 13 - REVIEW OF ACCOUNTS	<u>21</u>
ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION	<u>21</u>
ITEM 15 – CUSTODY	<u>22</u>
ITEM 16 – INVESTMENT DISCRETION	<u>22</u>
ITEM 17 – VOTING YOUR SECURITIES	<u>23</u>
ITEM 18 – FINANCIAL INFORMATION	<u>23</u>

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#### **ITEM 4 – ADVISORY BUSINESS**

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This Disclosure document is being offered to you by Kozak & Associates, Inc. (“KAI” or “Firm”) about the investment advisory services we provide. It discloses information about our services and the way those services are made available to you, the client.

We are an investment management firm located in Highlands Ranch, Colorado. Our Firm became a registered investment adviser in September 2018. Christopher Kozak and Trevor Tripp are the owners of the firm.

We are committed to helping clients build, manage, and preserve their wealth, and to provide guidance that helps clients to achieve their stated financial goals. We will offer an initial complimentary meeting upon our discretion; however, investment advisory services are initiated only after you and KAI execute an Investment Management Agreement.

##### **Investment Management Services**

We manage advisory accounts on a discretionary and non-discretionary basis. Once we have determined a profile and investment plan with a client, we will execute the day-to-day transactions without seeking prior client consent. Account supervision is guided by the written profile and investment plan of the client. We may accept accounts with certain restrictions if circumstances warrant. We primarily allocate client assets among various equities, Exchanged Traded Funds (“ETFs”), mutual funds and debt securities in accordance with their stated investment objectives.

During personal discussions with clients, we determine the client’s objectives, time horizons, risk tolerance and liquidity needs. As appropriate, we also review a client’s prior investment history, as well as family composition and background. Based on client needs, we develop a client’s personal profile and investment plan. We then create and manage the client’s investments based on that policy and plan. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

Once we have determined the appropriate strategy for you or your business and executed the strategy, we will provide ongoing investment review and management services. This approach requires us to periodically review your portfolio.

With our discretionary relationship, we will make changes to the portfolio, as we deem appropriate, to meet your financial objectives. We trade these portfolios based on the combination of our market views and your objectives, using our investment process. We tailor our advisory services to meet the needs of our clients and seek to ensure that your portfolio is managed in a manner consistent with those needs and objectives. You will have

the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities.

Where appropriate, we provide advice about concentrated stock positions held in client portfolios. Clients will engage us to advise on certain investment products that are not maintained at their primary custodian, such as annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans).

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account's performance. This could result in capital losses in your account.

### **Financial Planning**

While we will work with all clients to understand their financial objectives, we will not present a formal financial plan to all of them. Our Firm may charge separate fees for the preparation of a formal financial plan. Through the financial planning process, our team strives to engage our clients in conversations around the family's goals, objectives, priorities, vision, and legacy – both for the near term as well as for future generations. With the unique goals and circumstances of each family in mind, our team may offer financial planning ideas and strategies to address the client's holistic financial picture, including estate, income tax, charitable, cash flow, wealth transfer and family legacy objectives. Our team partners with our client's other advisors (CPA, estate attorney, insurance broker, etc.) to ensure a coordinated effort of all parties toward the client's stated goals. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets and periodic updates.

Our specific services in preparing your formal financial plan may include:

- Review and clarification of your financial goals;
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management and estate planning;
- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession and other personal goals;
- Development of a goal-oriented investment plan, with input from various advisors to our clients around tax suggestions, asset allocation, asset location, expenses, risk and liquidity factors for each goal. This includes IRA and qualified plans, taxable and trust accounts that require special attention;

### **Employer Sponsored Retirement Plan Services**

For employer-sponsored retirement plans with participant-directed investments, our firm

provides its advisory services as an investment adviser as defined under Section 3(21) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

When serving as an ERISA 3(21) investment adviser, the Plan Sponsor and our Firm share fiduciary responsibility. The Plan Sponsor retains ultimate decision-making authority for the investments and may accept or reject the recommendations in accordance with the terms of a separate ERISA 3(21) Investment Adviser Agreement between our Firm and the Plan Sponsor. We provide the following services to the Plan Sponsor:

- Screen investments and make recommendations.
- Monitor the investments regularly and suggests replacement investments when appropriate.
- Provide an annual investment report.
- Assist the Plan Sponsor in developing an Investment Policy Statement (“IPS”).

We can also be engaged to provide financial education to Plan participants. The scope of education provided to participants will not constitute “investment advice” within the meaning of ERISA and participant education will relate to general principles for investing and information about the investment options currently in the Plan. We may also participate in initial enrollment meetings and periodic workshops and enrollment meetings for new participants.

### **Consulting Services**

We also provide clients investment advice on a more-limited basis on one-or-more isolated areas of concern such as small business consulting, real estate, pension plan consulting, or any other specific topic. Additionally, we provide advice on non-securities matters about the rendering of estate planning, insurance, real estate, and/or annuity advice.

In these cases, you will be required to select your own investment managers, custodian and/or insurance companies for the implementation of consulting recommendations. If your needs include brokerage and/or other financial services, we will recommend the use of one of several investment managers, brokers, banks, custodians, insurance companies or other financial professionals. You must independently evaluate these firms before opening an account or transacting business, and you have the right to effect business through any firm you choose.

### **Wrap Fee Program**

We do not offer a Wrap Fee Program.

### **Assets**

As of December 31, 2019, our assets under management totaled \$320,803,081. Our Firm manages \$320,803,081 in discretionary management and \$0 of non-discretionary management.

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## ITEM 5 - FEES AND COMPENSATION

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### Investment Management Fees and Compensation

Our Firm charges a fee as compensation for providing Investment Management services on your account. These services include advisory services, trade execution, investment supervision, and other account-maintenance activities. Our custodian charges transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

The fees for investment management are based on an annual percentage of assets under management and are applied to the household asset value on a pro-rata basis and billed quarterly in advance, as outlined in the Investment Management Agreement. The quarterly advisory fees will be based on the average daily balance of the account(s) as reported by our third party billing software which the values directly from the Custodian.

Our maximum investment advisory fees as a percentage of assets under management is 1.50%. The specific advisory fees are set forth in your Investment Advisory Agreement.

We may negotiate a lower advisory fee or have the right to waive the minimum fee. Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated.

Unless otherwise instructed by the Client, we will aggregate related client accounts for the purposes of determining the account size and annualized fee. The common practice is often referred to as “householding” portfolios for fee purposes and may result in lower fees than if fees were calculated on portfolios separately. Our method of householding accounts for fee purposes looks at the overall family dynamic and relationship. When applicable and noted in the Investment Management Agreement, concentrated stock positions may also be excluded from the fee calculation.

The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. At our discretion, you may pay the advisory fees directly to our Firm by check. Further, the qualified custodian agrees to deliver an account statement to you on a quarterly basis indicating all the amounts deducted from the account including our advisory fees.

Either party giving written notice to the other may cancel the Investment Advisory Agreement at any time for any reason. Notice given by the client shall be effective upon actual

receipt by KAI at the address specified on the Investment Advisory Agreement or the then current address. The management fee will be pro-rated to the date of termination, for the quarter in which the cancellation notice was given and the unearned fee refunded to your account as indicated in your Agreement. Upon termination, you are responsible for monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client's death or disability, our Firm will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

### **Financial Planning Fees**

Financial Planning services are typically included in the investment management fee described above. On occasion, our firm is asked to provide financial planning services for a separate fee. In this circumstance, we will negotiate the planning fees with you. Fees may vary based on the extent and complexity of your individual or family circumstances and the amount of your assets under our management. Our fee will be agreed in advance of services being performed. The fee will be determined based on factors including the complexity of your financial situation, agreed upon deliverables, and whether or not you intend to implement any recommendations through KAI. Fixed fees for financial plans range from \$1,000 to \$10,000. The specific fixed fee for your financial plan is specified in your planning agreement with our Firm.

Typically, we complete a plan within a month and will present it to you within 90 days of the contract date, if you have provided us all information needed to prepare the financial plan. Fees are billed and payable at the time the financial plan is delivered to you. You may terminate the financial planning agreement by providing us with written notice. Upon termination, fees will be prorated to the date of termination and any earned portion of the fee will be billed to you based on an hourly rate of \$250.00. We will not require prepayment of more than \$1,200 in fees per client, six (6) or more months in advance of providing any services.

*In no case are our fees based on, or related to, the performance of your funds or investments.*

### **Employer Sponsored Retirement Plan Services**

For Retirement Plan Advisory Services compensation, we charge an annual fee as negotiated with the client and disclosed in the Employer Sponsored Retirement Plans Investment Advisory Agreement. The compensation method is explained and agreed upon in advance before any services are rendered. Asset based fees range from 0.10% to 0.50% annually and fixed fees range from \$1,000-\$50,000 annually.

Plan advisory services begin with the effective date of the Employer Sponsored Retirement Plans Investment Advisory Agreement, which is the date you sign the Employer Sponsored



Retirement Plans Investment Advisory Agreement. For that calendar quarter, fees will be adjusted pro rata based upon the number of calendar days in the calendar quarter that the Agreement was effective. Our fee is billed in arrears on the last business day of the calendar quarter or month as outlined in the Agreement. For Plans where our fee is billed to the custodian, the fee is deducted directly from the participant accounts. Written authorization permitting us to be paid directly from the custodial account is outlined in the Agreement.

Either party may terminate the Investment Advisory Agreement at any time upon immediate notice. You are responsible to pay for services rendered until the termination of the Agreement.

### **Consulting Fees**

We provide consulting services for clients who need advice on a limited scope of work. We will negotiate consulting fees with you. Fees range from \$1,000 to \$20,000 for Consulting Services and may vary based on the extent and complexity of the consulting project. Fees will be billed as services are rendered. Either party may terminate the agreement. Upon termination, fees will be prorated to the date of termination and any unearned portion of the fee will be refunded to you as described in the Agreement and our hourly rate described above.

### **Additional Fees and Expenses:**

In addition to the advisory fees paid to our Firm, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities, transaction fees, custodial fees, fees charged by the Independent Managers, charges imposed by a mutual fund or ETF in a client's account, as 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. Our brokerage practices are described at length in Item 12, below. Neither our Firm nor its supervised persons accept compensation for the sale of securities or other investment products. Further, our firm does not share in any of these additional fees and expenses outlined above.

### **Administrative Services Provided by Orion**

We have contracted with Orion to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, client database maintenance, quarterly performance evaluations, payable reports, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion will have access to client information, but Orion will not serve as an investment adviser to our clients. KAI and Orion are non-affiliated companies. Orion charges our Firm an annual fee for each account administered by Orion. Please note that the fee charged

to the client will not increase due to the annual fee KAI pays to Orion, the annual fee is paid from the portion of the management fee retained by our Firm.

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

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We do not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees) nor engage in side-by-side management.

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**ITEM 7 - TYPES OF CLIENTS**

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We provide investment advice to individuals, high net individuals, trusts, estates, corporations, and profit-sharing plans. We have no minimum initial account value for opening an account with our firm.

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

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**Philosophy**

We focus on creating, managing, and preserving wealth for our individual and corporate clients. We view each client as a unique entity and are sensitive to his or her specific goals, concerns, and investment criteria. Thus, we take a disciplined and sophisticated approach to design a wealth management process and implement a disciplined strategy that is unique to each of our client's requirements.

It is our belief that too much emphasis is being placed on the financial plan and not the performance of the underlying portfolio. The reality is the performance of the portfolio is paramount to the success of the financial plan. To generate the most competitive rates of return, based on specific risk and volatility standards, current market conditions dictate that security selection play an equal role to asset allocation.

We believe that many traditional financial planning processes and strategies will prove unsuccessful. We focus on providing our clients with the necessary education, communication, and active management required for them to make prudent decisions to not only meet but also potentially exceed their financial objectives.

**Investment Selection and Allocation**

What Will We Invest In:

- i. Money Market Funds and Cash Equivalents
- ii. Individual Equities
- iii. Exchange Traded Funds (ETFs)
- iv. Mutual Funds
- v. Bonds

vi. Real Estate Investment Trusts (REITs)

**Evaluation Criteria**

We will analyze a variety of data including Modern Portfolio Theory statistical data when selecting a particular security to add or to delete from a portfolio. Each security will be compared to its appropriate Lipper and Morningstar benchmarks. Criteria will be considered over 1, 3, 5- and 10-year time periods as part of the process and are as follows:

- ✓ Beta
- ✓ Standard Deviation
- ✓ Alpha
- ✓ Sharpe Ratio
- ✓ R-Squared
- ✓ Upside and Downside Capture Ratios
- ✓ Expense Ratio
- ✓ Rate of Return vs. a Custom 'Apples to Apples' Benchmark

**Methods of Analysis**

In addition to our own comprehensive research and analysis we rely on leading industry and academic research to assist in defining our investment strategy and asset allocation. We continually assess the respective return vs. risk characteristics of each security bought and sold.

*Fundamental Analysis:* We attempt to measure the intrinsic value of a security by looking at economic and financial factors to determine if the security is over or underpriced. Fundamental analysis does not attempt to anticipate market movements.

*Technical Analysis:* We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of market and investor behavior. Technical analysis does not consider the underlying financial condition of a particular security.

*Asset Diversification and Allocation:* We attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. We consistently review the asset allocation of each portfolio as the initial allocation can change due to natural movements in the stock market.

*Sector Allocation:* We construct a portfolio using both quantitative and qualitative analysis to include an appropriate allocation in each of the industry-recognized 11 sectors. These sectors include technology, financial services, healthcare, energy, etc. As a result of our research and analysis we will overweight or underweight a particular sector as compared to its benchmark.

**Our Process**

### **Phase One | Initial Consultation:**

During our initial meeting we listen carefully to gain a deep understanding of the prospect's financial goals and objectives, risk tolerance, investment time horizon, financial fears and investment experience. We will review the services our firm provides, our research capabilities, and our portfolio management strategies. During this meeting we will identify and prioritize the issues that are of most importance to the prospect.

### **Phase Two | Analysis and Recommendations:**

Prior to making recommendations, it is important that we analyze in detail the prospect's current investment accounts in detail and review the Evaluation Criteria as defined in Section above. We will use advanced third-party research tools to complete a thorough evaluation.

During our second meeting we will present and review a customized picture of the prospect's current financial position. This will include an analysis and rating of the prospect's current investments and a forecast of the ability for the prospect to meet his or her desired objectives. We will present recommendations and present in detail a strategy that we believe will be the most effective for the prospect to meet his or her defined goals and objectives.

### **Phase Three | Cooling Off Period:**

We encourage individuals and businesses considering our firm to take as much time as necessary to review our qualifications, recommendations and to consider their options. The choice of an investment advisor is an important decision and a prospective client should never feel pressure to choose a particular advisor or course of action.

### **Phase Four | Implementation:**

Implementation of a financial plan and investment strategy is time sensitive and demands attention to detail. We have developed a process to ensure that the new client is updated consistently on the implementation and monitoring of his or her financial plan and investment strategy.

### **Phase Five | Communication and Monitoring:**

We cannot control the financial markets or how circumstances may alter a client's original financial goals and objectives. However, we can control through a continuous and systematic review process a plan on how we will respond to changing characteristics of the financial markets and the client's personal circumstances. We have incorporated an individualized client service model within our firm to address this issue. Through our website clients have access to leading third-party tools to monitor their account balances, account performance, current market data, and articles related to numerous investment topics.

Our active management approach requires our clients meet with our firm on a consistent basis, as personal circumstance change and economic and investment environments are complex and ever changing, to discuss the following:

- A. Changes to their personal circumstances such as employment, health issues, etc.
- B. Changes to their financial goals and objectives.
- C. Current state of the economy and financial markets both domestic and international.
- D. Comprehensive review of the client's investment accounts and portfolio, reviewing in detail the Evaluation Criteria defined in Section 1.B.2. The performance of the client's portfolio compared to its custom benchmark will be reviewed as well.

Our investment philosophy is to assist our clients in meeting their individual financial goals. Just as the goals and objectives of our clients are distinctive and diverse so too are the services, investment and financial strategies, and recommendations we provide. We are committed to being true partners and aligning with our clients' needs.

Our Firm may include mutual funds and exchange traded funds, ("ETFs") in our investment strategies. Our policy is to purchase institutional share classes of those mutual funds selected for the client's portfolio. The institutional share class generally has the lowest expense ratio. The expense ratio is the annual fee that all mutual funds or ETFs charge their shareholders. It expresses the percentage of assets deducted each fiscal year for funds expenses, including 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs incurred by the fund. Some fund families offer different classes of the same fund and one share class may have a lower expense ratio than another share class. These expenses come from client assets which could impact the client's account performance. Mutual fund expense ratios are in addition to our fee, and we do not receive any portion of these charges. If an institutional share class is not available for the mutual fund selected, the adviser will purchase the least expensive share class available for the mutual fund. As share classes with lower expense ratios become available, we may use them in the client's portfolio, and/or convert the existing mutual fund position to the lower cost share class. Clients who transfer mutual funds into their accounts with our Firm would bear the expense of any contingent or deferred sales loads incurred upon selling the product. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting). All mutual fund expenses and fees are disclosed in the respective mutual fund prospectus.

### **Risk of Loss**

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients should never assume that future performance

of any specific investment or investment strategy will be profitable. Investing in securities involves risk of loss. Further, depending on the different types of investments there will be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

Investors should be aware that accounts are subject to the following risks:

**Market Risk** — Even a long-term investment approach cannot guarantee a profit. Economic, political and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more or less upon liquidation.

**Foreign Securities and Currency Risk** — Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.

**Capitalization Risk** — Small-cap and mid-cap companies may be hindered as a result of limited resources or less diverse products or services, and their stocks have historically been more volatile than the stocks of larger, more established companies.

**Interest Rate Risk** — In a rising rate environment, the value of fixed-income securities generally declines and the value of equity securities may be adversely affected.

**Credit Risk** — Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and, thus, impact the fund's performance.

**Securities Lending Risk** — Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.

**Exchange-Traded Funds** — ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."

**Performance of Underlying Managers** — We select the mutual funds and ETFs in our portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.

**Liquidity Risk** - **Liquidity** risk exists when particular investments would be difficult to purchase or sell, possibly preventing clients from selling such securities at an advantageous time or price.

**Cybersecurity Risk** - In addition to the Material Risks listed above, investing involves various operational and “cybersecurity” risks. These risks include both intentional and unintentional events at our Firm or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm’s ability to conduct its business. A cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients’ information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including that certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

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## **ITEM 9 - DISCIPLINARY INFORMATION**

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On November 4, 2019, Mr. Kozak consented to a FINRA Letter of Acceptance, Waiver and Consent that finds, without admitting or denying, that Mr. Kozak engaged in an outside business activity which he did not disclose to his broker-dealer from January 2016 through February 2017 in violation of FINRA Rules 3270 and 2010. A suspension from associating with a broker-dealer for six months and a \$10,000 fine was ordered.

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

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### **Insurance**

Some of our IARs are also licensed insurance agents and sell various life insurance products, long term care and fixed and variable annuities through the licensed insurance agency. Our IARs receive compensation (commissions, trails, or other compensation from the respective product sponsors) as a result of effecting insurance transactions for clients. As a result, this creates a conflict of interest between your interests and our Firm. However, clients should note that they have the right to purchase insurance products away from Kozak & Associates, Inc. A limited portion of the time IARs spend (generally less than

5%) is in connection with these insurance activities and it represents less than 5% of the ongoing revenue for our IARs. However, at all times KAI and its IARs will act in your best interest and act as a fiduciary in carrying out services provided to you.

IARs of our Firm do not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.

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

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We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, the prohibition against the use of inside information. The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of our Firm, guard against violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the firm's ethical principles.

Our Firm and persons associated with us are allowed to invest for their own accounts or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as transactions made in your account. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have established the following restrictions in order to ensure our firm's fiduciary responsibilities:

1. A director, officer or employee of KAI shall not buy or sell any securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No supervised employee of KAI shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.
2. We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of KAI.
3. We emphasize the unrestricted right of the client to decline to implement any advice rendered, except in situations where we are granted discretionary authority of the client's account.



4. We require that all supervised employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
5. Any supervised employee not in observance of the above may be subject to termination.

You may request a complete copy of our Code of Ethics by contacting us at the telephone number on the cover page of this Part 2; Attn: Chief Compliance Officer.

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## **ITEM 12 - BROKERAGE PRACTICES**

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Clients must maintain assets in an account at a “qualified custodian,” generally a broker-dealer or bank. We generally recommend that our clients use Charles Schwab & Co., Inc. Advisor Services (“Schwab”), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities as instructed. In some cases, our Firm may recommend that you establish accounts with a firm other than Schwab to maintain custody of your assets.

While we recommend that clients use Schwab as Custodian, client must decide whether to do so and open accounts with Schwab or any other custodian by entering into account agreements directly with them. The client opens the accounts directly with the Custodian. The accounts will always be held in the name of the client and never in KAI or the Advisors’ name.

### ***How We Select Custodians***

We seek to recommend a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for client accounts)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (commission rates, other fees, etc.) and willingness to negotiate the prices

8. Reputation, financial strength, and stability
9. Prior service to KAI Advisors and our other clients
10. Availability of other products and services that benefit us, as discussed below (see Products and Services Available to Us from Schwab)

#### ***Client Brokerage and Custody Costs***

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services. On occasion, a client may be charged fees to custody alternative investments held outside of Schwab. Schwab receives compensation by charging ticket charges or other fees on trades that it executes or that settle into clients' Schwab accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see How We Select Brokers/Custodians).

#### ***Products and Services Available to Us from Schwab***

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide KAI Advisors and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us. These are considered soft dollar benefits because there is an incentive to do business with Schwab. This creates a conflict of interest. We have established policies in this regard to mitigate any conflicts of interest. We believe that our selection of Schwab as custodian and broker is in the best interests of clients. KAI Advisors will at all times act in the best interest of their clients and act as a fiduciary in carrying out services to clients.

Following is a more detailed description of Schwab's support services:

#### ***Services That Benefit Our Clients***

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit our clients and their accounts.

#### ***Services That May Not Directly Benefit Our Clients***

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients or their accounts. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients' accounts
5. Assist with back-office functions, recordkeeping, and client reporting

#### ***Services That Generally Benefit Only Us***

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

1. Educational conferences and events
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

#### ***Our Interest in Schwab's Services***

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients.

Some of the products, services and other benefits provided by Schwab benefit KAI Advisors and may not benefit our client accounts. Our recommendation or requirement that you place assets in Schwab's custody may be based in part on benefits Schwab provides to us, or our agreement to maintain certain Assets Under Management at Schwab, and not solely on the nature, cost or quality of custody and execution services provided by Schwab.

We place trades for our clients' accounts subject to its duty to seek best execution and its other fiduciary duties. Schwab's execution quality may be different than other Custodians. KAI annually reviews the relationship between Charles Schwab, KAI and the client in order to determine if the custodial relationship is in the best interest of the client.

### **Aggregation and Allocation of Transactions**

We may aggregate transactions if we believe that aggregation is consistent with the duty to seek best execution for our clients and is consistent with the disclosures made to clients and terms defined in the client Investment Advisory Agreement. We may make trades in individual accounts (that are not aggregated with others) so that we may address that client's unique circumstances. No advisory client will be favored over any other client, and each account that participates in an aggregated order will participate at the average share price (per custodian) for all transactions in that security on a given business day.

We will aggregate trades for ourselves or our associated persons with your trades, providing that the following conditions are met:

1. Our policy for the aggregation of transactions shall be fully disclosed to our existing clients (if any) and the Custodian(s) through which such transactions will be placed;
2. We will not aggregate transactions unless we believe that aggregation is consistent with our duty to seek the best execution (which includes the duty to seek best price) for you and is consistent with the terms of our Investment Advisory Agreement with you for which trades are being aggregated.
3. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all our transactions in a given security on a given business day, with transaction costs based on each client's participation in the transaction;
4. We will prepare a written statement ("Allocation Statement") specifying the participating client accounts and how to allocate the order among those clients;
5. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the allocation statement; if the order is partially filled, the accounts that did not receive the previous trade's positions should be "first in line" to receive the next allocation.
6. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for difference of allocation is explained in writing and is reviewed by our compliance officer. Our books and records will separately reflect, for each client account, the orders of which aggregated, the securities held by, and bought for that account.
7. We will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
8. Individual advice and treatment will be accorded to each advisory client.

### **Trade Errors**

From time-to-time we may make an error in submitting a trade order on your behalf. When this occurs, we may place a correcting trade with the Custodian of your account. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client accounts that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forgo the gain (e.g. due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. is the Custodian, Charles Schwab & Co. Inc. will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Charles Schwab & Co Inc. will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

### **Directed Brokerage**

We do not routinely recommend, request or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

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## **ITEM 13 - REVIEW OF ACCOUNTS**

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### **Account Reviews and Reviewers – Investment Supervisory Services**

Our Investment Adviser Representatives will monitor client accounts on a regular basis and perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax or financial status. Geopolitical and macroeconomic specific events may also trigger reviews.

### **Statements and Reports**

The custodian for the individual client's account will provide clients with an account statement at least quarterly. Each quarter, clients receive a KAI-prepared written report detailing their current positions, asset allocation, and year-to-date performance. You are urged to compare the reports provided by our firm against the account statements you receive directly from your account custodian.

Those clients who are exclusively Consulting or Financial Planning clients (i.e. those who have no assets under management with us in our advisory program) will receive no regular reports from the Firm.

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

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We do not pay referral fees or receive compensation for referrals.

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#### ITEM 15 – CUSTODY

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Custody has been defined by regulators as having access or control over client funds and/or securities. Our firm does not have *physical custody*, as it applies to investment advisors.

##### **Standing Letters of Authorization (“SLOA”)**

Our firm is deemed to have custody of clients’ funds or securities when clients have standing authorizations with their custodian to move money from a client’s account to a third-party (“SLOA”) and, under that SLOA, it authorizes us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow. We do not have a beneficial interest on any of the accounts we are deemed to have Custody where SLOAs are on file. In addition, account statements reflecting all activity on the account(s), are delivered directly from the qualified custodian to each client or the client’s independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from us. When you have questions about your account statements, you should contact us, your Advisor or the qualified custodian preparing the statement.

##### **Deduction of Advisory Fees**

For all accounts, our firm has the authority to have fees deducted directly from client accounts. Our firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client’s name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian’s name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client’s independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from our Firm. When you have questions about your account statements, you should contact our Firm or the qualified custodian preparing the statement. Please refer to Item 5 for more information about the deduction of adviser fees.

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#### ITEM 16 – INVESTMENT DISCRETION

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For discretionary accounts, prior to engaging our Firm to provide investment advisory services, you will enter a written Agreement with us granting the firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client’s investment objective and guidelines. In addition, you will need to execute additional documents required by the Custodian to authorize and enable KAI, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell or exchange

securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment and brokerage discretion held by KAI for you are:

1. For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
2. Any limitations on this discretionary authority shall be in writing. You may change/amend these limitations as required.

In some instances, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades if in an employer sponsored account.

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#### **ITEM 17 – VOTING CLIENT SECURITIES**

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We will not vote proxies on your behalf. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third party. We do not take action with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients can contact our office with questions about a particular solicitation by phone at 303-847-4045.

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#### **ITEM 18 – FINANCIAL INFORMATION**

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We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. The firm received a Paycheck Protection Plan Loan (\$94,300.00) through the SBA in conjunction with the relief afforded from the CARES Act. The firm procured the loan to guarantee payroll due to the potential of decreased revenue associated with the unprecedented health pandemic. It also aids in supporting and retaining our staff and support the ongoing operations due to the potential for continued revenue decline in 2020. Finally, we have not been the subject of a bankruptcy petition at any time.