
M. Kraus & Company

Form ADV Part 2A

Investment Adviser Brochure

March 16, 2021

This brochure provides information about the qualifications and business practices of M. Kraus & Company. If you have any questions about the contents of this brochure, please contact Denise M. Dalton, Chief Compliance Officer, at (802) 985-2620 and/or denise@mkrausco.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply any level of skill or training.

Additional information about M. Kraus & Company is also available on the SEC's website at www.adviserinfo.sec.gov. You may search this site using a unique identifying number, known as a CRD number, M. Kraus & Company's CRD Number is 106749.

4076 Shelburne Road, Building A Suite 7-C
Shelburne, Vermont 05482
(802) 985-2620
www.mkrausco.com

Item 2 : Summary of Material Changes

Annual Update

In this Item of M. Kraus & Company's (the Firm) Form ADV 2, the Firm is required to discuss any material changes that have been made to Form ADV since the last Annual Amendment.

Material Changes Since the Last Update

Since the last ADV Annual Amendment filing dated February 26, 2020, there are no material changes to report.

Full Brochure Available

M. Kraus & Company's Form ADV may be requested at any time, without charge, by contacting Denise M. Dalton, Chief Compliance Officer, at (802) 985-2620 or denise@mkrausco.com.

Item 3 : Table of Contents

Item 1 : Cover Page	Page 1
Item 2 : Summary of Material Changes	Page 2
Item 3 : Table of Contents	Page 3
Item 4 : Advisory Business	Page 4
Item 5 : Fees and Compensation	Page 5
Item 6 : Performance-Based Fees and Side-by-Side Management	Page 7
Item 7 : Types of Clients	Page 7
Item 8 : Methods of Analysis, Investment Strategies and Risk of Loss	Page 8
Item 9 : Disciplinary Information	Page 9
Item 10 : Other Financial Industry Activities and Affiliations	Page 9
Item 11 : Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 10
Item 12 : Brokerage Practices	Page 11
Item 13 : Review of Accounts	Page 13
Item 14 : Client Referrals and Other Compensation	Page 14
Item 15 : Custody	Page 14
Item 16 : Investment Discretion	Page 15
Item 17 : Voting Client Securities	Page 16
Item 18 : Financial Information	Page 16

Item 4 : Advisory Business

Firm Description

M. Kraus & Company provides discretionary investment management for individuals, trusts, retirement plans, charitable institutions, corporations or other business entities based on the specific needs of the client.

M. Kraus & Company was founded in 1996.

Principal Owners

M. Kraus & Company is owned by Aileen J. (Missy) Kraus.

Investment Advisory Services

M. Kraus & Company provides discretionary investment management for individuals, trusts, retirement plans, charitable institutions, corporations or other business entities based on the specific needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, M. Kraus & Company develops each client's investment policy and creates and manages a portfolio based on that policy. Account supervision is guided by one of three broadly-stated client objectives (i.e., Capital Appreciation, Balanced Growth or Current Income) which will be reflected in each portfolio's asset allocation. Additionally, clients have the opportunity to amend these objectives to suit their specific needs as well as to reflect any personal restrictions/social preferences that might influence the investment process.

M. Kraus & Company creates customized portfolios consisting primarily of individual equities, preferred stocks, fixed income securities, and cash equivalents. On occasion, mutual funds are used to access particular sectors of the marketplace.

As requested from time-to-time and as part of our investment management process, M. Kraus & Company provides limited, personalized financial planning services to clients. Advice is provided through consultation with the client and may include: identification of financial risks, cash flow/budget needs, and evaluation of the adequacy of retirement income. We do not charge clients an additional fee for this consultation, but rather view it as an important part of the portfolio management process.

M. Kraus & Company is strictly a fee-only investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products. The firm is not affiliated with entities that sell financial products or securities. No commissions in any form are accepted. No finder's fees are accepted.

M. Kraus & Company does not act as a custodian of client assets. Clients always retain individual ownership and control of all securities in their accounts with an independent third party custodian. M. Kraus & Company places trades for clients under a limited power of attorney. Securities are purchased and sold through a variety of different brokerage firms. These brokerage firms charge a fee for stock and bond trades. Please refer to Item 5 for a complete description of these fees.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which our investment management services may be beneficial to the client.

Tailored Relationships

A written Investment Policy Statement is created for each portfolio that reflects the clients' stated goals and objective. Clients may impose restrictions on investing in certain securities. These restrictions will be clearly stated on Schedule A of the Investment Advisory Agreement.

The goals and objectives for each client are documented in our client relationship management system.

Agreements may not be assigned without client consent.

Wrap Fee Program

M. Kraus & Company does not participate in a wrap fee program.

Assets Under Management

As of December 31, 2020, M. Kraus & Company managed approximately \$399,439,567 in assets under management; \$361,580,218 in discretionary assets and \$37,859,349 in non-discretionary assets.

Item 5 : Fees and Compensation

Compensation - Investment Advisory Services

M. Kraus & Company bases its fees on a percentage of the market value of assets under management at the beginning of each calendar quarter. Investment management fees are billed quarterly in advance.

Annual Fee Schedule:
1% of the first \$1,000,000
0.75% of the next \$1,000,000
0.50% of asset over \$2,000,000

Non-profit organizations receive a 10% discount to the Annual Fee Schedule.

Cash balances held as money market funds are included in the value of the account for fee purposes. Various fees levied on these funds by their managers, such as 12b-1 or operating expenses, are separate from M. Kraus & Company fees.

In certain circumstances, fees, account minimums and payment terms are negotiable depending on a client's unique situation such as the size of the aggregate related party portfolio, family holdings, low cost basis securities, fixed income holdings, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of

assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation. Existing clients may have been grandfathered in from a lower fee schedule.

At times M. Kraus & Company will negotiate a fixed investment advisory fee with clients. Currently, this fee ranges from \$25 to \$275 per quarter depending on the purpose of the specific account and is payable in advance.

When M. Kraus & Company or one of its employees serves as a co-trustee or sole trustee of an account for which the firm receives no investment management fees, trustee services will be charged at a rate of \$275 per hour as services are used.

Clients should note that similar advisory services may (or may not) be available from other sources for similar or lower fees.

Calculation and Payment

The specific manner in which fees are charged by M. Kraus & Company is established in the client's written agreement with M. Kraus & Company.

M. Kraus & Company bills fees on a quarterly basis, in advance of each calendar quarter.

Fees are payable in one of two ways:

1. Directly by the client, or
2. Authorization in writing is filed with the custodian to debit the investment management fee directly from the client's account. M. Kraus & Company sends copies of the bill to the client, itemizing the market value and the formula used to calculate the fee. An electronic file is submitted to the custodian with the client's account number and the amount of the fee.

Option Two, the direct debiting of fees from accounts, is the most typical means of payment.

Accounts initiated during a calendar quarter will be charged a prorated fee for that stub period.

Termination of an Account

Clients may terminate the Investment Management Agreement without penalty or fee within five business days after entering into the agreement if Form ADV 2 was delivered within 48 hours before contract execution. Thereafter, either the client or the investment manager may terminate the Agreement by written notice to the other party. Clients wishing to terminate the Agreement should send written notice to M. Kraus & Company at the mailing address provided on the cover of this Brochure. At termination, fees will be calculated on a pro rata basis for the portion of the quarter completed from the date that the written notice is received and returned to the client. The Agreement will terminate automatically if it is assigned by the Advisor without the consent of the Client.

Other Fees

In addition to M. Kraus & Company's investment advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager

effects transactions for the client's account(s), wire transfer and electronic fund fees, reorganization fees, and other fees and taxes (withholding and foreign) on brokerage accounts and securities transactions.

Mutual funds and exchange traded funds may also charge fees, which include but are not limited to internal management fees and sales fees; these fees are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to M. Kraus & Company's fee. M. Kraus & Company shall not receive any portion of these commissions, fees, and costs.

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security.

Item 12, Brokerage Practices further describes the factors that M. Kraus & Company considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Compensation for Sale of Securities or Products

Neither M. Kraus & Company nor any of its supervised persons (employees) accept compensation for the sale of securities or other investment products.

Item 6 : Performance-Based Fees and Side-by-Side Management

M. Kraus & Company does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk or be more speculative than those which would be recommended to the client under a different fee arrangement.

Item 7 : Types of Clients

Types of Clients

M. Kraus & Company provides discretionary investment management for individuals, trusts, retirement plans, charitable institutions, corporations or other business entities based on the specific needs of the client.

Account Minimums

M. Kraus & Company requires a minimum account of \$500,000 for Investment Management clients. This may be negotiable under certain circumstances. For example, M. Kraus & Company may group certain related client accounts for the purposes of achieving the minimum account size.

Item 8 : Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

M. Kraus & Company primarily uses fundamental analysis in the evaluation of securities. The objective is to invest in securities for the long term (securities held at least a year). From time to time, there may be securities that are held for less than a year due to unanticipated changes in a company's long term fundamentals, a change to our investment thesis, or client need for cash.

Fundamental Analysis: On the equity side, M. Kraus & Company attempts to find attractively valued companies based on a variety of different financial benchmarks such as return on capital, free cash flow, dividend policy and price/earnings ratios. Included in this analysis are the company's industry position, management team and general economic conditions. On the fixed income side, security selection is based on the quality of the underlying company, laddering to mitigate interest rate risk, and credit spread analysis.

The firm's fundamental analysis does not attempt to anticipate or time market movements. This presents a potential risk, as the short term price movements of a security can be affected by overall market conditions regardless of the economic and financial factors considered in evaluating a company.

Investment Strategies

M. Kraus & Company's investment style is best described as diversified among industry sectors, long term and value oriented. Typically, this results in low turnover.

Portfolios are concentrated among roughly 30 - 40 individual common stocks and a variety of different fixed income securities including corporate bonds, preferred stocks, municipal bonds, government bonds, CD's and other money market equivalents.

Neither short sales nor margin transactions are a part of our investment strategy. From time-to-time, an account may carry a margin balance; this results exclusively from a client's immediate need to withdraw cash in an amount that is not readily available in the portfolio. Every effort is made to cover this margin balance as soon as is practicable.

Generally, the approach to selecting investable securities is consistent across all clients. There may be some small variation in securities held in each portfolio based on M. Kraus & Company's evaluation of the associated risk and/or dividend policy. The specific asset allocation for each portfolio as well as the weightings in each individual security may vary based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

Risk of Loss

All investment programs have certain risks that clients should be willing to bear. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks (this list is not all inclusive):

- **Interest-rate Risk:** Fluctuations in interest rates may cause some securities prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar next year will not buy as much as a dollar today, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk to profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk to profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Geopolitical Risk:** When investing in US based companies with operations around the world and/or foreign domiciled companies, there is a risk of unexpected governmental actions that may jeopardize the value of an investment.

Item 9 : Disciplinary Information

M. Kraus & Company and its employees have never been involved in legal or disciplinary events related to past or present investment clients.

Item 10 : Other Financial Industry Activities and Affiliations

Financial Industry Activities

M. Kraus & Company is not registered as a broker-dealer. None of its management persons are registered representatives of a broker-dealer.

Neither M. Kraus & Company nor any of its management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor or an associated person of these entities.

Other Financial Industry Affiliations

Neither M. Kraus & Company nor any of its management persons have a material relationship or arrangement with any related person or entity in the financial industry.

Other Investment Advisors

M. Kraus & Company does not recommend or select other investment advisors for its clients, and does not have any business relationships with investment advisors that may create a material conflict of interest.

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

Code of Ethics

M. Kraus & Company employees must comply with a Code of Ethics and Personal Securities Transactions. The Code describes the Firm's high standard of business conduct, and fiduciary duty to its clients. The Code's key provisions include:

- Standards of Business Conduct
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to administer and enforce the Code
- Requirement to maintain privacy of client information

M. Kraus & Company's Chief Compliance Officer, reviews all employee trades daily. The Chief Compliance Officer's trades are reviewed quarterly by the Firm's President. These reviews ensure that personal trading does not affect the markets, and that no employee of the Firm receives preferential treatment.

All employees of M. Kraus & Company must acknowledge the terms of the Code of Ethics in writing upon commencement of employment and at least annually thereafter.

Clients and prospective clients can obtain a copy of M. Kraus & Company's Code of Ethics by contacting the Chief Compliance Officer at (802) 985-2620.

Participation or Interest in Client Transactions - Personal Securities Transactions

M. Kraus & Company and its employees may buy or sell securities for their personal accounts that are also held by clients. Employees must comply with the provisions of M. Kraus & Company's Code of Ethics. This includes provisions that mandate employee trades for their own accounts to be transacted only after client orders for those specific securities on that day have been filled and a prohibition against aggregating employee trades with trades for client accounts.

Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of M. Kraus & Company's clients. These include: direct obligations of the US Government, bankers' acceptances,

bank CDs, commercial paper and high quality short term debt instruments including repurchase agreements, shares issued by money market funds, shares issued by open-end funds other than reportable funds and shares issued by unit trusts that are invested exclusively in one or more open-end funds none of which are reportable funds.

Participation or Interest in Client Transactions - Financial Interest and Principal/Agency Cross

Neither M. Kraus & Company nor its employees recommend to clients or buy or sell for client accounts, securities in which they have a material financial interest.

M. Kraus & Company does not affect principal cross transactions for client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

Participation or Interest in Client Transactions - Aggregation

M. Kraus & Company and its employees may not participate in aggregated trades with client accounts.

Item 12 : Brokerage Practices

Research and Other Soft Dollar Benefits

From time to time, M. Kraus & Company receives research and other products or services, other than execution, from broker-dealers or third parties in connection with client securities transactions (soft dollar benefits).

At the time of this Brochure filing, M. Kraus & Company is not receiving any products or services that would be considered "soft dollars". In the event that we engage a broker-dealer for research or products in connection with client securities transactions, we will follow the Company's Soft Dollar Procedures.

By utilizing client brokerage commissions to obtain research or other products and services, M. Kraus & Company may receive a benefit because it doesn't have to produce or pay for the research, products or services. This practice presents a potential conflict of interest. However, if research or other services are provided by a particular broker and M. Kraus & Company pays a brokerage commission in excess of that which another broker customarily used by M. Kraus & Company who does not supply research or other services might have charged for the same transaction, then M. Kraus & Company will ensure that any cost for the additional research services will be in line with the services provided.

Additionally, in the event that the firm's trading is not sufficient to meet any soft dollar commitments, M. Kraus & Company has and will use hard dollars to satisfy soft dollar obligations rather than generate unnecessary commissions.

M. Kraus & Company's soft dollar policy is to:

- Examine soft dollar arrangements for research products and services that assist in the investment decision-making process;
- Make a good faith determination of the value of the research product or service in relation to the commissions paid;

- Maintain soft dollar arrangements for those research products and services that assist in the investment decision-making process; and
- Review, at least annually, the Firm's soft dollar arrangements.

Schwab Institutional, a division of Charles Schwab & Company, Inc, a FINRA registered broker-dealer, member SIPC (Schwab) also offers other services intended to help M. Kraus & Company manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to M. Kraus & Company. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to M. Kraus & Company.

Schwab may also provide other benefits such as educational events or occasional business entertainment of M. Kraus & Company personnel. In evaluating whether to recommend that clients custody their assets at Schwab, M. Kraus & Company may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Brokerage for Client Referrals

M. Kraus & Company does not receive client referrals from broker/dealers.

Directed Brokerage

M. Kraus & Company often recommends that portfolio management clients establish brokerage accounts with Schwab, to maintain custody of clients' assets and to effect trades for their accounts. Although M. Kraus & Company may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab.

M. Kraus & Company is independently owned and operated and not affiliated with Schwab. For M. Kraus & Company's client accounts maintained there, Schwab generally does not charge separately for custody services. Rather, Schwab is compensated through access to its institutional trading services and other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Typically, these services are available only to Schwab's institutional investors.

The brokerage commissions and/or transaction fees charged by Schwab or any other designated broker-dealer are exclusive of and in addition to M. Kraus & Company's fees.

Client Directed Brokerage

While not routine, there are times when a client may direct M. Kraus & Company to use a particular broker-dealer for custody or to execute some or all transactions for the client. When possible, M. Kraus & Company requests that the client be given a favorable commission rate. However, M. Kraus & Company cannot be responsible for the best execution of a trade or competitive commission rates in these situations.

Trade Aggregation

M. Kraus & Company may aggregate trades for multiple accounts when appropriate.

At the sole discretion of the Firm, aggregate purchases or sales of the same security, instrument or obligation may be transacted on the same day through Schwab's master account for multiple accounts of one or more of the Firm's clients. If the order is filled at different prices during the day, the prices are averaged for the day so that all participating accounts receive the same price. If an order has not been filled completely so that there are not enough shares to allocate among all the clients equally, shares will be allocated in good faith, based on the following considerations: amount of cash in the account, existing asset allocation and industry exposure, risk profile, type of security, and additional commission costs associated with a partially filled order.

There are situations where the same security may also be purchased/sold in individual accounts (rather than the master account) on the same day where the price will be subject to timing, thereby resulting in price variation.

Accounts for M. Kraus & Company or its employees will not be included in an aggregated trade with client accounts.

Item 13 : Review of Accounts

Reviews

Each client portfolio receives continuous monitoring by one of M. Kraus & Company's portfolio managers, Missy Kraus, President, and Chris Capano, Executive Vice President. This is intended to ensure that each portfolio is invested in accordance with the client's investment objectives and risk tolerance. Portfolios are also reviewed for proper levels of diversification.

Review Triggers

Other conditions that may trigger a review are changes in market, political or economic conditions, tax laws, new investment information, and changes in a client's own situation.

Reporting

Each month, the custodian provides clients with an account statement for each client account, which may include individual holdings, cost basis information, deposits and withdrawals, accrued income, dividends, and performance. Clients who use Schwab as their custodian receive confirmations on trades executed by Schwab. When non-Schwab brokers execute trades, clients receive confirmations from Schwab (not the executing broker). Schwab's confirmation will indicate the name of the executing broker.

Regular contact is maintained with most clients via telephone and email and annual meetings are encouraged to review portfolio and investment objectives.

M. Kraus & Company also provides clients with a Quarterly Appraisal report including:

1. A summary of holdings, including number of shares, cost basis, market value, current yield, summary of quarterly transactions. Interest and dividends received, realized gains and losses, and expenses are sent to clients with the year-end mailing;
2. Quarterly newsletter, written by M. Kraus & Company, discussing a current investment related topic;
3. A copy of the quarterly fee invoice.

Item 14 : Client Referrals and Other Compensation

Other Compensation - Brokerage Arrangements

See disclosure under Item 12, Brokerage Practices regarding compensation, including economic benefits received in connection with giving advice to clients.

Compensation - Client Referrals

M. Kraus & Company has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate anyone for these referrals.

Item 15 : Custody

Custody - Fee Debiting

Clients may authorize M. Kraus & Company to debit fees directly from the client's account at the custodian on their account application. For these clients, M. Kraus & Company electronically submits the advisory fee amount to the custodian. This file includes the amount of the advisory fee and the client account number to debit. Simultaneously, clients are mailed the copy of the invoice, along with a Quarterly Appraisal package. This invoice includes the portfolio value used to calculate the fee, the amount of the fee, the period covered by the fee and the account debited to pay the fee. All activity, including payment of advisory fees, appears on the client's monthly statement from their custodian. Some clients prefer to pay the investment management fee directly; in this case, they receive either an email or a paper copy of the bill including all of the information listed above, along with a quarterly appraisal package. This activity will not appear on the client's monthly statement from their custodian and no transactions are generated at the custodian.

Custody - Trusteeship/Executor and Other

Upon the unsolicited request of a client, M. Kraus & Company or one of its employees may agree to serve as co-trustee or sole trustee of an account for which the firm receives investment management fees.

Clients contemplating such arrangements are advised that, while not an uncommon practice, there may be an inherent conflict of interest. When an investment adviser also serves as trustee, the trustee is not independent. To minimize this conflict, M. Kraus & Company strongly encourages clients to

appoint at least one co-trustee that is not affiliated with M. Kraus & Company or to make arrangements for duplicate statements to be delivered to an independent third party who will serve as the Client's representative.

Accounts for which a principal, affiliate or employee of M. Kraus & Company serves as trustee/co-trustee participate in purchase and sale transactions on the same basis as M. Kraus & Company's other clients.

M. Kraus & Company may also have standing letters of authorization (SLOAs) for a small number of clients. These authorizations give M. Kraus & Company the authority to make cash transfers on behalf of clients to locations previously designated in writing by the clients.

M. Kraus & Company complies with the SEC's Custody Rule for the forms of custody described above; annually, the Firm is subject to a Surprise Examination by an independent accountant for these accounts.

Custody - Account Statements

As described above, clients receive statements from the qualified custodian that holds and maintains client's investment assets not less than quarterly. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that M. Kraus & Company provides to the client. M. Kraus & Company statements may vary from custodial statements based on accounting procedures, reporting dates, valuation methodologies of certain securities and inclusion of accrued interest amounts.

Item 16 : Investment Discretion

Through the Investment Advisory Agreement, M. Kraus & Company receives written consent by clients for full discretion to buy and sell securities in amounts that are believed to be in accordance with the client's investment objectives.

A limited power of attorney executed between the custodian and the client allows M. Kraus & Company to execute trades on behalf of clients. When such limited powers exist, M. Kraus & Company receives full discretion to determine, without obtaining specific client consent, the amount and type of securities to be bought to satisfy client account objectives as well as the broker/dealer to be used in executing transactions and determining the commission rates paid.

Additionally, M. Kraus & Company may accept any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to M. Kraus & Company in writing.

If M. Kraus & Company has not been given discretionary authority, M. Kraus & Company consults with the client prior to each trade.

Item 17 : Voting Client Securities

M. Kraus & Company has instituted the policy that it will not vote proxies for Clients. If requested, M. Kraus & Company may provide advice to clients regarding proxy votes. Clients receive the proxy voting materials directly from the custodian or transfer agent. The Client will vote proxies directly, and to the extent possible, arrange for the Advisor to receive information only copies of proxy materials.

Unless other arrangements have been made with the custodian of the Client's securities, M. Kraus & Company will retain authority for participation in corporate reorganization transactions. Examples of reorganization transactions include, but are not limited to, exchanges of securities for cash or other securities in the event of corporate mergers, tender offers, and bankruptcy settlements.

If any conflict of interest exists, it will be disclosed to the client.

Clients may contact Missy Kraus at (802) 985-2620 for information about proxy voting.

Item 18 : Financial Information

M. Kraus & Company has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

M. Kraus & Company is not required to provide a balance sheet; M. Kraus & Company does not require both prepayment of fees of more than \$1,200 per client **and** more than six months in advance.