

# **Kaydan Wealth Management, Inc.**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices Kaydan Wealth Management, Inc., and its supervised personnel. If you have any questions about the contents of this brochure, please contact us at the phone number listed above. 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. Please note, where this brochure may use the terms "registered investment adviser" and/or "registered," registration itself does not imply a certain level of skill or training.

Additional information about the firm and its representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment dated March 26, 2021, we have the following material change to report:

- An acknowledgement of fiduciary status required under PTE 2020-02 has been added to Item 4 of the ADV Part 2A. Please refer to Item 4 for additional information on this topic.
- Kaydan has amended Items 4, 5 & 7 of the ADV Part 2A to reflect the services that are being offered and the fees associated with them. Please refer to Items 4, 5 & 7 of the ADV Part 2A for additional information on Kaydan's services and fees.

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## **Item 4 Advisory Business**

Kaydan Wealth Management ("Kaydan") is a registered investment adviser based in Michigan. We are organized as a corporation ("Inc.") under the laws of the State of Michigan. We have been providing investment advisory services since 1996. James B. Kruzan is the President and principal owner.

Kaydan offers the following investment advisory services, which are personalized to each individual client:

- Comprehensive Wealth Management Services
- Investment Management Services
- Wealth Consulting Services
- Other Services

### **Comprehensive Wealth Management Services**

Kaydan provides individuals and their families with independent, comprehensive financial planning and investment advice. This generally includes advice related to client's cash flow, charitable giving, education funding, estate and legacy planning, debt and risk management, as well as insurance, investments, retirement and tax planning. Our wealth management services integrate all into a single, comprehensive offering. Recommendations are tailored to each client's individual circumstances and, as a result, vary significantly from client to client.

Meetings with clients are typically agenda driven and focused on client's goals, resources, implementation, action items and other proactive recommendations. While investments are important, we help clients manage both sides of their personal balance sheet - assets and liabilities. We work with our client's existing advisers and may recommend new advisers to fill any voids on their team when appropriate.

### **Investment Management Services**

We offer discretionary investment management (portfolio) services. These services are provided either as part of our comprehensive wealth management service(s) (see above) or separately without wealth management advice. We also have a fiduciary duty to provide these services consistent with the client's best interest.

Client meetings are conducted to determine investment objectives, risk tolerance, time horizon and other relevant information. Information gathered is used to create a strategy that enables our firm to provide continuous and focused investment advice and /or make investments on our client's behalf. At our discretion, portfolio solutions can be either modelled or customized. Once the investment portfolio is constructed for a client, we will monitor the portfolio on an ongoing basis to determine if any changes are necessary based on various factors, including, but not limited to, investment performance, changes in market conditions, style drift, fund manager tenure, the economy and our client's financial circumstances.

Based upon these factors, there may be extended periods of time when Kaydan Wealth determines that changes to a client's portfolio are neither necessary nor prudent. Our advisory fee shall remain due and payable during any such inactive period. There is no assurance that those or other investment decisions made by Kaydan Wealth will be profitable or equal any specific performance level(s).

Since we manage investment portfolios on a discretionary basis, we require our clients to grant our firm discretionary authority to manage client account(s). Discretionary authorization allows us to determine what specific securities are to be purchased or sold in addition to transaction size and timing. All of this is accomplished without a client's approval prior to each transaction. Discretionary

authority is granted in the investment advisory agreement client's sign with Kaydan Wealth and the appropriate trading authorization forms. Client's may limit our discretionary authority by providing Kaydan with specific restrictions and guidelines in writing.

### **Wealth Consulting Services**

We offer additional consulting services centered around workplace savings programs. Service includes analyzing the various workplace programs available to a client, formulate a funding strategy to help achieve long-term goals, provide advice on tax balancing between multiple programs, create an asset allocation strategy and make plan adjustment as needed due to changing market, economic and personal circumstances. Our wealth consulting services are specific to workplace programs.

Meetings with clients are centered around work place plan functionality and the best use of funding (contributions) to maximize long term goals.

We provide these services on a discretionary basis. Kaydan Wealth will retain client log-in credentials to perform portfolio allocation, rebalance and periodic review. All portfolio adjustments are completed on an individual basis.

### **Other Services**

From time to time, Kaydan Wealth advisers may provide pro-bono planning and investment advice to local and regional non-profits and their clients.

Under certain circumstances, Kaydan Wealth may engage in a client's portfolio review or a retirement or financial assessment. These services are provided on either an hourly or project basis and are considered a one-off engagement terminating upon the completion of the assessment. These services fall outside the scope of our current client engagement.

Clients have the right to accept or reject our financial or retirement recommendations, and they can choose any firm to assist them with implementing our recommendations. They are under no obligation to continue working with us beyond the agreed upon assignment. While we strive to offer our clients specialized services at reasonable costs, the fees charged by other advisers for comparable services may be different than the fees charged by our firm.

If a client requires extraordinary planning (to be determined at the sole discretion of Kaydan Wealth), we may charge the client for such additional services pursuant to a stand-alone Financial Planning Agreement.

### **Types of Investments**

We offer advice on stocks, bonds, mutual funds, index and exchange-traded funds, stable value accounts (or similar securities) and variable annuities.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

Since our investment strategies and advice are based on each client's specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

### **Wrap Fee Programs**

We do not participate in any wrap fee program.

## **IRA Rollover Recommendations**

Effective December 20, 2021 (or such later date as the US Department of Labor ("DOL") Field Assistance Bulletin 2018-02 ceases to be in effect), for purposes of complying with the DOL's Prohibited Transaction Exemption 2020-02 ("PTE 2020-02") where applicable, we are providing the following acknowledgment to you. When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

We benefit financially from the rollover of your assets from a retirement account to an account that we manage or provide investment advice, because the assets increase our assets under management and, in turn, our advisory fees. As a fiduciary, we only recommend a rollover when we believe it is in your best interest.

## **Assets Under Management**

As of December 31, 2021, we provide continuous management services for \$654,840,570 in client assets managed on a discretionary basis. We also manage \$99,671,092 in client assets on a non-continuous basis.

## **Item 5 Fees and Compensation**

### **Kaydan Wealth Fees in General**

Kaydan Wealth is compensated through fees directly paid by our clients (except in insurance cases - see paragraph below and Item 10). Fees are calculated quarterly and billed quarterly in arrears. Kaydan Wealth believes that it is important for all wealth management clients to address financial planning issues with us on an ongoing basis. Our wealth management advisory fee will remain in effect regardless of whether clients determine to address financial planning issues with Kaydan Wealth Management. However, Kaydan remains available to address planning issues with our clients on an ongoing basis.

All fees are negotiable, including minimum fees, when unique circumstances are present. Specifically, Kaydan Wealth may discount the fee represented in the schedule below when a large portion of a client's net investable assets represent a concentrated position or due to their personal relationship with a firm employee.

In addition, we uphold client's legacy fee schedules and service models. As a result of these factors, similarly situated clients could pay different fees which correspondingly impact a client's net account performance. Moreover, the services provided by Kaydan to any client could be available from other

advisers at lower fees, and certain clients may have fees different than those specifically set below. Additionally, the service model provided by Kaydan Wealth to any client may be materially different than the services provided another similarly situated client.

### **Comprehensive Wealth Management Services**

Kaydan 360. Kaydan Wealth provides personally integrated, collaborative and comprehensive wealth management represented by the fee schedule below.

#### **Fee Schedule**

<b>Account Value:</b>	<b>Quarterly Fee:</b>	<b>Annualized</b>
First 500,000*	0.3125%*	<b>Fee: 1.25*</b>
Next \$500,001 - \$2,000,000 Next	0.25%	1.00
\$2,000,001 - \$4,000,000 Next	0.2125%	0.85
\$4,000,001 - \$7,000,000 Next	0.200%	0.80
\$7,000,001 - \$10,000,000 Next	0.1875%	0.75
\$10,000,001 - \$25,000,000 Next	0.1750%	0.70
\$25,000,001 - \$50,000,000 Next	0.10%	0.40
\$50,000,001 - \$100,000,000 Next	0.075%	0.30
\$100,000,001 +	0.050%	0.20

There is a minimum annual fee of \$6,250 for this service. This represents the annual advisory fee applicable on an investment relationship of \$500,000.

Investment relationships of \$500,000 or more are eligible for Family Pricing. Family Pricing allows Kaydan Wealth to combine investment account totals of related family members to reduce the effective fee, reflecting greater accumulated wealth.

Fees are calculated quarterly, in arrears, and due the following business day. Kaydan typically deduct fees directly from the account under management. With client's consent, we can deduct fees from an account of their choosing. Authorization to deduct fees from a client's account is included in the Advisory Agreement. Further, the qualified custodian will deliver an account statement to the client at least quarterly. These accounts statements will show all disbursements from the client's account. Clients should review all statements for accuracy.

Kaydan180. Kaydan Wealth provides an entry level wealth management and education service. This service integrates active portfolio management with client-driven wealth management education.

Fee schedule is the same as above. There is no minimum annual fee. Service is typically suited for clients with less than \$500,000 of investable billable assets. Should a client with less than \$500,000 of investable billable wealth require our more comprehensive, collaborative services (Kaydan 360), a retainer will be calculated representing the difference between \$1,562.50 per quarter (\$6,250 divided quarterly) and the actual quarterly fee generated from the investment account. The retainer will be paid quarterly from the same account as the quarterly advisory fee.

Should a client with less than \$500,000 of investable billable assets elect our Kaydan 360 service, total annual fees (scheduled management fees plus retainer) in no way will exceed 2.50%.

**WealthCoach.** Personally integrated wealth management service for young adults. This service is available to young adults under the age of 40. WealthCoach provides the same level of service as our personally integrated, collaborative and comprehensive wealth management offering (Kaydan 360) on a subscription basis.

Service is available for a monthly subscription fee of \$180/month. As part of this service, Kaydan provides a discounted advisory fee of 80 bps. After age 40, a client must graduate out of the program and migrate onto one of our other wealth management service models at standard prevailing fee schedules.

Monthly subscription fee includes the cost of our Workplace WealthCoach services (see below). Monthly subscription will accommodate up to two workplace savings programs. Additional workplace savings programs can be added for an additional monthly fee of \$30/month/additional plan.

### **Investment Management Services**

Kaydan offers discretionary investment management services. These services are provided either as part of our wealth management services or separately without wealth management advice.

Investment Management Services provided as part of our inclusive Wealth Management Service(s) are covered under the Wealth Management Advisory Agreement (see above).

**Portfolio Edge.** Kaydan provides Investment-Only portfolio management services. This offering is uncoupled from our traditional wealth management service(s). Clients receive investment management service(s) exclusively without any wealth or financial planning advice.

Kaydan charges a flat advisory fee which ranges from 0.70 - 0.80% per annum, billed quarterly, in arrears.

### **Wealth Consulting Services**

**Workplace WealthCoach.** Kaydan offers consulting services centered around workplace savings programs (401(k), 403(b), 457, HSA, Executive Compensation). These services are available on a monthly subscription basis.

Cost: \$60/month for the first plan. \$30/month for each additional workplace savings plan.

### **Other Services**

From time to time, Kaydan may provide a client a portfolio review or a retirement or financial assessment. These services are provided on either an hourly or flat project basis, and are considered a one-off engagement terminating upon the completion of the assessment.

Fees for portfolio reviews, retirement or financial assessments are negotiable and are provided at an hourly rate or part of a flat project fee. Hourly fees range from \$75 to \$550 per hour. Flat project fees can range from \$575 to \$7,500. In both cases, fees are dependent on the scope of the project. One half of the fee is due at the engagement of the project with the balance due at the completion of the project. No fee is paid more than six months in advance.

Our fees are negotiable depending upon the complexity and scope of the services rendered. Kaydan provides clients with an estimate of the total time/cost at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, Kaydan will notify a client and request they approve the additional fee. All terms of our engagement will be



evidenced in the agreement a client signs with our firm. Under no circumstances will we require a prepayment of a fee greater than \$1,200 for services not performed within six months of the advanced payment.

Kaydan has a legacy workplace advisement program which is billed through a quarterly retainer fee. Quarterly retainer fees are billed in arrears and ranged from \$91.25 to \$750 quarterly depending on the scope of the project. No fee is paid more than six months in advance. The program is closed to new clients. Kaydan is not accepting new clients into this program and maintain the quarterly program as a courtesy to existing clients.

### **Termination of Advisory Relationships**

A client agreement may be cancelled at any time, by either party, for any reason upon receipt of 5 days written notice. Upon termination of any account, all unearned/unapplied fees will be promptly refunded, prorated based upon the amount of time expended on the engagement prior to termination, and any earned, unpaid fees will be due and payable. All fees remain negotiable. Agreements for financial planning and consultative services charged on an hourly or fixed fee basis terminate upon delivery of services.

### **Additional Fees and Expenses**

As part of Kaydan's investment advisory services to the client, Kaydan may invest, or recommend that the client invest, in mutual funds and exchange traded funds. The fees that the client pay's to Kaydan for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. The client will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom the client's account transactions are executed. Kaydan does not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, the client should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on Kaydan's brokerage practices, refer to the *Brokerage Practices* section of this brochure.

### **Compensation for the Sale of Securities or Other Investment Products**

As discussed in Item 10 below and in the respective brochure supplements that accompany this firm brochure, certain investment adviser representatives of Kaydan are also licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to the client. Insurance commissions earned by these persons are separate and in addition to Kaydan's advisory fees. This practice presents a conflict of interest since Kaydan Investment Advisor Representatives are licensed insurance agents and any placement of an insurance product will result in commission paid to the Advisor. Advisors have a fiduciary to duty to put client interests ahead of their own. Clients are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with Kaydan.

## **Item 6 Performance-based fees and Side-by-Side Management**

Kaydan does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the client's assets).

## **Item 7 Types of Clients**

Kaydan offers investment advisory services to individuals and high net worth individuals.

There is a minimum annual fee of \$6,250 for Comprehensive Wealth Management Services. This represents the annual advisory fee applicable on an investment relationship of \$500,000. At our discretion we may waive the minimum fee.

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

Kaydan's investment approach is fundamental analysis. Fundamental analysis is defined as a general assessment based upon various factors including sale price, asset value, market structure and history. The primary risk in using fundamental analysis is that while the overall health and position of an investment may be good, market conditions may negatively impact the investment. The main sources of research information used by Kaydan include: financial newspapers and magazines, research materials prepared by others, annual reports, prospectuses, filings with the SEC and company press releases.

Kaydan's investment strategies and advice may vary depending upon each client's specific financial situation. As such, Kaydan determines investments and allocations based upon the client's predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. The client restrictions and guidelines may affect the composition of your portfolio. **It is important that the client notifies Kaydan immediately with respect to any material changes to the client's financial circumstances, including for example, a change in the client's current or expected income level, tax circumstances, or employment status.**

### **Risk of Loss**

Investing in securities involves risk of loss that the client should be prepared to bear. Kaydan does not represent or guarantee that the services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. Kaydan cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

*Liquidity Risk:* The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. The client may receive a lower price or it may not be possible to sell the investment at all.

*Credit Risk:* Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

*Inflation and Interest Rate Risk:* Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

*Horizon and Longevity Risk:* The risk that the client's investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that the

client was expecting to hold for the long term. If the client must sell at a time that the markets are down, the client may lose money. Longevity Risk is the risk of outliving the client savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

### **Recommendation of Particular Types of Securities**

Kaydan recommends various types of securities and does not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities may be recommended to the client and some of the inherent risks are provided below.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Bonds:** Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

**Municipal Securities:** Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

**Leveraged Exchange Traded Funds:** Leveraged Exchange Traded Funds ("Leveraged ETFs" or "L-ETF") seeks investment results for a single day only, not for longer periods. A "single day" is measured from the time the L-ETF calculates its net asset value ("NAV") to the time of the L-ETF's next NAV calculation. The return of the L-ETF for periods longer than a single day will be the result of each day's returns compounded over the period, which will very likely differ from multiplying the return by the stated leverage for that period. For periods longer than a single day, the L-ETF will lose money when the level of the Index is flat, and it is possible that the L-ETF will lose money even if the level of the Index rises. Longer holding periods, higher index volatility and greater leverage both exacerbate the impact of compounding on an investor's returns. During periods of higher Index volatility, the volatility of the Index may affect the L-ETF's return as much as or more than the return of the Index. Leveraged ETFs are different from most exchange-traded funds in that they seek leveraged returns relative to the applicable index and only on a daily basis. The L-ETF also is riskier than similarly benchmarked exchange-traded funds that do not use leverage. Accordingly, the L-ETF may not be suitable for all investors and should be used only by knowledgeable investors who understand the potential consequences of seeking daily leveraged investment results.

**Leveraged ETF Leveraged Risk -** The L-ETF obtains investment exposure in excess of its assets in seeking to achieve its investment objective — a form of leverage — and will lose more money in market environments adverse to its daily objective than a similar fund that does not employ such leverage. The use of such leverage could result in the total loss of an investor's investment. For example: a 2X fund will have a multiplier of two times (2x) the Index. A single day movement in the Index approaching 50% at any point in the day could result in the total loss of a shareholder's investment if that movement is contrary to the investment objective of the L-ETF, even if the Index subsequently moves in an opposite direction, eliminating all or a portion of the earlier movement. This would be the case with any such single day movements in the Index, even if the Index maintains a level greater than zero at all times.

**Leveraged ETF Compounding Risk -** Compounding affects all investments, but has a more significant impact on a leveraged fund. Particularly during periods of higher Index volatility, compounding will cause results for periods longer than a single day to vary from the stated multiplier of the return of the Index. This effect becomes more pronounced as volatility increases.

**Leveraged ETF Use of Derivatives -** The L-ETF obtains investment exposure through derivatives. Investing in derivatives may be considered aggressive and may expose the L-ETF to greater risks than investing directly in the reference asset(s) underlying those derivatives. These risks include counterparty risk, liquidity risk and increased correlation risk (each as discussed below). When the L-ETF uses derivatives, there may be imperfect correlation between the value of the reference asset(s) and the derivative, which may prevent the L-ETF from achieving its investment objective. Because derivatives often require only a limited initial investment, the use of derivatives also may expose the L-ETF to losses in excess of those amounts initially invested. The L-ETF may use a combination of swaps on the Index and swaps on an ETF that is designed to track the performance of the Index. The performance of an ETF may not track the performance of the Index due to embedded costs and other

factors. Thus, to the extent the L-ETF invests in swaps that use an ETF as the reference asset, the L-ETF may be subject to greater correlation risk and may not achieve as high a degree of correlation with the Index as it would if the L-ETF only used swaps on the Index. Moreover, with respect to the use of swap agreements, if the Index has a dramatic intraday move that causes a material decline in the L-ETF's net assets, the terms of a swap agreement between the L-ETF and its counterparty may permit the counterparty to immediately close out the transaction with the L-ETF. In that event, the L-ETF may be unable to enter into another swap agreement or invest in other derivatives to achieve the desired exposure consistent with the L-ETF's investment objective. This, in turn, may prevent the L-ETF from achieving its investment objective, even if the Index reverses all or a portion of its intraday move by the end of the day. Any costs associated with using derivatives will also have the effect of lowering the L-ETF's return.

**Variable Annuities:** A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate and the remainder of the funds accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds and mutual funds do. Some variable annuities offer "bonus credits." These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

All investments carry an inherent risk of loss that clients should be prepared to bear. Questions regarding these risks should be addressed to firm president James Kruzan directly.

## **Item 9 Disciplinary Information**

Investment advisers are required to provide clients with disclosure as to any legal or disciplinary activities deemed material to the client's evaluation of the adviser. Kaydan does not have any disclosable events to report at this time.

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

### **Licensed Insurance Agents**

Persons providing investment advice on behalf of Kaydan may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to the client. Insurance commissions earned by these persons are separate from Kaydan's advisory fees. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by insurance agents who are affiliated with our Kaydan.

Neither Kaydan nor any of its management persons are engaged in any other industry related activities or affiliations, including acting as, or being associated with, a futures commission merchant, commodity pool operator, or commodity trading advisor. Further, the firm does not recommend or select other investment advisers for its clients nor does it have other business relationships that create a material conflict of interest to the services provided by the firm to its clients.

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

**Code of Ethics:** Where the firm may receive compensation from a variety of sources involved with client accounts. The firm has an obligation to ensure that such practices are handled in a fair and ethical manner. Accordingly, the firm has adopted a Code of Ethics which contains certain policies and procedures that must be adhered-to by firm personnel. A copy of the firm's Code of Ethics will be provided to any client upon request.

### **Participation or Interest in Client Transactions**

Neither Kaydan nor any persons associated with Kaydan has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Kaydan or persons associated with Kaydan may buy or sell the same securities that Kaydan recommends to the client or securities in which the client is already invested. A conflict of interest exists in such cases because Kaydan has the ability to trade ahead of the client and potentially receive more favorable prices than the client will receive. To mitigate this conflict of interest, it is Kaydan's policy that neither Kaydan nor persons associated with our Kaydan shall have priority over the client's account in the purchase or sale of securities.

### **Aggregated Trading**

Kaydan or persons associated with Kaydan may buy or sell securities for the client at the same time Kaydan or persons associated with Kaydan buy or sell such securities for Kaydan's own account. Kaydan may also combine its orders to purchase securities with the client's orders to purchase securities ("aggregated trading"). Refer to the *Brokerage Practices* section in this brochure for information on Kaydan aggregated trading practices.

A conflict of interest exists in such cases because Kaydan has the ability to trade ahead of the client and potentially receive more favorable prices than the client will receive. To eliminate this conflict of interest, it is Kaydan's policy that neither its firm nor persons associated with Kaydan shall have priority over the client's account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

Kaydan recommends the brokerage and custodial services of Raymond James & Associates, Inc. ("RJA"), a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. The client's assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, the client may pay higher commissions and/or trading costs than those that may be available elsewhere.

Kaydan seeks to recommend a custodian/broker that will hold the client's assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. Kaydan consider various factors, including:

- Capability to buy and sell securities for the client's account itself or to facilitate such services.
- The likelihood that the client trades will be executed.
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with Kaydan and its other clients.

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

Kaydan does not have any soft dollar arrangements.

### **Economic Benefits**

As a registered investment adviser, Kaydan has access to the institutional platform of the client's account custodian. As such, Kaydan will also have access to research products and services from the client's custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to Kaydan in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, the client should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **Brokerage for Client Referrals**

Kaydan does not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

Kaydan routinely require that the client directs it to execute transactions through RJA. As such, Kaydan may be unable to achieve the most favorable execution of your transactions and the client may pay higher brokerage commissions than might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

### **Aggregated Trades**

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "aggregated trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. Generally,

participating accounts will pay a fixed transaction cost regardless of the number of shares transacted. In certain cases, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. In the event an order is only partially filled, the shares will be allocated to participating accounts in a fair and equitable manner, typically in proportion to the size of each client's order. Accounts owned by our firm or persons associated with our firm may participate in aggregated trading with your accounts; however, they will not be given preferential treatment.

We combine multiple orders for shares of the same securities purchased for discretionary accounts; however, we do not combine orders for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

### **Item 13 Review of Accounts**

The firm's President, James Kruzan, will monitor the client's account on an ongoing basis to identify situations that may warrant specific actions be taken or recommended with respect to the client's investments or overall investment portfolio. Such reviews include, but are not necessarily limited to, suitability, performance, asset allocation, change in investment objectives and risk tolerance, concentrations and prohibited products. In addition, the client's IAR will provide regular investment advice or investment supervisory services, review the client's portfolio(s) and communicate with the client at least annually, for conformity with the respective portfolios, investment objectives, changes in the client's financial situation, account performance and any reasonable restrictions to be imposed as to the specific assets or types of securities to be included or excluded from the client's portfolio(s).

Additional monitoring of accounts is provided by compliance, operations and sales management personnel located within various offices. These reviews are conducted at least annually and are designed to ensure that the advisory services provided to the client are consistent with the client's investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals,
- year-end tax planning,
- market moving events,
- security specific events, and/or,
- changes in your risk/return objectives.

The individuals conducting reviews may vary from time to time, as personnel join or leave the firm. Kaydan will not provide the client with additional or regular written reports. The client will receive trade confirmations and monthly or quarterly statements from the client's account custodian(s).

As discussed in Item 4 above, financial planning clients receive a written financial plan. Consultation clients may or may not receive a formal report from Kaydan, depending upon the needs of the client. Kaydan does not provide reports to asset management clients. Asset management clients receive reports, at a minimum, quarterly from the qualified custodian, detailing transactions, fees, and account holdings.



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

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

We directly compensate non-employee (outside) consultants, individuals, and/or entities (solicitors) for client referrals. We compensate them based on a flat monthly fee or by paying them a one-time fixed fee for each referral they send us. In order to receive a cash referral fee from us, solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to us by a solicitor, you should have received a copy of this brochure along with the solicitor's disclosure statement at the time of the referral. You will not pay additional fees because of this referral arrangement.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the solicitor's compensation is less favorable.

## **Item 15 Custody**

### **Use of Client Log-in Credentials**

Our firm or persons associated with our firm may be in possession of client log-on information to the client's investment accounts. In general, where our account access gives us the ability to control client funds and securities, we are deemed to have custody. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer or other independent, qualified custodian.

Any account over which we are deemed to have custody is subject to an annual surprise audit by an independent CPA or audit firm.

## **Item 16 Investment Discretion**

Before Kaydan can buy or sell securities on the client's behalf, the client must first sign a discretionary management agreement. If the client engages Kaydan to provide investment advisory services on a discretionary basis, Kaydan has the authority to determine the selection and amount of securities to be purchased or sold for the client's account(s) without obtaining the client's consent or approval prior to each transaction. The client may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for their account(s). For example, the client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or impose restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section above for more information on our discretionary management services.

## **Item 17 Voting Client Securities**

Kaydan does not vote proxies. All proxy statements are sent directly to the client by the broker-dealer, investment company, or transfer agent of record. Questions regarding such statements may be addressed directly with the firm.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

## **Item 19 Requirements for State Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Miscellaneous: Additional Information**

**Trade Errors:** In the event a trading error occurs in the client's account, Kaydan's policy is to restore the client's account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

**Class Action Lawsuits:** Kaydan does not determine if securities held by the client are the subject of a class action lawsuit or whether the client are eligible to participate in class action settlements or litigation nor does Kaydan initiate or participate in litigation to recover damages on the client's behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by the client.

**Privacy:** Kaydan prohibits the sharing of any client information with others unless authorized by the client or as otherwise provided by law. A copy of the firm's privacy policy may be obtained upon request.

**Business Continuity:** In the event of a disruption to the normal course of business, Kaydan has formulated plans to counter extended delays in service. A copy of the firm's business continuity plan may be obtained upon request.