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# K2 FINANCIAL, INC

## **K2 Financial, Inc.**

### **Form ADV Part 2A – Disclosure Brochure**

**Effective: August 23, 2023**

This Form ADV Part 2A (“Disclosure Brochure”) provides information about the qualifications and business practices of K2 Financial, Inc. (“K2 Financial” or the “Advisor”). If you have any questions about the contents of this Disclosure Brochure, please contact the Advisor at (626) 553-6113 or by email at [info@k2financialpartners.com](mailto:info@k2financialpartners.com).

K2 Financial is a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”). The information in this Disclosure Brochure has not been approved or verified by the SEC or by any state securities authority. Registration of an investment advisor does not imply any specific level of skill or training. This Disclosure Brochure provides information about K2 Financial to assist you in determining whether to retain the Advisor.

Additional information about K2 Financial and its Advisory Persons is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with the Advisor’s firm name or our CRD# 300913.

**K2 Financial, Inc.**  
**233 South Glendora Avenue**  
**Glendora, CA 91741**  
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## Item 2 – Material Changes

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Form ADV 2 is divided into two parts: *Part 2A (the “Disclosure Brochure”)* and *Part 2B (the “Brochure Supplement”)*. The Disclosure Brochure provides information about a variety of topics relating to an Advisor’s business practices and conflicts of interest. The Brochure Supplement provides information about the Advisory Persons of K2 Financial, which is provided as a separate document to this Disclosure Brochure.

K2 Financial believes that communication and transparency are the foundation of its relationship with Clients and will continually strive to provide you with complete and accurate information at all times. K2 Financial encourages all current and prospective clients to read this Disclosure Brochure and discuss any questions with the Advisor.

### Material Changes

The following material changes have been made to this Disclosure Brochure since the last annual amendment filing and distribution to Clients:

- As of March 23, 2023, Travis Bettfreund is the Chief Compliance Officer of K2 Financial Inc.
- Item 4: Added language regarding margin and pledged asset loans
- As of August 1, 2023, the Firm’s principal place of business is located at 233 South Glendora Avenue, Glendora, CA 91741. The Firm’s new contact number is (626) 553-6113.

### Future Changes

From time to time, the Advisor will amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations or routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to you annually and if a material change occurs.

At any time, you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with the Advisor’s firm name or CRD# 300913. You may also request a copy of this Disclosure Brochure at any time, by contacting us at (626) 553-6113 or by email at [info@k2financialpartners.com](mailto:info@k2financialpartners.com).

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## **Item 4 – Advisory Services**

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### **A. Firm Information**

K2 Financial Inc. (“K2 Financial” or the “Advisor”) is a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”), which is organized as a Corporation under the laws of the State of California. K2 Financial was founded in January 2019 and is owned and operated by Jonathan Krellwitz (Managing Partner) and Kevin Kurimoto, (Managing Partner). As of the date of this filing, Travis Bettfreund is the Chief Compliance Officer of K2 Financial. This Disclosure Brochure provides information regarding the qualifications, business practices, and the advisory services provided by K2 Financial.

### **B. Advisory Services Offered**

K2 Financial offers investment advisory services to individuals, high net worth individuals, trusts, estates, and retirement plans (each referred to as a “Client”).

The Advisor serves as a fiduciary to Clients, as defined under applicable laws and regulations. As a fiduciary, the Advisor upholds a duty of loyalty, fairness and good faith towards each Client and seeks to mitigate potential conflicts of interest. K2 Financial's fiduciary commitment is further described in the Advisor's Code of Ethics. For more information regarding the Code of Ethics, please see Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

### **Wealth and Investment Management Services**

K2 Financial's investment strategies are adaptable to the needs of each Client based on a deep understanding of the Client's long-term goals. This is achieved through regular personal Client contact and interaction while providing discretionary and non-discretionary investment management and related advisory services. K2 Financial works closely with each Client to identify their investment goals and objectives as well as risk tolerance and financial situation in order to implement an appropriate portfolio strategy. The Advisor utilizes individual Mutual Funds, ETFs, Third Party Managers, stocks, bonds, Cash, CDs, Treasuries and options contracts to meet the needs of its Clients. The Advisor may retain certain types of investments based on a Client's legacy portfolio construction.

K2 Financial's investment approach is primarily long-term focused, but, occasionally, the Advisor will buy, sell, or re-allocate positions that have been held for less than one year to meet the objectives of the Client or due to market conditions. K2 Financial will construct, implement, and monitor the portfolio to ensure it meets the goals, objectives, circumstances, and risk tolerance agreed to by the Client. Each Client will have the opportunity to place reasonable restrictions on the types of investments to be held in their respective portfolio, subject to acceptance by the Advisor.

K2 Financial also offers the K2 Financial Asset Management Program (“the Program”) as part of its wealth and investment management services. Each investment strategy consists of investments specifically selected in order to achieve that particular strategy's investment objective. The Client's assets are invested in a manner consistent with the investment strategy chosen; however, specific Client portfolios could deviate from the Program's investment strategies due to a number of factors, including, among others, inception date of the account, tax considerations, liquidity needs, and other circumstances specific to the Client.

K2 Financial evaluates and selects investments for inclusion in Client portfolios only after applying its internal due diligence process. If appropriate for a Client, K2 Financial will generally consider redistributing investment allocations to diversify the portfolio, recommending specific positions to increase sector or asset class weightings, employing cash positions as a possible hedge against market movement, and/or selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, overvaluation or overweighting of the position[s] in the portfolio, changing risk tolerance of the Client, generating cash to meet Client needs, or any risk deemed unacceptable for the Client's risk tolerance.

K2 Financial offers in conjunction with its investment management services, cash management services through the use of Cash and Cash Equivalents (CDs, Treasury Bills, and Money Market Mutual Funds).

At no time will K2 Financial accept or maintain custody of a Client's funds or securities, except for the limited authority as outlined in Item 15 – Custody. All Client assets will be managed within the designated account[s] at the Custodian, pursuant to the terms of the advisory agreement. Please see Item 12 – Brokerage Practices.

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### Financial Planning Services

K2 Financial will typically provide a variety of financial planning and consulting services to Clients. Services are offered in several areas of a Client's financial situation, depending on their goals and objectives.

Generally, such financial planning services involve preparing a formal financial plan or rendering a specific financial consultation based on the Client's financial goals and objectives. This planning or consulting encompasses one or more areas of need, including but not limited to, investment planning, retirement planning, personal savings, education savings, insurance needs and other areas of a Client's financial situation.

A financial plan developed for, or financial consultation rendered to the Client will usually include general recommendations for a course of activity or specific actions to be taken by the Client. For example, recommendations can be made that the Client start or revise their investment programs, commence or alter retirement savings, establish education savings and/or charitable giving programs.

When appropriate, K2 Financial will refer Clients to an accountant, attorney, or other specialists, as appropriate for their unique situation. For certain financial planning engagements, the Advisor will provide a written summary of the Client's financial situation, observations, and recommendations. For consulting or ad-hoc engagements, the Advisor typically does not provide a written summary. Plans or consultations are typically completed within six (6) months of contract date, assuming all information and documents requested are provided promptly.

Financial planning and consulting recommendations pose a conflict between the interests of the Advisor and the interests of the Client. For example, the Advisor has an incentive to recommend that Clients engage the Advisor for investment management services or to increase the level of investment assets with the Advisor would pose a conflict, as it would increase the advisory fees paid to the Advisor. Clients are not obligated to implement any recommendations made by the Advisor or maintain an ongoing relationship with the Advisor. If the Client elects to act on any of the recommendations made by the Advisor, the Client is under no obligation to implement the transaction through the Advisor.

### Retirement Plan Advisory Services

K2 Financial provides retirement plan advisory services on behalf of the retirement plans (each a "Plan") and the company (the "Plan Sponsor"). The Advisor's retirement plan advisory services are designed to assist the Plan Sponsor in meeting its fiduciary obligations to the Plan and its Plan Participants. Each engagement is customized to the needs of the Plan and Plan Sponsor. Services generally include:

- Vendor Analysis
- Plan Participant Enrollment and Education Tracking
- Investment Policy Statement ("IPS") Design and Monitoring
- Investment Oversight Services (ERISA 3(21))
- Investment Management Services (ERISA 3(38))
- Performance Reporting
- Ongoing Investment Recommendation and Assistance
- ERISA 404(c) Assistance
- Benchmarking Services

These services are provided by K2 Financial serving in the capacity as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), the Plan Sponsor is provided with a written description of K2 Financial's fiduciary status, the specific services to be rendered and all direct and indirect compensation the Advisor reasonably expects under the engagement.

### Use of Independent Managers

At times, K2 Financial will recommend that a Client utilize one or more unaffiliated investment managers or investment platforms (collectively "Independent Managers") for all or a portion of a Client's investment portfolio if the Advisor deems such actions to be in the best interest of the Client. In such instances, the Client generally will be required to authorize and enter into a separate investment management agreement with the Independent Manager[s] that defines the terms in which the Independent Manager[s] will provide its services. The Advisor will perform initial and ongoing oversight and due diligence over each Independent Manager to ensure the strategy remains aligned with Clients' investment objectives and overall best interests. The Advisor will also assist the Client

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in the development of the initial policy recommendations and managing the ongoing Client relationship. The Client, prior to entering into an agreement with an Independent Manager[s], will be provided with the Independent Manager's Form ADV Part 2A (or a brochure that makes the appropriate disclosures). Advisor's fees do not include those fees that Client will be charged by an Independent Manager. Please refer to Item 5 below for additional information regarding fees.

#### Cash Positions

K2 Financial continues to treat cash as an asset class. As such, unless determined to the contrary by K2 Financial, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating K2 Financial's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), K2 Financial may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, K2 Financial's advisory fee could exceed the interest paid by the client's money market fund.

#### Cash Sweep Accounts

Account custodians generally require that cash proceeds from account transactions or cash deposits be swept into and/or initially maintained in the custodian's sweep account. The yield on the sweep account is generally lower than those available in money market accounts. To help mitigate this issue, K2 Financial shall generally purchase a higher yielding money market fund available on the custodian's platform with cash proceeds or deposits, unless K2 Financial reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to, the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

#### Borrowing Against Assets/Risks

A client who has a need to borrow money could determine to do so by using:

- Margin – The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral; and,
- Pledged Assets Loan – In consideration for a lender (i.e., a bank, etc.) to make a loan to the client, the client pledges investment assets held at the account custodian as collateral.

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, K2 Financial does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). K2 Financial does not recommend such borrowing for investment purposes (i.e., to invest borrowed funds in the market). Regardless, if the client was to determine to utilize margin or a pledged assets loan, the following economic benefits would inure to K2 Financial:

- by taking the loan rather than liquidating assets in the client's account, K2 Financial continues to earn a fee on such Account assets; and,
- if the client invests any portion of the loan proceeds in an account to be managed by K2 Financial, K2 Financial will receive an advisory fee on the invested amount; and,
- if K2 Financial advisory fee is based upon the higher margined account value, K2 Financial will earn a correspondingly higher advisory fee. This could provide K2 Financial with a disincentive to encourage the client to discontinue the use of margin.

**Please Note:** The Client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loan.

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### Retirement Rollovers – Potential for Conflict of Interest

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If K2 Financial recommends that a client roll over their retirement plan assets into an account to be managed by K2 Financial, such a recommendation creates a conflict of interest if K2 Financial will earn new (or increase its current) compensation as a result of the rollover. If K2 Financial provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), K2 Financial is acting as a fiduciary 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. No client is under any obligation to roll over retirement plan assets to an account managed by K2 Financial, whether it is from an employer's plan or an existing IRA.

### Socially Responsible Investing Limitations

Socially Responsible Investing involves the incorporation of Environmental, Social and Governance ("ESG") considerations into the investment due diligence process. ESG investing incorporates a set of criteria/factors used in evaluating potential investments: Environmental (i.e., considers how a company safeguards the environment); Social (i.e., the manner in which a company manages relationships with its employees, customers, and the communities in which it operates); and Governance (i.e., company management considerations). The number of companies that maintain an acceptable ESG mandate can be limited when compared to those that do not and could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange-traded funds are limited when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by K2 Financial), there can be no assurance that investment in ESG securities or funds will be profitable or prove successful. K2 Financial does not maintain or advocate an ESG investment strategy but will seek to employ ESG if directed by a client to do so.

### Use of Mutual and Exchange Traded Funds

K2 Financial utilizes mutual funds and exchange traded funds for its client portfolios. In addition to K2 Financial's investment advisory fee described below, and transaction and/or custodial fees discussed above, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

Use of DFA Mutual Funds: K2 Financial utilizes the mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers approved by DFA. Thus, if the client was to terminate K2 Financial's services, and transition to another adviser who has not been approved by DFA to utilize DFA funds, restrictions regarding additional purchases of, or reallocation among other DFA funds, will generally apply.

### Portfolio Activity

K2 Financial has a fiduciary duty to provide services consistent with the client's best interest. K2 Financial will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions or withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when K2 Financial determines that changes to a client's portfolio are unnecessary. Clients remain subject to the fees described in Item 5 below during periods of portfolio inactivity. Of course, as indicated below, there can be no assurance that investment decisions made by K2 Financial will be profitable or equal any specific performance level(s).

### Reporting Services

K2 Financial can also provide, for a separate fee, account reporting services, which can incorporate client investment assets that are not part of the assets that K2 Financial manages (the "Excluded Assets"). Unless agreed to otherwise, the client and/or their other advisors that maintain trading authority, and not K2 Financial, shall be exclusively responsible for the investment performance of the Excluded Assets. Unless also agreed to otherwise, K2 Financial does not provide investment management, monitoring or implementation services for the Excluded

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Assets. If K2 Financial is asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and K2 Financial shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. The client can engage K2 Financial to provide investment management services for the Excluded Assets pursuant to the terms and conditions of the *Investment Advisory Agreement* between K2 Financial and the client.

- **eMoney:** In the event that K2 Financial provides the client with access to an unaffiliated vendor's website such as eMoney (change if a different vendor), and the site provides access to information and/or concepts, including financial planning, the client, should not, in any manner whatsoever, infer that such access is a substitute for services provided by K2 Financial. Rather, if the client utilizes any such content, the client does so separate and independent of K2 Financial.

#### Other Assets

To the extent that K2 Financial provides advisory monitoring or review services for client investment assets for which K2 Financial does not maintain custodian access or trading authority (including initial and ongoing consideration of such assets as part of the client's asset allocation), K2 Financial may determine to include such assets in its advisory fee calculation per Item 5 below.

#### Client Obligations

In performing our services, K2 Financial shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, it remains each client's responsibility to promptly notify K2 Financial if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

#### Investment Risk

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by K2 Financial) will be profitable or equal any specific performance level(s).

#### Cybersecurity Risk

The information technology systems and networks that K2 Financial and its third-party service providers use to provide services to K2 Financial's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in K2 Financial's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and K2 Financial are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost, and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although K2 Financial has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that K2 Financial does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

#### Disclosure Brochure

A copy of K2 Financial's written Brochure as set forth on Part 2A of Form ADV and Form CRS (Client Relationship Summary) shall be provided to each client prior to, or contemporaneously with, the execution of an agreement between the client and K2 Financial.

#### **C. Client Account Management**

Prior to engaging K2 Financial to provide investment advisory services, each Client is required to enter into one or more agreements with the Advisor that define the terms, conditions, authority and responsibilities of the Advisor and the Client. These services can include:

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- Establishing an Investment Strategy – K2 Financial, in connection with the Client, will develop a strategy that seeks to achieve the Client's goals and objectives.
- Asset Allocation – K2 Financial will develop a strategic asset allocation that is targeted to meet the investment objectives, time horizon, financial situation, and tolerance for risk for each Client.
- Portfolio Construction – K2 Financial will develop a portfolio for the Client that is intended to meet the stated goals and objectives of the Client.
- Investment Management and Supervision – K2 Financial will provide investment management and ongoing oversight of the Client's investment portfolio.
- Financial Planning – K2 Financial provides ongoing financial planning services to assist Clients in meeting their financial goals.

#### D. Wrap Fee Programs

K2 Financial does not manage or place Client assets into a wrap fee program.

#### E. Assets Under Management

As of December 31, 2022 K2 Financial manages \$145,293,687 in Client assets, of which \$138,507,857 are managed on a discretionary basis and \$6,785,830 on a non-discretionary basis. Clients can request more current information at any time by contacting the Advisor.

### **Item 5 – Fees and Compensation**

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The following paragraphs detail the fee structure and compensation methodology for services provided by the Advisor. Each Client engaging the Advisor for services described herein shall be required to enter into a written agreement with the Advisor.

#### A. Fees for Advisory Services

##### Investment Management Services

Investment advisory fees are paid quarterly in arrears at the end of each calendar quarter, pursuant to the terms of the written investment advisory agreement between Client and Advisor. Investment advisory fees are based on the market value of assets under management at the end of the prior quarter. Investment advisory fees typically range from 0.50% to 1.35% annually. The fee amount paid by the Client will set forth in the written investment advisory agreement between the Client and Advisor.

The investment advisory fee in the first quarter of service is prorated from the inception date of the account[s] to the end of the first quarter. Fees are negotiable at the sole discretion of the Advisor. The fees charged to Client will take into consideration the aggregate assets under management with the Advisor at each custodian utilized by K2 Financial; however, Client accounts held at different custodians will not be aggregated for purposes of calculating the applicable advisory fee. All securities held in accounts managed by K2 Financial will be independently valued by the Custodian. K2 Financial will not have the authority or responsibility to value portfolio securities. The Advisor relies on the Custodian and third-party technology to determine the account value and fee determination.

The Advisor's fee is exclusive of, and in addition to any applicable securities transaction and custody fees, and other related costs and expenses described in Item 5.C below, which will be incurred by the Client. However, the Advisor shall not receive any portion of these commissions, fees, and costs.

Certain legacy clients are billed under a different fee structure than those disclosed herein. In such instances, the specific fees and billing practices will be as described in the respective legacy client's agreement.

##### Financial Planning Services

K2 Financial offers financial planning services either on an hourly basis or for a fixed fee. Hourly fees are \$250-\$400 per hour. Fixed engagement fees range from \$500 to \$10,000. The amount payable to Advisor for financial planning services is set forth in the written financial planning agreement between Advisor and Client. Financial planning fees are negotiable at the sole discretion of the Advisor based on the nature and complexity of the services to be provided.

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and the overall relationship with the Advisor. An estimate for total hours and total costs will be provided to the Client prior to engaging for these services.

#### Retirement Plan Advisory Services

Fees for retirement plan advisory services are charged based on an annual asset-based fee of up to 1.35% and are billed in arrears at the end of each calendar quarter, pursuant to the terms of the retirement plan advisory agreement between Advisor and Client. Retirement plan advisory fees are based on the market value of assets under management at the end of the prior quarter. Fees are negotiable, in the sole discretion of the Advisor, depending on the size and complexity of the Plan. Fees range from 0.50% to 1.35% annually. The fee amount paid by the Client will set forth in the written investment advisory agreement between the Client and Advisor.

#### Use of Independent Managers

As noted in Item 4, the Advisor has the option to implement all or a portion of a Client's investment portfolio utilizing one or more Independent Managers. To eliminate any conflict of interest, the Advisor does not earn any compensation from any Independent Manager for recommending a Client use the services of an Independent Manager. The Advisor will only earn its investment advisory fee as described above. Fees charged by Independent Managers providing advisory services to Client accounts are typically in addition to the fees assessed by Advisor. However, such combined fees shall generally not exceed a total advisory fee of 2.00%. Independent Managers will not typically offer any fee discounts but may have a breakpoint schedule which will reduce the fee with an increased level of assets placed under management with an Independent Manager. The terms of such fee arrangements, including the amount of the fees charged by the Independent Manager, are included in the Independent Manager's Form ADV disclosure brochure and applicable contract[s] between the Client and the Independent Manager. The Independent Managers recommended by the Advisor will generally calculate and deduct a single, overall combined fee amount for the Advisor and the Independent Manager from the Client's account[s] at the Custodian and remit the appropriate amount to the Advisor.

### **B. Fee Billing**

#### Investment Management Services

Investment advisory fees are calculated by the Advisor or its delegate and deducted from the Client's account[s] at the Custodian. The Advisor shall send an invoice to the Custodian indicating the amount of the fees to be deducted from the Client's account[s] at the respective quarter end. The amount due is calculated by applying the quarterly rate (annual rate divided by 4) to the total assets under management with K2 Financial at the end of each quarter. Clients will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the investment advisory fee. It is the responsibility of the Client to verify the accuracy of these fees as listed on the Custodian's brokerage statement as the Custodian does not assume this responsibility. Clients provide written authorization permitting advisory fees to be deducted by K2 Financial to be paid directly from their account[s] held by the Custodian as part of the investment advisory agreement and separate account forms provided by the Custodian.

#### Financial Planning Services

Financial planning fees are typically invoiced up to fifty percent (50%) of the expected total fee upon execution of the financial planning agreement. The balance shall be invoiced upon completion of the agreed upon deliverable[s].

#### Retirement Plan Advisory Services

Retirement plan advisory fees are typically directly invoiced to the Plan Sponsor or deducted from the assets of the Plan, depending on the terms of the retirement plan advisory agreement.

#### Use of Independent Managers

For Client accounts implemented through an Independent Manager, the Client's overall fees will include K2 Financial's investment advisory fee (as noted above) plus investment management fees and/or platform fees charged by the Independent Manager. The Independent Manager will assume the responsibility for calculating the Client's fees and deducting all fees from the Client's account[s].

### **C. Other Fees and Expenses**

Clients will likely incur certain fees or charges imposed by third parties, other than K2 Financial, in connection with investments made on behalf of the Client's account[s]. Such fees and expenses can include, among others, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees. The Client is

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responsible for all securities execution and custody fees charged by the Custodian, if applicable. The fees charged by K2 Financial are separate and distinct from these custody and execution fees.

In addition, all fees paid to K2 Financial for investment advisory services are separate and distinct from the expenses charged by mutual funds and ETFs to their shareholders, if applicable. These fees and expenses are described in each fund's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage, and account reporting), and a possible distribution fee. A Client may be able to invest in these products directly, without the services of K2 Financial, but would not receive the services provided by K2 Financial which are designed, among other things, to assist the Client in determining which products or services are most appropriate for each Client's financial situation and objectives. Accordingly, the Client should review both the fees charged by the fund[s] and the fees charged by K2 Financial to fully understand the total fees to be paid. Please refer to Item 12 – Brokerage Practices for additional information.

#### D. Advance Payment of Fees and Termination

##### Investment Management Services

K2 Financial is compensated for its services at the end of the quarter after investment management services are rendered. Either party is able to terminate the investment advisory agreement, at any time, by providing advance written notice to the other party. The Client can also terminate the investment advisory agreement within five (5) business days of signing the Advisor's agreement at no cost to the Client. After the five-day period, the Client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the Client. The Client's investment advisory agreement with the Advisor is non-transferable without the Client's prior consent.

##### Financial Planning Services

K2 Financial requires an advance deposit as described above. Either party is able to terminate the financial planning agreement by providing advance written notice to the other party. The Client can also terminate the financial planning agreement within five (5) business days of signing the Advisor's agreement at no cost to the Client. After the five-day period, the Client will incur charges for bona fide advisory services rendered to the point of termination and such fees will be due and payable by the Client. Upon termination, the Client shall be billed for actual hours logged on the planning project times the contractual hourly rate or in the case of a fixed fee engagement, the percentage of the engagement scope completed by the Advisor. The Advisor will refund any unearned, prepaid planning fees from the effective date of termination. The Client's financial planning agreement with the Advisor is non-transferable without the Client's prior consent.

##### Retirement Plan Advisory Services

K2 Financial is compensated for its services at the beginning/end of the quarter before/after advisory services are rendered. Either party is able to terminate the retirement plan advisory agreement, at any time, by providing advance written notice to the other party. The Client shall be responsible for retirement plan advisory fees up to and including the effective date of termination. The Client's retirement plan services agreement with the Advisor is non-transferable without the Client's prior consent.

##### Use of Independent Managers

In the event that the Advisor has determined that an Independent Manager is no longer in the Client's best interest or a Client should wish to terminate their relationship with the Independent Manager, the terms for termination will be set forth in the respective agreements between the Client or the Advisor and the Independent Manager. K2 Financial will assist the Client with the termination and transition as appropriate.

#### E. Compensation for Sales of Securities

K2 Financial does not buy or sell securities to earn securities commissions and does not receive any compensation for securities transactions in any Client account, other than the investment management fees noted above.

##### Broker-Dealer Affiliation

Certain investment advisory professionals of K2 Financial ("Advisory Persons") are also registered representatives of Lincoln Investment Planning, LLC ("Lincoln Investment Planning"). Lincoln Investment Planning is a registered broker-dealer (CRD No. 519), member FINRA, SIPC. In one's separate capacity as a registered representative of Lincoln Investment Planning, an Advisory Person will implement securities transactions under Lincoln Investment

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Planning and not through K2 Financial. In such instances, an Advisory Person will receive commission- based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by an Advisory Person in one's capacity as a registered representative is separate and in addition to the Advisor's fees and other compensation the Advisory Person receives from Advisor. This practice presents a conflict of interest because Advisory Persons who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on the Client. Clients are not obligated to implement any recommendation provided by Advisory Persons. Neither the Advisor nor Advisory Persons will earn ongoing investment advisory fees in connection with any products or services implemented in the Advisory Person's separate capacity as a registered representative. Please see Item 10 – Other Financial Industry Activities and Affiliations.

#### Insurance Agency Affiliations

Certain Advisory Persons are also licensed as independent insurance professionals of K2 Benefits and Insurance Services, Inc. ("K2 Benefits"), an affiliated insurance agency under common control and ownership with the Advisor. K2 Benefits and Advisory Persons will earn commission-based compensation for selling insurance products, including insurance products they sell to Clients. Insurance commissions earned by these persons are separate and in addition to advisory fees charged by Advisor. This practice presents a conflict of interest because persons providing investment advice on behalf of the Advisor who are insurance agents have an incentive to recommend insurance products to Clients for the purpose of generating commissions rather than solely based on your needs. However, Clients are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with the Advisor. Please see Item 10 – Other Financial Industry Activities and Affiliations.

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

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K2 Financial does not charge performance-based fees for its investment advisory services. The fees charged by K2 Financial are as described in Item 5 above and are not based upon the capital appreciation of the funds or securities held by any Client.

K2 Financial does not manage any proprietary investment funds or limited partnerships (for example, a mutual fund or a hedge fund) and has no financial incentive to recommend any particular investment options to its Clients.

### **Item 7 – Types of Clients**

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K2 Financial offers investment advisory services to individuals, high net worth individuals, trusts, estates, and retirement plans. K2 Financial generally does not impose a minimum relationship size.

Advisor reserves the right to accept or decline a potential client for any reason, in its sole discretion. Prior to engaging Advisor to provide any of the investment advisory services described in this Brochure, the Client will be required to enter into one or more written agreements with Advisor setting forth the terms and conditions under which the Advisor shall render its services.

There are times when certain account restrictions are requested by a Client which will prevent K2 Financial from accepting or continuing to manage the Client's account. Advisor reserves the right to not accept and/or terminate management of a Client's account if Advisor feels that the Client imposed restrictions which would limit or prevent it from meeting and/or maintaining the Client's overall investment strategy.

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

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#### **A. Methods of Analysis**

K2 Financial employs fundamental, technical, and cyclical analysis in developing investment strategies for its Clients. Research and analysis from K2 Financial are derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and research prepared by others.

*Fundamental analysis* utilizes financial and business analysis as investment selection criteria. This criteria consists generally of ratios and trends that may indicate the overall strength and financial viability of the entity being analyzed. The analysis is extended towards finding a sustainable competitive advantage for the entity which will

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allow it to produce economic profit for the purpose of reinvestment back into the entity. While this type of analysis helps the Advisor in evaluating a potential investment, it does not guarantee that the investment will increase in value. Assets meeting the investment criteria utilized in the fundamental analysis may lose value and may have negative investment performance. The Advisor monitors these fundamental indicators to determine if adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included below in Item 13 – Review of Accounts.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis generally involves the use of charts to identify market patterns and trends, which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that K2 Financial will be able to accurately predict such a reoccurrence.

*Cyclical analysis* is similar to fundamental analysis because it is rooted in economic theory. Instead of analysis of individual companies from a bottom-up level (microeconomics), cyclical analysis measures the level and rate of change of important sectors of the macroeconomy in order to identify the stage of the business cycle. This analysis is performed because different stocks, sectors, and asset classes perform differently over different stages of the business cycle.

As noted above, K2 Financial generally employs a long-term investment strategy for its Clients, as consistent with their financial goals. K2 Financial will typically hold all or a portion of a security for more than a year but has the option to hold for shorter periods for the purpose of rebalancing a portfolio or meeting the cash needs of Clients. At times, K2 Financial also buys and sells positions that are more short-term in nature, depending on the goals of the Client and/or the fundamentals of the security, sector, or asset class.

#### B. Risk of Loss

Investing in securities involves certain investment risks. Securities fluctuate in value and can lose value. Clients should be prepared to bear the potential risk of loss. K2 Financial will assist Clients in determining an appropriate strategy based on their stated tolerance for risk and other factors noted above. However, there is no guarantee that a Client will meet their investment goals.

While the methods of analysis help the Advisor in evaluating a potential investment, there is no guarantee that any investment will increase in value. Assets meeting the investment criteria utilized in Advisor's methods of analysis may lose value and may have negative investment performance. The Advisor monitors economic indicators to determine whether adjustments to strategic allocations are appropriate. More details on the Advisor's review process are included below in Item 13 – Review of Accounts.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a Client's account[s]. The Advisor shall rely on the financial and other information provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform the Advisor of any changes in financial condition, goals or other factors that may affect this analysis.

The Advisor will work with each Client to determine their tolerance for risk as part of the portfolio construction process. Following are some of the risks associated with the Advisor's approach:

#### Market Risks

The value of a Client's holdings is expected to fluctuate in response to events specific to companies or markets, as well as economic, political, or social events in the U.S. and abroad. This risk is linked to the performance of the overall financial markets.

#### ETF Risks

The performance of ETFs is subject to market risk, including the possible loss of principal. The price of the ETFs will fluctuate with the price of the underlying securities that make up the funds. In addition, ETFs have a trading risk

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based on the loss of cost efficiency if the ETFs are traded actively and a liquidity risk if the ETFs has a large bid-ask spread and low trading volume. The price of an ETF fluctuates based upon the market movements and may dissociate from the index being tracked by the ETF or the price of the underlying investments. An ETF purchased or sold at one point in the day typically will have a different price than the same ETF purchased or sold a short time later.

#### Bond Risks

Bonds are subject to specific risks, including the following: (1) interest rate risks, i.e., the risk that bond prices will fall if interest rates rise, and vice versa, the risk depends on two things, the bond's time to maturity, and the coupon rate of the bond. (2) reinvestment risk, i.e. the risk that any profit gained must be reinvested at a lower rate than was previously being earned, (3) inflation risk, i.e. the risk that the cost of living and inflation increase at a rate that exceeds the income investment thereby decreasing the investor's rate of return, (4) credit default risk, i.e. the risk associated with purchasing a debt instrument which includes the possibility of the company defaulting on its repayment obligation, (5) rating downgrades, i.e. the risk associated with a rating agency's downgrade of the company's rating which impacts the investor's confidence in the company's ability to repay its debt and (6) Liquidity Risks, i.e. the risk that a bond may not be sold as quickly as there is no readily available market for the bond.

#### Mutual Fund Risks

The performance of mutual funds is subject to market risk, including the possible loss of principal. The price of the mutual funds will fluctuate with the value of the underlying securities that make up the funds. The price of a mutual fund is typically set daily therefore a mutual fund purchased at one point in the day will typically have the same price as a mutual fund purchased later that same day.

#### Options Contracts

Investments in options contracts have the risk of losing value in a relatively short period of time. Option contracts are leveraged instruments that allow the holder of a single contract to control many shares of an underlying stock. This leverage can compound gains or losses.

**Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with the Advisor.**

### Item 9 – Disciplinary Information

**There are no legal, regulatory, or disciplinary events involving K2 Financial or its management persons that are required to be disclosed in this Item.** K2 Financial values the trust Clients place in the Advisor. The Advisor encourages Clients to perform the requisite due diligence on any advisor or service provider that the Client engages.

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

#### A. Broker-Dealer Affiliation

As noted in Item 5, certain Advisory Persons are also registered representatives of Lincoln Investment Planning, LLC ("Lincoln Investment Planning"). Lincoln Investment Planning is a registered broker-dealer (CRD No. 519), member FINRA, SIPC. In one's separate capacity as a registered representative, the Advisory Person will typically receive commissions for the implementation of recommendations for commissionable transactions.

Due to the fact such representatives are licensed and can earn commissions or other compensation for effecting securities transactions, a conflict of interest exists because the representatives have an incentive to make recommendations based on the compensation received rather than on a client's needs. Advisor has adopted certain procedures designed to mitigate the effects of these conflicts. As part of our fiduciary duty to clients, the Advisor and its representatives endeavor at all times to act in the Client's best interest, and recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the Client. Additionally,

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the conflicts presented by these practices are disclosed to clients through the Firm's Brochure, Brochure Supplements, the client agreement and/or verbally prior to or at the time of entering into an agreement with Advisor.

Clients are not obligated to implement any recommendation provided by the Advisory Person. Neither the Advisor nor the Advisory Person will earn ongoing investment advisory fees in connection with any services implemented in the Advisory Person's separate capacity as a registered representative.

A conflict of interest exists between our firm and Lincoln Investment Planning. Lincoln Investment Planning provided our firm with a \$108,000 to assist with the purchase of a book of business held within the broker-dealer.

#### B. Futures Merchant

Neither K2 Financial nor K2 Financial nor any Advisory Persons have any registrations or affiliations with a futures commission merchant, commodity pool operator, or commodity-trading advisor.

#### C. Material Relationships

This section describes the relationship among the Advisor and entities affiliated with Advisor through common ownership and control. The Advisor and its affiliates share employees, and have the ability to enter certain business relationships through which personnel, including the owners of the Advisor, receive compensation. Two of the affiliated entities have owners that are not related to the Advisor as indicated below.

#### Tax Preparation Services

K2 Financial, through its affiliate Krellwitz Kurimoto & Associates. (DBA K2 Financial Partners, DBA K2 Tax Prep) ("KK&A") which is under common control and ownership with the Advisor. KK&A, a CTEC Registered Tax Preparer (CRTP), offers tax preparation to individuals, high net worth individuals, trusts, and estates. Employees of K2 Financial are also employees of or provide services to KK&A. Fees for tax preparation services are based upon the complexity of the services to be provided. Advisor has in the past and expects in the future to refer Clients to KK&A to receive tax services.

This situation creates a conflict of interest because the owners of Advisor, who also own KK&A, will receive compensation if a Client engages KK&A for tax services. As part of Advisor's fiduciary duty to clients, K2 and its representative's endeavor at all times to act in the Client's best interest, and a referral will be made to the extent that it is reasonably believed to be in the best interest of the Client. Additionally, the conflicts presented by these practices are disclosed to clients through K2 Financial's Brochure, Brochure Supplements, and/or verbally prior to or at the time of entering into an agreement with K2 Financial. Clients are under no obligation to engage KK&A for any tax preparation services.

#### Other Registered Investment Advisor Affiliation

Certain Advisory Persons are also Investment Advisor Representatives ("IARs") of Lincoln Investment Planning, LLC ("Lincoln Investment Planning") (CRD# 519). As a financial advisor with Lincoln Investment Planning, the Advisory Person will receive investment advisory fees for investment management services offered. The Advisory Person will provide each Client with Lincoln Investment Planning's Form ADV 2A or equivalent disclosure brochure, in advance of providing investment management services. At no time will the Advisory Person or the Advisor earn both ongoing investment advisory fees under the Advisor and ongoing investment advisory fees through Lincoln Investment Planning on the same investment assets.

#### Insurance Agency Affiliations

As noted in Item 5, certain Advisory Persons are also licensed insurance professionals of K2 Benefits and Insurance Services, Inc. ("K2 Benefits"), an affiliated insurance agency under common control and ownership with the Advisor. Implementations of insurance recommendations are separate and apart from an Advisory Person's role with the Advisor. Advisory Persons, in their individual capacities as insurance agents of K2 Benefits will receive customary commissions and other related revenues from the various insurance companies whose products are sold. The Principal Officers of K2 Financial are the direct owners of K2 Benefits. and, as such, receive revenue directly from K2 Benefits when insurance recommendations are implemented. Advisory Persons are not required to offer the products of any particular insurance company. Commissions generated by insurance sales do not offset

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regular advisory fees. Advisor has in the past and expects in the future to refer Clients to K2 Benefits to receive insurance services.

This situation presents a conflict of interest in recommending certain products of the insurance companies. As part of Advisor's fiduciary duty to clients, K2 Financial and its representative's endeavor at all times to act in the Client's best interest, and a referral will be made to the extent that it is reasonably believed to be in the best interest of the Client. Additionally, the conflicts presented by these practices are disclosed to clients through K2 Financial's Brochure, Brochure Supplements, and/or verbally prior to or at the time of entering into an agreement with K2. Clients are under no obligation to use the services of K2 Benefits or to implement any recommendations relating to insurance made by K2 Benefits, any Advisory Persons, or the Advisor.

#### D. Selection of Other Advisors

##### Use of Independent Managers

As noted in Item 4, the Advisor will consider implementing all or a portion of a Client's investment portfolio with one or more Independent Managers. To eliminate any conflict of interest, the Advisor does not earn any compensation from an Independent Manager. The Advisor will only earn its investment advisory fee as described in Item 5.A. However, the Independent Manager will calculate and deduct a single, overall fee from the Client's account[s] at the Custodian and remit the appropriate amount to the Advisor. All fees will be fully disclosed to the Client.

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

#### A. Code of Ethics

K2 Financial has implemented a Code of Ethics (the "Code") that defines the Advisor's fiduciary commitment to each Client. The Code was developed to provide general ethical guidelines and specific instructions regarding the Advisor's duties to the Client, and establishes standards of conduct for Advisor's supervised persons. K2 Financial and its supervised persons owe a duty of loyalty, fairness and good faith towards each Client. It is the obligation of K2 Financial's supervised persons to adhere not only to the specific provisions of the Code, but also to the general principles that guide the Code. The Code covers a range of topics that address employee ethics and conflicts of interest. To request a copy of the Code, please contact the Advisor at (626) 553-6113 or via email at [info@k2financialpartners.com](mailto:info@k2financialpartners.com).

#### B. Personal Trading with Material Interest

K2 Financial allows supervised persons to purchase or sell the same securities that are recommended to and purchased on behalf of Clients. K2 Financial does not act as principal in any transactions. In addition, the Advisor does not act as the general partner of a fund or advise an investment company. K2 Financial does not have a material interest in any securities traded in Client accounts.

#### C. Personal Trading in Same Securities as Clients

K2 Financial allows supervised persons to purchase or sell the same securities that are recommended to and purchased on behalf of Clients. Owning the same securities are recommended (purchase or sell) to Clients presents a conflict of interest that, as fiduciaries, must be disclosed to Clients and mitigated through policies and procedures. As noted above, the Advisor has adopted the Code to address insider trading (material non-public information controls); gifts and entertainment; outside business activities and personal securities reporting. When trading for personal accounts, Supervised Persons have a conflict of interest if trading in the same securities. The fiduciary duty to act in the best interest of its Clients can be violated if personal trades are made with more advantageous terms than Client trades, or by trading based on material non-public information. This risk is mitigated by K2 Financial requiring reporting of personal securities trades by its supervised persons for review by the Chief Compliance Officer ("CCO") or delegate. The Advisor has also adopted written policies and procedures to detect the misuse of material, non-public information.

#### D. Personal Trading at Same Time as Client

While K2 Financial allows supervised persons to purchase or sell the same securities that are recommended to and purchased on behalf of Clients, such trades are typically aggregated with Client orders or traded afterward. **At no**

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time will K2 Financial, or any supervised person of K2 Financial, transact in any security to the detriment of any Client.

## Item 12 – Brokerage Practices

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### A. Recommendation of Custodian[s]

K2 Financial does not have discretionary authority to select the broker-dealer/custodian for custody and execution services. The Client will engage the broker-dealer/custodian (herein the "Custodian") to safeguard Client assets and authorize K2 Financial to direct trades to the Custodian as agreed upon in the investment advisory agreement. Further, K2 Financial does not have the discretionary authority to negotiate commissions on behalf of our Clients on a trade-by-trade basis.

K2 Financial does not exercise discretion over the selection of the Custodian. It may, however, recommend Custodian[s] to Clients for custody and execution services. Clients are not obligated to use the custodian recommended by the Advisor and will not incur any extra fee or cost associated with using a Custodian not recommended by K2 Financial. However, the Advisor will likely be limited in the services it can provide if the recommended Custodian is not engaged. Any recommendation of Custodian that K2 Financial makes is generally based on criteria such as, but not limited to, reasonableness of commissions charged to the Client, services made available to the Client, and its reputation and/or the location of the Custodian's offices.

K2 Financial will generally recommend that Clients establish their account[s] at Charles Schwab & Co., Inc. ("Schwab") Capital Group and SEI Investments Distributions Co. ("SEI"), both FINRA-registered broker-dealers and members SIPC. Schwab and SEI will serve as the Client's "qualified custodian". K2 Financial maintains an institutional relationship with Schwab and SEI whereby the Advisor receives economic benefits from Schwab and SEI Please see Item 14 below. In addition, when deemed appropriate, Advisor will recommend that Clients establish a custodial account directly with Capital Bank and Trust Company, an SEC-registered investment adviser.

As certain Advisory Persons are registered representatives of Lincoln Investment Planning, the Advisor may be limited in using other broker-dealers/custodians as Lincoln Investment Planning must approve the use of any outside broker-dealer/custodian.

Following are additional details regarding the brokerage practices of the Advisor:

**1. Soft Dollars** - Soft dollars are revenue programs offered by broker-dealers/custodians whereby an advisor enters into an agreement to place security trades with a broker-dealer/custodian in exchange for research and other services. **K2 Financial does not participate in soft dollar programs sponsored or offered by any broker-dealer/custodian. However, the Advisor receives certain economic benefits from the Custodian. Please see Item 14 below.**

**2. Brokerage Referrals** - K2 Financial does not receive any compensation from any third party in connection with the recommendation for establishing an account.

**3. Directed Brokerage** - All Clients are serviced on a "directed brokerage basis", where K2 Financial will place trades within the established account[s] at the Custodian designated by the Client. Further, all Client accounts are traded within their respective account[s]. The Advisor will not engage in any principal transactions (i.e., trade of any security from or to the Advisor's own account) or cross transactions with other Client accounts (i.e., purchase of a security into one Client account from another Client's account[s]). K2 Financial will not be obligated to select competitive bids on securities transactions and does not have an obligation to seek the lowest available transaction costs. These costs are determined by the designated Custodian. The Advisor typically will not be able to aggregate orders to reduce transaction costs in a Client directed brokerage account.

### B. Aggregating and Allocating Trades

The primary objective in placing orders for the purchase and sale of securities for Client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of the order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the Custodian. K2 Financial will execute its transactions through the Custodian as authorized by the Client.

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Advisor typically effects securities transactions for each Client account independently. However, K2 Financial can at times (but would be under no obligation to) aggregate orders in a block trade or trades when securities are purchased or sold for Clients through the same custodian for multiple (discretionary) accounts in the same trading day. If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is fair and equitable, and consistent with the initial pre-allocation or other written statement. This must be done in a way that does not consistently advantage or disadvantage any particular Client accounts.

### **Item 13 – Review of Accounts**

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#### **A. Frequency of Reviews**

Securities in Client accounts are monitored on a regular and continuous basis by the investment adviser representative performing services for the Client. Formal reviews are generally conducted at least annually or more frequently depending on the needs of the Client.

#### **B. Causes for Reviews**

In addition to the periodic reviews described above, reviews can be triggered by changes in a Client's personal, tax or financial status. Account holdings also are reviewed when changing market conditions warrant such review. The Client is encouraged to notify K2 Financial if changes occur in the Client's personal financial situation that might adversely affect the Client's investment plan, investment needs, objectives, or time horizon.

#### **C. Review Reports**

The Client will receive brokerage statements no less than quarterly from the Custodian. These brokerage statements are sent directly from the Custodian to the Client. The Client has the option to establish electronic access to the Custodian's website so that the Client may view these reports and their account activity. Client brokerage statements will include all positions, transactions and fees relating to the Client's account[s]. From time to time, the Advisor, in its discretion, will also provide Clients with periodic reports regarding their holdings, allocations, and performance.

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

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#### **A. Compensation Received by K2 Financial**

##### Participation in Institutional Advisor Platform (Schwab)

K2 Financial has established an institutional relationship with Schwab through its "Schwab Advisor Services" unit, a division of Schwab dedicated to serving independent advisory firms like K2 Financial. As a registered investment advisor participating on the Schwab Advisor Services platform, K2 Financial receives access to software and related support without cost because the Advisor renders investment management services to Clients that maintain assets at Schwab. Services provided by Schwab Advisor Services benefit the Advisor and many, but not all services provided by Schwab will benefit Clients. In fulfilling its duties to its Clients, the Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits from a custodian creates a conflict of interest since these benefits have the ability to influence the Advisor's recommendation of this custodian over one that does not furnish similar software, systems support, or services.

*Services that Benefit the Client* – Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of Client's funds and securities. Through Schwab, the Advisor may be able to access certain investments and asset classes that the Client would not be able to obtain directly or through other sources. Further, the Advisor may be able to invest in certain mutual funds and other investments without having to adhere to investment minimums that might be required if the Client were to directly access the investments.

*Services that May Indirectly Benefit the Client* – Schwab provides participating advisors with access to technology, research, discounts and other services. In addition, the Advisor receives duplicate statements for Client accounts, the ability to deduct advisory fees, trading tools, and back-office support services as part of its relationship with Schwab. These services are intended to assist the Advisor in effectively managing accounts for its Clients but may not directly benefit all Clients.

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*Services that May Only Benefit the Advisor* – Schwab also offers other services to K2 Financial that may not benefit the Client, including educational conferences and events, financial start-up support, consulting services and discounts for various service providers. Access to these services creates a financial incentive for the Advisor to recommend Schwab, which results in a conflict of interest. K2 Financial believes, however, that the selection of Schwab as Custodian is in the best interests of its Clients.

#### SEI Select Advisor Program

K2 Financial has established a relationship with SEI Investments Distribution Co. to assist the Advisor in managing Client account[s] and is also part of the SEI Select Advisor Program. The Advisor receives financial support from the Custodian that is used to assist with marketing and events, along with covering the Advisor's cost to participate in the SEI's due diligence meeting. In fulfilling its duties to its Clients, the Advisor endeavors at all times to put the interests of its Clients first. Clients should be aware, however, that the receipt of economic benefits from a Custodian creates a conflict of interest since these benefits have the ability to influence the Advisor's recommendation of the Custodian over one that does not furnish similar financial support.

#### **B. Client Referrals from Solicitors**

K2 Financial engages promoters to introduce new prospective clients to K2 Financial consistent with Rule 206(4)-1 and the Investment Advisers Act of 1940, its corresponding rules, and applicable state regulatory requirements. If the prospect subsequently engages K2 Financial, the promoter shall generally be compensated by K2 Financial for the introduction. Because the promoter has an economic incentive to introduce the prospect to K2 Financial, a conflict of interest is presented. The promoter's introduction shall not result in the prospect's payment of a higher investment advisory fee to K2 Financial (i.e., if the prospect was to engage K2 Financial independent of the promoter's introduction).

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

As mentioned above, certain K2 Financial representatives have outside business activities that provide additional compensation. There also exist affiliated companies of K2 Financial (due to common ownership and control), whereby owners of K2 Financial share in profits of such affiliated companies that can be utilized by K2 Financial clients. Please refer to Items 5 and 10 above, and/or the respective representative's Form ADV Part 2B, for detailed information regarding these business activities, the compensation received, the related conflicts and how K2 Financial mitigates such conflicts.

### **Item 15 – Custody**

K2 Financial does not accept or maintain custody of any Client accounts. Advisor is deemed to have "constructive custody" of Client funds because Advisor has the authority and ability to debit our fees directly from the accounts of those Clients receiving our services. All Clients must place their assets with a "qualified custodian". Clients are required to engage the Custodian to retain their funds and securities and direct K2 Financial to utilize that Custodian for the Client's security transactions. Clients should review statements provided by the Custodian and compare to any reports provided by K2 Financial to ensure accuracy, as the Custodian does not perform this review. For more information about custodians and brokerage practices, see Item 12 - Brokerage Practices.

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

K2 Financial generally has discretion over the selection and amount of securities to be bought or sold in Client accounts without obtaining prior consent or approval from the Client. However, these purchases or sales can be subject to specified investment objectives, guidelines, or limitations previously set forth by the Client and agreed to by K2 Financial. Discretionary authority will only be authorized upon full disclosure to the Client. The granting of such authority will be evidenced by the Client's execution of an investment advisory agreement containing all applicable limitations to such authority. All discretionary trades made by K2 Financial will be in accordance with each Client's investment objectives and goals.

For each account Advisor manages, the Client will establish a Limited Power of Attorney with Client's Custodian authorizing the Advisor to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent for the account.

#### **K2 Financial, Inc.**

233 South Glendora Avenue, Glendora, CA 91773

Phone: (626) 553-6113 \* Fax: (626) 389-4001

[www.k2financialpartners.com](http://www.k2financialpartners.com)

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

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K2 Financial does not accept proxy-voting responsibility for any Client. Clients will receive proxy statements directly from the Custodian. The Advisor will assist in answering questions relating to proxies, however, the Client retains the sole responsibility for proxy decisions and voting.

Advisor typically does not advise or act for Clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in Clients' accounts.

## **Item 18 – Financial Information**

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Neither K2 Financial, nor its management, have any adverse financial situations that would reasonably impair the ability of K2 Financial to meet all obligations to its Clients. Neither K2 Financial, nor any of its Advisory Persons, have been subject to a bankruptcy or financial compromise. K2 Financial is not required to deliver a balance sheet along with this Disclosure Brochure as the Advisor does not collect advance fees of \$1,200 or more for services to be performed six months or more in the future.

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## Privacy Policy

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Effective: March 25, 2021

### Our Commitment to You

K2 Financial Inc. ("K2 Financial" or the "Advisor") is committed to safeguarding the use of personal information of our Clients (also referred to as "you" and "your") that we obtain as your Investment Advisor, as described here in our Privacy Policy ("Policy").

Our relationship with you is our most important asset. We understand that you have entrusted us with your private information, and we do everything that we can to maintain that trust. K2 Financial (also referred to as "we", "our" and "us") protects the security and confidentiality of the personal information we have and implements controls to ensure that such information is used for proper business purposes in connection with the management or servicing of our relationship with you.

K2 Financial does not sell your non-public personal information to anyone. Nor do we provide such information to others except for discrete and reasonable business purposes in connection with the servicing and management of our relationship with you, as discussed below.

Details of our approach to privacy and how your personal non-public information is collected and used are set forth in this Policy.

### Why you need to know?

Registered Investment Advisors ("RIAs") must share some of your personal information in the course of servicing your account. Federal and State laws give you the right to limit some of this sharing and require RIAs to disclose how we collect, share, and protect your personal information.

### What information do we collect from you?

Driver's license number	Date of birth
Social security or taxpayer identification number	Assets and liabilities
Name, address and phone number[s]	Income and expenses
E-mail address[es]	Investment activity
Account information (including other institutions)	Investment experience and goals

### What information do we collect from other sources?

Custody, brokerage and advisory agreements	Account applications and forms
Other advisory agreements and legal documents	Investment questionnaires and suitability documents
Transactional information with us or others	Other information needed to service account

### How do we protect your information?

To safeguard your personal information from unauthorized access and use, we maintain physical, procedural and electronic security measures. These include such safeguards as secure passwords, encrypted file storage and a secure office environment. Our technology vendors provide security and access control over personal information and have policies over the transmission of data. Our associates are trained on their responsibilities to protect Client's personal information.

We require third parties that assist in providing our services to you to protect the personal information they receive from us.

### How do we share your information?

An RIA shares Client personal information to effectively implement its services. In the section below, we list some reasons we share your personal information.

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Basis For Sharing	Do we share?	Can you limit?
<b>Servicing our Clients</b> We may share non-public personal information with non-affiliated third parties (such as administrators, brokers, custodians, regulators, credit agencies, other financial institutions) as necessary for us to provide agreed upon services to you, consistent with applicable law, including but not limited to: processing transactions; general account maintenance; responding to regulators or legal investigations; and credit reporting. We will also share non-public information about you with our securities broker dealer with whom we are registered as they have a regulatory responsibility to oversee our investment advisory business to the extent we are recommending and initiating transactions on your behalf.  K2 Financial shares Client information with Lincoln Investment Planning. This sharing is due to the oversight Lincoln Investment Planning has over certain Supervised Persons of the Advisor. You may also contact us at any time for a copy of the Lincoln Investment Planning Privacy Policy.	Yes	No
<b>Marketing Purposes</b> K2 Financial does not disclose, and does not intend to disclose, non-public personal information with non-affiliated third parties to offer you services. Certain laws may give us the right to share your personal information with financial institutions where you are a customer and where K2 Financial or the client has a formal agreement with the financial institution. <b>We will only share information for purposes of servicing your accounts, not for marketing purposes.</b>	No	Not Shared
<b>Authorized Users</b> Your non-public personal information may be disclosed to you and persons that we believe to be your authorized agent[s] or representative[s].	Yes	Yes
<b>Information About Former Clients</b> K2 Financial does not disclose and does not intend to disclose, non-public personal information to non-affiliated third parties with respect to persons who are no longer our Clients.	No	Not Shared

### Changes to our Privacy Policy

We will send you a copy of this Policy annually for as long as you maintain an ongoing relationship with us.

Periodically we may revise this Policy and will provide you with a revised Policy if the changes materially alter the previous Privacy Policy. We will not, however, revise our Privacy Policy to permit the sharing of non-public personal information other than as described in this notice unless we first notify you and provide you with an opportunity to prevent the information sharing.

### Any Questions?

You may ask questions or voice any concerns, as well as obtain a copy of our current Privacy Policy by contacting us at (626) 553-6113 or via email at [info@k2financialpartners.com](mailto:info@k2financialpartners.com).

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