# First Kentucky Securities Corporation

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

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This brochure provides information about the qualifications and business practices of First Kentucky Securities Corporation. If you have any questions about the contents of this brochure, please contact us at 502-893-7288 or anicholson@firstky.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about First Kentucky Securities Corporation also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 7524.

## Item 2 Material Changes

There were no material updates since the last amendment to First Kentucky Securities Corporation's ("FKSC") Form ADV Part 2 Firm Brochure. Clients are encouraged to read the Brochure in detail and contact their account representative with any questions.

Further, any information set forth herein regarding pooled investment vehicles managed by the Firm is qualified in its entirety by reference to applicable offering and governing documents. In the event of a conflict between the information set forth in this Brochure and the information in the applicable governing and/or offering documents, the governing or offering documents, the governing and/or offering documents shall control.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Our current Firm Brochure is available to our existing and prospective clients 24 hours a day through the Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov.

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## Item 4 Advisory Business

First Kentucky Securities Corporation is an SEC-registered investment adviser with its principal place of business located in Louisville, Kentucky. First Kentucky Securities Corporation (hereinafter "FKSC" or "firm" or "we") began conducting business as an investment adviser in 2007.

As of 09/30/2022, assets under our firm's management were $397,390,810.96 of client assets on adiscretionary basis, and $243,721,454.17 of client assets on a non-discretionary basis.

FKSC offers the following services and programs to our clients:

I RBC Capital Markets Services (offered through our clearing firm arrangement)

1. Consulting Solutions Program – a wrap fee program sponsored by RBC
2. RBC Unified Portfolio Program – a wrap fee program sponsored by RBC
3. Unbundled Managed Account Solutions (UMAS) - a wrap fee program sponsored by FKSC*
4. FKSC Advisory Fee Program (Non-Wrap) sponsored by FKSC

II Financial Planning Services

III Securities Rating Services

IV. Consulting Services

**This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein.**

***See Appendix 1: First Kentucky Securities Corp - Wrap Fee Program Brochure for details.***

FKSC provides continuous advice to a client based on the individual needs of the client. Through personal discussions in which goals and objectives of a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests
- Publicly-traded master limited partnerships (MLPs)
- Designated unit investment trusts (UITs)

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## I. RBC CAPITAL MARKETS SERVICES

**Consulting Solutions Program**

Consulting Solutions is a fee-based investment advisory Program sponsored by RBC CS and made available to FKSC as an introducing-broker to RBC CS through which your account is managed by one or more professional investment managers participating in the Program. Your Financial Advisor may provide you with information on investment managers whose investment philosophy and objectives may be compatible with your risk profile, and you select the investment manager. RBC CS makes available Investment Managers who meet RBC CS' eligibility requirements for participation in the Program.

**For more information about the operation of the RBC Consulting Solutions Program, please see the RBC Consulting Solutions Program Agreement, Terms and Conditions and RBC Advisory Programs Disclosure Document.**

**RBC Unified Portfolio Program**

RBC Unified Portfolio is a unified managed account "UMA" program through which your Account is professionally managed by RBC CM as Overlay Manager. The Overlay Manager manages the Account through investments in mutual funds, ETPs, and/or in accordance with one or more model portfolios provided by Model Providers or RBC CS, all in a single Account. Your FKSC Financial Advisor will provide you with information on mutual funds, ETPs, and/or model portfolios representing different investment styles and strategies that will be compatible with your Risk Profile.

**For more information about the operation of the RBC Unified Portfolio Program, please see the RBC Unified Portfolio Program Agreement, Terms and Conditions and RBC Correspondent Services Advisory Programs Disclosure Document.**

The Consulting Solutions Program and RBC Unified Portfolio Program are wrap fee programs (together, the "Programs") sponsored by RBC Capital Markets and offered through RBC Correspondent Services, a division of RBC Capital Markets Corporation, Member NYSE/FINRA/SIPC ("RBC"). FKSC may recommend and refer its clients to various third-party money managers available through the Programs.

FKSC will assist clients with the identification of investment objectives through preparation of a risk profile questionnaire and will assist clients in the selection of appropriate money managers available through the Programs. Client accounts may also be invested in model portfolios provided by third party money managers available through the Programs. Clients may grant FKSC the authority to select or re-allocate client's assets amongst third party managers on a non-discretionary basis.

On at least an annual basis, FKSC will meet or speak with clients to review the performance of Client's account, investment guidelines and other relevant factors in order to assess what changes, if any should be made to the management of client's account.

The money managers selected under the Programs will have discretion to determine the securities to be bought or sold within the client's accounts subject to reasonable restrictions imposed by the client, subject to the client's signature on the money manager's account agreement.

The Programs are wrap fee programs where custody and brokerage fees are included in the total advisory fee charged to the client, subject to the exceptions of certain fees stated in RBC's Program Brochure.

Clients should refer to RBC's disclosure brochure for additional information regarding the Program.

- Wrap Fee Programs may not be suitable for all investment needs, and any decision to participate in a Wrap Fee Program should be based on the client's individual financial circumstances and investment goals.
- The benefits under a Wrap Fee Program depend, in part, upon the size of a client's account and the number of transactions likely to be generated in the account. For example, Wrap Fee Accounts may not be suitable for accounts with little activity. Participating in a Wrap Fee Program may cost more or less than the cost of purchasing such services separately from a broker-dealer.
- FKSC receives compensation as a result of the client's participation in the Programs which may be more than what FKSC would receive if the client paid separately for investment advice, brokerage and other services.
- FKSC may have a financial incentive to recommend the Programs over other programs and services.

In determining whether to establish a Program account, a client should be aware that the overall cost to the client may be higher or lower than the client might incur by purchasing separately the types of securities available in the Program.

**Unbundled Managed Account Solutions (UMAS) – FKSC Wrap Fee Program sponsored by FKSC**

The FKSC Wrap Fee Program offers portfolio management services to clients as the sponsor and portfolio manager of the FKSC Wrap Fee Program. A wrap fee program is an investment management program that provides the client with advisory and brokerage execution services for an inclusive fee which incorporates charges for advisory services, custody, clearing, transaction execution and account reporting. For more information regarding the Program, including the fee schedule and other important considerations, clients should refer to Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure.

**FKSC Advisory Fee Program (Non-Wrap) sponsored by FKSC**

The FKSC Advisory Fee Program seeks to help clients develop and reach financial goals through a thoughtful combination of technology, expertise and the use of financial investments. In consultation with a client, information is gathered related to client's current and future financial needs, existing resources, goals, and risk tolerance. A proposal to the investment approach is presented, and if accepted, implemented and monitored according to the client's objectives.

The adviser may propose investment portfolios consisting of mutual funds, exchange traded funds (ETFs), individual stocks and bonds, or other suitable securities. If a client agrees to engage our services, we will work to open new accounts, move assets to our clearing firm RBC Correspondent Services, and begin executing on our annual service model. Any changes to a client's personal or financial situation must be communicated immediately so we can take that information into consideration.

The FKSC Advisory Fee Program offers investment management services on a non-discretionary basis, meaning that client authorization is obtained before entering any buy or sell orders in a client account.

The terms and conditions under which a client shall engage our investment practice for advisory services shall generally be set forth in an agreement between the client and our firm. Clients may terminate these contracts at any time upon written notification (see *Termination of the Advisory Relationship* under **General Information**).

## II. FINANCIAL PLANNING SERVICES

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- *PERSONAL*: We review familyrecords, budgeting, personal liability, estate information and financial goals.
- *TAX & CASH FLOW*: We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- *INVESTMENTS*: We analyze investment alternatives and their effect on the client's portfolio.
- *INSURANCE*: We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- *RETIREMENT*: We analyze current strategies and investment plans to help the client achieve his or her retirement goals. *DEATH & DISABILITY*: We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- *ESTATE*: We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically, the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided. Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## III SECURITIES RATING SERVICES

First Kentucky Securities Corporation, doing business as First Credit Advisors (FCA), provides timely and in-depth company-specific or security-specific equity research for institutional clients including, among others, investment managers or other advisers to hedge funds or other private funds, investment companies and pension or profit-sharing plans. FCA's research and analysis is widely available to institutional advisers and others through web-based, broker research sites. In addition, we may distribute research reports directly to clients that have done business with our firm in the past twelve-month period.

We conduct research regarding issuers or securities through competition and market analysis, economic modeling, earnings forecasts and valuation, among other factors. FCA generally provides research and analysis for equities of predominantly U.S. issuers in the technology, media, telecommunications, and consumer goods sectors. FCA analyzes fundamental data taken from original sources and/or publicly available reports. As appropriate, our information-gathering process may include on-site inspections of company operations, manufacturing, retail outlets and/or interviews with senior-level management.

FCA will also formulate a buy, hold or sell recommendation and price target based on its investment philosophy focusing, primarily, on an issuer's prospects for long-term growth taking into consideration its market share, competitive position and anticipated consumer demand for products or services, capital strength, profitability and appropriate valuations. Once we have initiated coverage of a particular issuer or security, we will provide regular updates regarding the status of such issuer or security including any changes in inventory or resource access or supply, demand, competition or technology, among other factors, that could impact our outlook or valuation.

### I.V. CONSULTING SERVICES

Clients can also receive investment advice on a more focused basis. This includes advice on only an isolated area of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

## Item 5 Fees and Compensation

### PORTFOLIO MANAGEMENT SERVICES

FKSC’s fees for Portfolio Management Services are based upon a percentage of assets under management. The following fee schedule is indicative of a typical wealth management account. Your actual fee may vary depending upon your specific portfolio (WRAP or Non-WRAP account – see information below), the complexity of the portfolio, the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, and overall management, among other factors. The fee schedule may be negotiated with the client on a case-by-case basis. No fee will be in excess of 2.00% without specific approval by the firm’s Compliance Officer.

| Assets Under Management | Annual Fee |
|---|---|
| $25,000 - $100,000 | 2.00% |
| $100,000 - $2,000,000 | 1.50% |
| $2,000,000 - $5,000,000 | 1.25% |
| $5,000,000 and over | 0.60% |

Fees are deducted in advance of each quarter, based upon the net value of the assets in the client account on the last business day of the previous quarter, pro-rated for additions and withdrawals.

Depending on the particular arrangement with each client, we will generally debit their custodial accounts for portfolio management fees. In addition, RBC pays the firm a monthly interest rebate based on monthly average margin balances, money market sweep accounts, as well as a monthly rebate on personal lines of credit accounts opened with RBC.

## CONSULTING SOLUTIONS PROGRAM
## RBC UNIFIED PORTFOLIO PROGRAM (WRAP)

RBC Capital Markets, LLC, as the sponsor of the Consulting Solutions and RBC Unified Portfolio wrap fee programs, charges the client a wrap fee (the "Program Fee") based on a percentage of assets under management. For more information regarding the RBC wrap fee programs, including the fee schedule and other important considerations, clients should refer to RBC's disclosure brochure for additional information.

## RBC CREDIT ACCESS LINE

RBC Correspondent Services (RBC CS) offers a lending solution through its affiliated partner, Royal Bank of Canada, called the Credit Access Line (CAL). The CAL is a set of credit products that are secured by the value of the eligible securities in a client's investment account(s). RBC CS may receive a rebate of up to 25 basis points plus any RBC CS mark-ups on non-negotiated lines of credit.

## UNBUNDLED MANAGED ACCOUNT SOLUTIONS PROGRAM (UMAS) – FKSC WRAP FEE PROGRAM

Our annual fee for portfolio management services through the FKSC Wrap Fee Program is based upon a percentage of assets under management. For more information regarding the Program, including the fee schedule and other important considerations, clients should refer to Part 2A Appendix 1: Wrap Fee Program Brochure.

## FKSC ADVISORY FEE PROGRAM (NON-WRAP)

Fees assessed for the FKSC Advisory Fee Program will be outlined in the advisory agreement and agreed upon prior to entering into contract. Fees are billed on a pro-rata annualized basis, charged quarterly in advance based on the value of the client's account on the last day of the previous quarter. A determination of aggregate household valuations will be done quarterly to determine the applicable schedule and preferred account for payment.

There are no minimum account requirements.

**Fees and Compensation in General**

Mutual fund managers charge certain fees for their services and products. Those fees are in addition to the investment management fees paid to the Firm, and are separate and distinct from the investment management fees charged by the Firm. These fees and expenses are described in the prospectuses for each mutual fund. Some mutual funds charge front-end or back-end loads (also known as initial or deferred sales charges), investment management fees, and other fund expenses and distribution fees ("12b-1 fees").

Mutual funds will provide for the payment of certain Rule 12b-1 and other similar asset-based charges ("12b-1" fee). Typically, all or a portion of the 12b-1 fee is paid by a mutual fund company to the Firm, as outlined in the applicable prospectus, potentially creating an incentive, and thus a conflict of interest, for the Firm or your Financial Advisor to recommend a mutual fund that will pay a 12b-1 fee as opposed to one that does not. We address this conflict of interest by (1) offering Advisor share class Mutual Fund positions for new purchases in Client accounts (when available), and (2) crediting any 12b-1 fees that we receive related to a mutual fund held in an advisory account back to the Client Account.

Many mutual fund companies offer advisory, institutional or other share classes that do not havea sales load or assess 12b-1 fees. Many mutual funds offer multiple classes of shares which are available based on various eligibility requirements as dictated by the fund company. RBC CS or the Firm will decide which share classes to offer in the Firm's Clients based on such eligibility requirements, the availability of share classes under the distribution agreements available to the Firm through RBC CS, and other considerations. In most cases, we recommend the lowest expense ratio share class offered by the fund company and available through RBC CS, but in some cases, may choose to recommend a higher-cost share class. It should be noted that, in certain instances, certain share classes may not be available to us through RBC CS and there may be a cheaper alternative available to you should you qualify for it and purchase it elsewhere.

Accordingly, the client should review both the fees charged by the funds and the applicable program fee charged by the Adviser to fully understand the total amount of fees to be paid by the client and to thereby evaluate the Advisory services being provided.

Cash balances in Client accounts may be invested in money market mutual funds including, as permitted by law, those with which we have agreements to provide administrative, distribution, and other services and for which we receive compensation for the services rendered. Clients who participate in a Program may pay more or less for the services described in this brochure and the RBC CS Brochure than if they purchased such services separately.

FKSC has a revenue sharing agreement with RBC CS whereby FKSC receives a rebate based on FKSC's monthly average daily balance in RBC Insured Deposit Accounts. FKSC also receives payments from RBC CS based on the Firm's monthly average balance in the U.S. Government Money Market Fund. If, however, the U.S. Government Money Market Fund waives 50 basis points or more of its fees, then FKSC will not receive any payments. The U.S. Government Money Market Fund is available for balances that exceed the FDIC insurance coverage limit.

FKSC makes available no-transaction fee ("NTF") funds. Although NTF funds have no transaction fees, there are fees associated with these funds. NTF funds may have higher operating expenses than non-NTF funds. These operating expenses are typically charged on an annual basis.

WRAP Accounts

In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Thus, client's portfolio transactions will typically be executed without commission charge. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

FKSC and the portfolio advisor receive a portion of the Program fee for services provided to clients in the RBC-sponsored Consulting Solutions Program and RBC Unified Portfolio Program.

The client will receive RBC's Wrap Fee Program Brochure, prepared by RBC describing the specific fees charged within the Programs available to FKSC clients, the minimum account requirements, billing arrangements and service termination provisions. Clients are encouraged to review this disclosure document regarding the particular characteristics of the fees charged within the Program.

The Program Fee is charged on a calendar quarter basis in advance, based on the value (market value or fair market value in the absence of market value) of the account at the end of the quarter and prorated to the end of the quarter upon inception of the account. Fees will be debited from the account in accordance with the client authorization in the Managed Services Account Agreement.

Clients can incur charges for other account services provided not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, wire transfer fees, interest charges on margin loans, exchange fees, and fees for transfers of securities.

Clients should be aware that depending on the level of fees charged by the executing broker-dealer, and the amount of portfolio activity in the clients' account, the value of the services provided under this Program may exceed the total cost of such services had they been provided separately. In addition, the Program Fee may be higher or lower than that charged by other sponsors of comparable advisory fee programs. In addition, a disparity in advisory fees may exist between the advisory fees charged to other clients.

Non-WRAP Accounts

The Advisory Fee pays for our advisory services to clients under the Non-WRAP Program, as well as administrative expenses charged to bill client accounts on a quarterly basis.

The Advisory Fee does not cover any brokerage or execution costs associated with the implementation of investments in client accounts, including ticket charges. The Advisory Fee does not include expenses of mutual funds and electronically traded funds such as fund management fees charged to each fund's investors, mark-ups, mark-downs, or spreads paid to market makers, and/or odd-lot differential fees.

Margin

We may trade client accounts on margin. Each client must sign a separate margin agreement before margin is extended to that client account. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. While a negative amount may show on a client's statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

**FINANCIAL PLANNING**

FKSC's Financial Planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fee can be calculated on an hourly or fixed fee basis. Our hourly rate ranges from $100 to $500 per hour. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. Our fixed fee typically ranges from $500 to $5,000 depending on the specific arrangement reached with the client.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed $1,200 for work that will not be completed within six months. The balance is due upon completion of the plan.

The client is billed upon presentation of the completed financial plan to the client based on actual hours accrued.

Financial Planning Fee Offset: We reserve the discretion to reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage us for our Portfolio Management Services.

**SECURITIES RATING SERVICES**

Clients will often access and review our research service before determining whether to engage us for these services. Our fees for these services are determined primarily by negotiation with the client. Fees are generally paid quarterly in arrears and will typically range from $180 to $150,000 annually.

The client will consider the factors it deems most relevant when determining the value of our research and, typically, we will not be privy to those considerations. However, we generally base our negotiations over the client's proposed compensation on the client's size and assets under management; the expenditure of resources required to gather the research; the complexity of the research and the general range of compensation paid to our firm by other clients for the same or similar research, among other considerations.

**CONSULTING SERVICES**

FKSC's Consulting fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting fee can be calculated on an hourly or fixed fee basis. Our hourly rate ranges from $100 to $500 per hour. Although the length of time it will take to provide a Financial Consultation will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship. Our fixed fee typically ranges from $500 to $5,000 depending on the specific arrangement reached with the client.

We may request a retainer upon completion of our initial fact-finding session with the client; however, advance payment will never exceed $1,200 for work that will not be completed within six months. The balance is due upon completion of the plan.

The client is billed upon presentation of the completed financial consultation to the client based on actual hours accrued.

## GENERAL INFORMATION

### Rollovers to an IRA

The Firm may provide, as part of its investment advisory services, recommendations for client to withdraw the assets from an employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that the Firm will manage on your behalf. If a client elects to roll the assets to an IRA that is subject to the Firm's management, the Firm will charge an asset-based fee as set forth in the agreement between the client and the Firm. This practice presents a conflict of interest because persons providing investment advice on the Firm's behalf have an incentive to recommend a rollover to a client for the purpose of generating fee-based compensation rather than solely based on the client's needs. Clients are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if the client decides to complete the rollover, that client is under no obligation to have the assets in an IRA managed by the Firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, clients should consider the costs and benefits of each option:

An employee will typically have four options:

1. Leaving the funds in the employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change the Firm encourages clients to speak with their CPA and/or tax attorney.

Clients who are considering rolling over retirement funds to an IRA for the Firm to manage, here are a few points to consider beforehand:

1. Determine whether the investment options in the employer's retirement plan address your needs or whether you might want to consider other types of investments.
    - **a.** Employer retirement plans generally have a more limited investment menu than IRAs.
    - **b.** Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than the Firm's fees.
    - **a.** If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
    - **b.** You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those productsand services.

3. The Firm's strategy may have higher or lower risk than the option(s) provided to you in your plan.
4. Whether your current plan also offers financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares ata lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.

Clients and prospective clients are urged to seek advice from their CPA, tax adviser, the plan administrator and/or legal counsel prior to rolling over assets from the current Employer Retirement Plan to an advised IRA with FKSC. If FKSC recommends that a client roll over their retirement plan assets into an account managed by FKSC, such a recommendation creates a conflict of interest if the Registrant will earn a new (or increase its current) advisory fee as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by FKSC.

***Other Compensation:*** Management personnel and other related persons of our firm are licensed as registered representatives of a broker-dealer and, acting in that capacity, they can implement transactions for our advisory clients. In so doing, these individuals generate separate compensation in the form of sales credits and/or 12b-1 fees (trail fees earned from the sale of mutual funds and/or ETFs). If an account holds mutual funds that pay 12b-1 fees, we do not retain the 12b-1 fees, rather, we return those fees back to the client. Clients should be aware that certain mutual funds may have lower fee share classes available.

While these individuals endeavor at all times to put the interest of the clients first as part of FKSC's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations.

***Termination of the Advisory Relationship***: A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice, and termination will become effective within five business days after receipt of such notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund Fees***: All fees paid to FKSC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client then pays an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Wrap Fee Programs and Separately Managed Account Fees***: Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees could include the investment advisory fees of the independent advisers, which are charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that are charged to clients.

**Additional Information Regarding Investment Management Fees**

FKSC considers it appropriate and necessary for its Clients to use the brokerage and execution services of FKSC and RBC CS. In directing the use of RBC CS, Clients should recognize that the Firm may not be able to obtain best execution for all transactions. In a prospective client's consideration of the investment management services described in this Brochure, prospective clients should be aware that the services provided may cost more or less than purchasing the actual services separately from other advisers or broker-dealers. The factors that should be considered by a prospective client include the size of a client's portfolio, the nature of the investments to be managed, commission costs, custodial expenses, if any, the anticipated level of trading activity and the amount of advisory fees only for managing the clientportfolio.

As the advisory fees and commissions charged may be negotiable, those fees and charges vary among Clients based upon a number of factors, including the anticipated level of account activity, the size of the Client's account, the types of investments, and the nature of related services provided, among other things.

When a Client transfers asset(s) into an account managed by FKSC that includes Class A shares or other share classes that pay a 12b-1 fee, the Firm will rebate any 12b-1 fees back to the Client's account. Without notice to you, the Firm may convert mutual funds in your investment management account to a lower cost share class offered by RBC CS in the event a lower expense share class is available at RBC CS. In cases where these non-advisory shares are subject to short term redemption fees or deferred sales charges, the share class conversion will not occur.

A Financial Advisor who recommends an investment advisory program to a client receives compensation as a result of the client's participation in that program. The amount of this compensation may be more, or less than what the Financial Advisor would receive if the client participated in other programs of FKSC or paid separately for investment advice, securities brokerage, and other services. Accordingly, in many cases, the Financial Advisor could have a financial incentive to recommend one program over another program offered by FKSC.

***Grandfathering of Minimum Account Requirements***: Pre-existing advisory clients are subject to First Kentucky Securities Corporation's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ amongclients.

***ERISA Accounts***: FKSC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, FKSC will only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

***Advisory Fees in General***: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees***: Under no circumstances do we require or solicit payment of fees in excess of $1,200 more than six months in advance of services rendered.

***Other Fees:*** Some Financial Advisors are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. Clients have the option to purchase investments and insurance products through other advisers.

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

FKSC does not charge performance-based fees.

## Item 7 Types of Clients

FKSC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit-sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above
- State or municipal government entities
- Insurance companies

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Charting.*** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Technical Analysis.*** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company could underperform regardless of market movement.

***Quantitative Analysis.*** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

***Qualitative Analysis.*** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

***Asset Allocation.*** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager could deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Third-Party Money Manager Analysis.*** We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager could deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis could be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

***Margin transactions.*** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

***Option writing.*** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock

will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**RISK OF LOSS**

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## Item 9 Disciplinary Information

FKSC is a registered broker-dealer and investment adviser. This section contains information about certain disciplinary matters that FKSC believes are material to a client's evaluation of its advisory business or the integrity of its management. FKSC has been subject to disciplinary events relating to its brokerage business which FKSC does not view as material to a client's evaluation of its advisory business or the integrity of its management. Additional disciplinary information relating to FKSC's brokerage business can be found in Part 1 of FKSC's Form ADV.

On March 11, 2019, the SEC announced a Settlement Order Instituting Administrative and Cease-and-Desist Proceedings (the "Order") against FKSC, which arose out of breaches of fiduciary duty and inadequate disclosures in connection with mutual fund share class selection practices and the fees received. FKSC self-reported to the SEC the aforementioned breaches pursuant to a Share Class Selection Disclosure Initiative program led by the Division of Enforcement. The SEC concluded that, as an investment adviser, FKSC was obligated to disclose all material facts to its clients, including any conflicts of interest between itself and/or its associated persons and its clients that could affect the advisory relationship, and failed to do so adequately. FKSC has agreed to a censure, to cease and desist from future violations of Sections 206(2) and 207 of the Advisers Act, and to pay disgorgement of $118,064.60 and prejudgment interest of $14,586.40 to affected investors.

## Item 10 Other Financial Industry Activities and Affiliations

**Broker-Dealer**

FKSC is registered as a broker-dealer, and is a member of the Financial Industry Regulatory

Authority (FINRA). When you sign a contract with FKSC, you will be agreeing to use FKSC as the introducing broker to the clearing broker and custodian. Securities transactions for FKSC's brokerage clients are cleared through RBC Correspondent Services, a division of RBC Capital Markets, LLC, Member NYSE/FINRA/SIPC, an unaffiliated broker-dealer. Advisory personnel of FKSC generally also registered representatives as to the brokerage activities of FKSC. We can be used to execute portfolio transactions for our investment advisory clients. These transactions will be conducted subject to proper, and customary, disclosure including (but not limited to) compensation received by FKSC and its registered representatives. Compensation will be received by FKSC, as a broker-dealer, and/or its registered representatives when portfolio transactions are effected on behalf of investment advisory clients, and FKSC and its registered representatives generally receive compensation as a result of acting in one or both capacities. Additionally, FKSC, as a broker-dealer, could buy securities for itself from, or sell securities it owns to clients of FKSC, at which time commissions and or other markups/markdowns will be charged to those clients.

**Municipal Advisor**

FKSC is registered with the Municipal Securities Rulemaking Board ("MSRB") as a Municipal Advisor. To the extent FKSC represents a municipal entity as a consultant or in an underwriting capacity, and recommends those municipal securities to you, there is a conflict of interest as there is an incentive for FKSC and its representatives to recommend municipal products based on the compensation received, rather than on your needs. Notwithstanding such conflict of interest, we manage this conflict of interest by monitoring the suitability of such municipal product as a portion of your investment needs, and by utilizing municipal products that we believe to be in your best interest.

**Insurance Agency**

FKSC is licensed with the state of Kentucky as an insurance agency and certain associated persons of ours are licensed insurance brokers, and as such, do on occasion sell insurance products to our advisory clients. When such transactions occur, the associated person receives insurance commissions for such activities. This creates a conflict of interest as there is an incentive for FKSC and or its representatives to recommend insurance products based on the compensation received, rather than on your needs. Notwithstanding such conflict of interest, we manage this conflict of interest by monitoring the suitability of such insurance products as a portion of your investment needs, by utilizing insurance products only where it is your best interest, and after consultation with you regarding the insurance products, which consultation includes the disclosure of such potential conflicts in accordance with our fiduciary duty as your adviser.

Clients should be aware that the receipt of additional compensation by FKSC and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. FKSC endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we can ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

FKSC has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

FKSC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

FKSC's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information will not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to anicholson@firstky.com, or by calling us at 502-893-7288. FKSC or individuals associated with FKSC may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to advisory clients.

FKSC and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security recommended to clients prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

## Item 12 Brokerage Practices

FKSC is dually registered as a broker-dealer and executes trades on behalf of our Clients through our clearing firm, RBC CS, electronically and therefore we do not direct trades to other brokerages for compensation, research, etc. We will accommodate special client request on broker selection, although FKSC reserves the right to reject or limit certain instructions.

FKSC Advisors may be also be registered representatives of FKSC in its capacity as a broker-dealer, and are required to use the services of FKSC and RBC CS, its approved clearing broker-dealer when buying or selling commission-based securities products. All brokerage accounts established through FKSC will be cleared and held at RBC CS, which acts as the qualified custodian.

You should understand that not all investment advisers require the use of a particular broker dealer or the use of a broker-dealer that is affiliated with the investment adviser. Our decision to require the use of FKSC is based on the Firm's decision that we can provide efficient and cost-effective services through our own broker-dealer. However, the use of FKSC as broker-dealer for our advisory clients is an inherent conflict of interest between the Firm and our clients because requiring our clients to use FKSC as the broker-dealer allows FKSC, in its capacity as introducing broker-dealer, to retain brokerage revenue that would otherwise be retained by an unaffiliated broker-dealer.

The requirement to use RBC CS (which is not affiliated with FKSC) is based on the fact that FKSC has established a clearing agreement with RBC CS, as its preferred clearing broker-dealer and qualified custodian. The decision to use RBC CS is based on a comparison of RBC CS against other broker-dealers (including past experiences we have had with other broker/dealers), and is aimed at minimizing brokerage expenses and other costs while taking into account the offerings or services RBC CS provides that FKSC or clients may require or find valuable.

There are some investment advisers that permit the use of multiple broker-dealers and permit clients to select the broker-dealer. FKSC considered the positive factors to this approach which include the ability to negotiate better brokerage costs such as transaction fees, the ability to better analyze the speed of execution, and the ability to compare and negotiate services. However, FKSC has determined that the use of one brokerage platform (FKSC and RBC CS) allows us to provide more streamlined operational and trading services. We consider the fact that allowing multiple brokerage arrangements would increase the need for additional internal staff and technology which may increase the overall fees we charge. By selecting one brokerage platform, FKSC can avoid additional compliance, recordkeeping, staffing, and technological costs that may be associated with implementing procedures designed to work with multiple brokerage platforms. Based on FKSC's structure and capacities, the Firm concluded that requiring one brokerage platform is a better policy than permitting multiple brokerage arrangements, including client directed brokerage arrangements.

If FKSC decides to permit other brokerage arrangements in the future, all clients will be made aware of the change in policy. Commission and fee structures of various broker dealers, along with services, research, and tools are periodically reviewed by FKSC to evaluate the overall execution services provided by FKSC and RBC CS. Accordingly, FKSC will consider competitive rates; it may not necessarily obtain the lowest possible commission and brokerage rates for your account transactions. Therefore, the overall services provided by FKSC (in its capacity as an introducing broker) and RBC CS are evaluated to determine the level of best execution provided to our clients. However, considering FKSC requires use of the brokerage services of FKSC and RBC CS, we may not be able to achieve the most favorable execution of client transactions, and therefore our practice of requiring the use of FKSC and RBC CS may cost you more money compared to advisory programs offered by other investment advisers.

While you may be able to attain brokerage services with lower costs and expenses, you should be aware of some of the qualitative factors we consider in selecting FKSC and RBC CS. These factors include, but are not necessarily limited to, the following:

- We are able to rely on the internal staff of FKSC to provide supervisory, operations, trading, and other services
- The RBC CS back-office system generates exception reports designed to monitor all aspects of brokerage accounts, including trading, money movement, transfers, and client account data. Client paperwork is processed through a secure electronic workflow and storage system.
- RBC CS electronic trading platform provides a real-time order matching system, the ability to "block" client trades, and account balance and position information
- Clients may access their account information over the internet, including balances, transactions, positions, statements, confirmations, and tax documents.
- Advisory fees can be calculated on aggregated account balances and are debited directly from client accounts.

Cross Transactions. It is our firm policy not to engage in Cross Trades in Managed

Accounts. We do not enter into cross transactions involving ERISA Accounts.

<u>Trade Aggregation.</u> Trading aggregation practices are such that when FKSC trade the same security in more than one client account, we generally attempt to batch or "bunch" trades to create a "block transaction." Generally buying and selling in blocks helps create trading efficiencies, prompt attention, and desired price execution. Whenever possible, we will attempt to batch or aggregate trades for clients to create a "block transaction." Your Financial Advisor could also aggregate his or her own trades in the same security with those of his or her clients, provided the Financial Advisor never receives preferential treatment in the trade execution.

**Mutual Funds Share Class Selection**: When recommending investments in mutual funds, it is the Firm's policy to review and consider available share classes. The Firm's policy is to select the most appropriate share classes based on various factors including but not limited to: minimum investment requirements, trading restrictions, internal expense structure, transaction charges, availability and other factors. When considering all the appropriate factors the Firm may select a share class other than the 'lowest cost' share class. In order to select the most appropriate share class, the Firm may select retail, institutional or other structured shares of the same mutual fund. Clients may be able to obtain lower cost share classes than those selected by the Firm. FKSC periodically reviews the mutual funds held in client accounts to select the most appropriate share classes in light of its duty to obtain best execution.

FKSC does not have any soft-dollar arrangements and does not receive any soft-dollar benefits. FKSC, a registered broker-dealer, has a clearing agreement with RBC Correspondent Services. In most cases, FKSC will conduct the brokerage functions related to its advisory accounts through this broker-dealer and its clearing firm. When you sign a contract with FKSC, you will be agreeing to use FKSC as the introducing broker to the clearing broker, RBC Correspondent Services, and custodian, RBC Advisor Services.

First Kentucky Securities Corporation requires that clients provide us with the written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for these transactions. We require that clients authorize us to place trades through RBC. We have evaluated RBC and believe that they will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm to meet our fiduciary obligations to clients.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

FKSC will obtain client approval prior to executing fixed income transactions, which is deemed a principal transaction.

FKSC will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading allows us to execute equity trades in a timelier, more equitable manner, at an average share price. FKSC will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. FKSC's block trading policy and procedures are as follows:

1. Transactions for any client account will not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with FKSC, or our firm's order allocation policy.
2. The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit,and will enable FKSC to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client’s agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. Municipal Bond Allocations: In the event a deal is partially filled, the allocation will be made in the best interests of all the clients in the deal, taking into account all relevant factors including, but not limited to, the size of each client’s indication of interest, clients’ liquidity needs, and previous allocations.
9. FKSC's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
10. Funds and securities for aggregated orders are clearly identified on FKSC's records and to the broker-dealers or other intermediaries handling the transactions, by the

appropriate account numbers for each participating client.
11. No client or account will be favored over another.

For participation in new municipal bond offerings, all eligible clients should visit our website at: **www.firstky.com** under the "**What's Important to you**?" tab, please "click" on the following two tabs:

· "**Upcoming KY Bond Sales**" **followed by "clicking" on the orange tab to the left which reads** "**Latest Bond Calendar**". This last tab will inform you of Kentucky municipal bonds that will be coming to the market shortly. This bond calendar is generally updated each Friday. Please contact your representative if you have an interesting in purchasing any of the upcoming offerings. Alternatively, you may bookmark this tab and reach it directly by going directly to: **http://firstky.com/whats-important-to-you/municipal-finance/upcoming-ky-bond-sales/**

· **"Bond Inventory"**; followed by "clicking" on the orange tab to the left which reads "Bond Inventory". This tab provides you with information on the Firm's municipal bond inventory for sale. This tab may be updated frequently as inventory changes; we recommend that youcheck our inventory daily. Please contact your representative if you have an interest in purchasing any our available inventory. Alternatively you may bookmark this tab and reach it directly by going directly to: **http://firstky.com/whats-important-to-you/municipal-finance/bond-inventory/**

***All new offerings and the Firm's inventory are subject to change without notice, including issuer availability and prices/yields***.

Please note, certain clients will be contacted by their investment advisory representative via telephone or email; notifying them of new issue municipal offerings coming to the market. Since it is impractical to contact ALL clients to notify them of upcoming municipal offerings, we are disclosing the fact that clients that are not contacted in advance may be at a disadvantage. Since certain clients must proactively rely on visiting the Firm's website, these clients may be at a disadvantage to those clients that are proactively contacted by their investment advisory representatives.

**We urge all eligible clients that have an interest in participating in new municipal offerings to check the Firm's website daily based upon the instructions above.**

The Firm's Financial Advisors will receive a selling concession when purchasing new issue securities and secondary offerings for Client accounts. The selling concession is a separate payment made directly from the issuer of the security to the Financial Advisor as additional compensation.

## Item 13 Review of Accounts

**CONSULTING SOLUTIONS PROGRAM AND RBC UNIFIED PORTFOLIO**

***REVIEWS:*** Clients should refer to RBC's disclosure document for the Programs (Part 2A Appendix 1) Wrap Fee Program Brochure for information regarding the nature and frequency of reviews provided by RBC and/or the applicable third-party managers.

All account trades are reviewed daily by compliance personnel for any red flags in conjunction with the above and if any discrepancies are noted they are discussed with the associated Financial Advisor on the account.

FKSC will provide client review of client account(s) with RBC on at least an annual basis. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews could be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. These accounts are reviewed by the portfolio advisor assigned to the account.

***REPORTS:*** Clients should refer to RBC's disclosure document for the Programs (Part 2A Appendix 1) Wrap Fee Program Brochure for information regarding the nature and frequency of reports provided by RBC.

**UNBUNDLED MANAGED ACCOUNT SOLUTIONS PROGRAM (UMAS)**
**FKSC WRAP FEE PROGRAM**

***REVIEWS:*** Clients should refer to the FKSC Wrap Fee Program Brochure for information regarding the nature and frequency of reviews provided by FKSC and/or the applicable third party managers.

***REPORTS:*** Clients should refer to the FKSC Wrap Fee Program Brochure for information regarding the nature and frequency of reports provided by FKSC.

**FKSC ADVISORY FEE PROGRAM (NON-WRAP)**

***REVIEWS:*** We offer that clients of the FKSC Advisory Fee Program participate in an annual strategy meeting. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, financial plan, and appropriately positioned based on market conditions. We will review client accounts on an informal basis more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc. Only our Financial Advisors will conduct client reviews.

***REPORTS:*** Clients can expect to receive monthly and/or quarterly account statements from our clearing firm RBC Correspondent Services. RBC also sends a confirmation of any transaction effected in a client account. Clients of the FKSC Advisory Fee Program will also receive more detailed reporting throughout the year related to financial planning and portfolio performance. Any material changes to a client's financial situation and/or investment objectives must be communicated immediately for consideration.

### FINANCIAL PLANNING SERVICES

***REVIEWS:*** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

***REPORTS:*** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

### CONSULTING SERVICES

***REVIEWS:*** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

***REPORTS:*** These client accounts will receive reports as contracted for at the inception of the advisory engagement.

At least annually, we will request in writing that you update your Financial Advisor with any changes to your financial status, investment objectives, risk tolerance or other important information.

You will receive statements directly from your custodian monthly except if there is no activity then it'll be quarterly. These statements include details of your trades, account balances, dividends, contributions, and withdrawals. You should always check to ensure that the reports you receive from your custodian are consistent with the reports you receive from FKSC. You should contact the compliance department at anicholson@firstky.com or 502-893-7288 if you notice major inconsistencies in your reports or if you do not receive your reports and statements.

## Item 14 Client Referrals and Other Compensation

It is FKSC's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is FKSC's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Your Financial Advisor may receive a selling concession when purchasing new issue securities for your account. The selling concession is a separate payment made directly from the issuer of the security to the Financial Advisor as additional compensation. This payment is not added or related to the advisory fee you pay.

Periodically mutual fund companies help the Firm pay for Client functions and defray the cost of Firm meetings. Although these expenses are paid to the service providers in connection with these activities, a conflict of interest exists for FKSC in the selection and recommendation of the mutual funds from the fund companies that sponsor these events. For more information, ask your Financial Advisor which product sponsors, if any, helped pay for Client functions

Many mutual funds pay registered representatives of broker-dealers 12b-1 fees, which are additional fees charged by mutual funds for promotion, distributions and/or marketing expenses of the fund's shares. Any 12b-1 fees received by FKSC are rebated back to the client account.

## Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian, RBC Advisor Services ("RBC"), is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, RBC is required to send to the client a statement showing all transactions within the account during the reporting period.

Because RBC does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there is an error in their statement.

## Item 16 Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## Item 17 Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm does provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

From time to time, securities held in the accounts of Clients will be the subject of class action lawsuits. FKSC has no obligation to determine if securities held by the Client are subject to a pending or resolved class action lawsuit. It also has no duty to evaluate a Client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, the firm has no obligation or responsibility to initiate litigation to recover damages on behalf of Clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by Clients.

Where the firm receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a Client, it will forward all notices, proof of claim forms, and other materials, to the Client. Electronic mail is acceptable where appropriate, and the Client has authorized contact in this manner.

## Item 18 Financial Information

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. FKSC has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of $1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

FKSC has not been the subject of a bankruptcy petition at any time during the past ten years.