

**Part 2A Appendix 1 of Form ADV**  
*Wrap Fee Program Brochure*

**First Kentucky Securities Corp**

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**FKSC Wrap Fee Program**

12/5/2023

This wrap fee program brochure provides information about the qualifications and business practices of First Kentucky Securities Corp. If you have any questions about the contents of this brochure, please contact us at (502) 708-3314 or [anicholson@firstky.com](mailto:anicholson@firstky.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration 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 Corp also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our Firm's CRD number is 7524.

## **Item 2      Material Changes**

There were no material updates to the Firm's Wrap Fee Program Brochure in this filing.

We will ensure that you receive a summary of any material changes to this and subsequent Wrap 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.

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## Item 4 Services Fees and Compensation

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

As of September 30, 2023, assets under our Firm's management were \$261,746,894.89 of client assets on a discretionary basis, and \$273,545,906.75 of client assets on a non-discretionary basis.

FKSC offers a wide variety of investment advisory programs and services. Investment adviser representatives of FKSC ("portfolio advisors") assist clients in achieving their financial goals by providing personalized financial planning services and investment solutions.

More information about FKSC's investment advisory programs and services is contained in FKSC's Firm Brochure (Part 2A of Form ADV) and is available through the SEC's public disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). These brochures may be requested by calling FKSC at (502) 708-3314 or by sending us an email at [anicholson@firstky.com](mailto:anicholson@firstky.com).

When you choose to purchase products and services through FKSC, you have the option of investing through a transaction-based brokerage account, a fee-based advisory account, or both.

- **Transaction based-brokerage account.** You pay commissions and other charges (such as sales loads on mutual funds) at the time of each individual securities transaction. This type of account may be more suitable than a fee-based investment advisory account if you do not want ongoing investment advice on assets held in the account, and you do not expect to trade on a regular basis.
- **Fee-based investment advisory program.** You pay a quarterly fee based on the assets held within your account (and depending on the program, may also incur other charges such as brokerage commissions and transaction charges) for services such as ongoing investment advice, investment selection and recommendations, asset allocation, execution of transactions, custody of securities and account reporting services. This type of investment advisory program, sometimes called a "managed account", may be more suitable than a brokerage account if you want ongoing investment advice and expect to trade more frequently. FKSC acts as a sponsor and introducing broker in connection with some of the investment advisory programs and services and offers a number of different investment advisory programs and managed accounts. More information about FKSC's investment advisory programs and services is contained in the applicable FKSC brochure (or Form ADV, Part 2A) and is available through the SEC's public disclosure website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). These brochures may also be requested by contacting FKSC at (502) 708-3314 or by sending us an email at [anicholson@firstky.com](mailto:anicholson@firstky.com).

### **FKSC Wrap Fee Program**

FKSC is the sponsor of the FKSC Wrap Fee Program ("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.

The FKSC Wrap Fee Program is a customizable investment program that provides your portfolio advisor with flexibility in portfolio design. All account assets are held by RBC Advisor Services as the custodian. Typically, the Program is used for one of the following reasons:

1. Your portfolio advisor wants to use their own model portfolio(s) and have the ability to block trade across model(s)
2. Your portfolio advisor requires discretion over the accounts he/she manages

The Program allows you as the client to maintain an account custodied at RBC Advisor Services and receive advisory services from FKSC.

FKSC will assist clients with the identification of investment objectives through preparation of a risk profile questionnaire. On at least an annual basis, FKSC will either 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.

Your portfolio advisor will direct the investment and reinvestment of client assets in the Program account. The Program account will be managed by the portfolio advisor on a discretionary basis in accordance with the investment style selected by the client, and subject to client meeting the program minimum account size. Clients may impose reasonable restrictions on the portfolio advisor's discretionary authority. Any such limitations are to be in writing and may include, as an example, restrictions on the purchase of specific securities or specific types of securities.

**Non-Discretionary Management:** FKSC can provide investment management services in the Program on a non-discretionary basis, meaning that FKSC obtains client authorization before entering any buy or sell orders in client accounts.

## PROGRAM FEES

The annualized fee is calculated as a percentage of assets under management, according to the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$10,000 - \$100,000	2.00%
\$100,000 - \$2,000,000	1.50%
\$2,000,000 - \$5,000,000	0.75%
\$5,000,000 and over	0.60%

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Managed Services Account Agreement.

Limited Negotiability of Advisory Fees: Although FKSC has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

FKSC may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

**What services are covered by the Program fees?** The Program fees pay for our Firm's advisory services to clients under the Program, administrative expenses of the Program, custody charges for clients' assets custodied at RBC Advisor Services and brokerage services for Program accounts to the extent trades are conducted through RBC.

**What services are not covered by the Program fees?** The Program fees do not cover brokerage to the extent trades are conducted through brokers or dealers other than RBC and custody charges if client assets are custodied anywhere other than RBC. The Program fees do 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.

**Other Fees and Expenses.** Clients may 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.

**Additional Information about Program fees.** Under the Program, the participant receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified Program Fee. Clients are cautioned 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 wrap fee programs. In addition, a disparity in wrap fees may exist between the wrap fees charged to other clients.

## GENERAL INFORMATION

***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 may pay 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.

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

***Exchange-Traded Funds.*** Shares of ETFs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF shares fluctuates in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF shares may trade at a price which differs from NAV per share of the ETF.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to FKSC'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 among clients.

**ERISA Accounts:** First Kentucky Securities Corp 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, First Kentucky Securities Corp may 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.

**Credit Access Lines:** 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.

**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.

**Additional Compensation:** It is FKSC's policy not to engage solicitors or to pay related or non-related persons for referring potential wrap fee program clients to our Firm.

## **Item 5 Account Requirements and Types of Clients**

### **MINIMUM ACCOUNT REQUIREMENTS**

Participation in this program is subject to certain minimum account requirements. A minimum of \$10,000 of assets under management is required for the Program. This account size may be negotiable under certain circumstances. FKSC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

As a condition for program participation, clients are required to direct us to custody their assets with and to place trades through RBC Advisor Services ("RBC"). RBC is an unaffiliated FINRA-member broker dealer and the clearing Firm and custodian that we use for brokerage



accounts. FKSC has negotiated an arrangement with RBC to provide custodial and brokerage services as part of the FKSC Wrap Fee Program. As such, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker dealer/custodian other than RBC. Please refer to the "Other Financial Industry Activities and Affiliations" section of Item 9 for additional information.

### ***Custody Services***

FKSC does not provide custodial services for client assets. However, in certain asset management programs, clients have authorized FKSC to deduct advisory fees from their accounts. While FKSC and its portfolio advisor do not accept authority to take possession of client assets, this level of account access is also be considered "custody" under Advisers Act rules. Clients will receive monthly account statements from the broker-dealer or other qualified custodian that holds their accounts, and clients should carefully review those custodial statements. It is important to compare the information on the custodial statements with reports you receive from FKSC. Please note that there may be minor variations in these reports due to calculation methods. If you have any questions, please contact your FKSC portfolio advisor.

### ***Brokerage Services***

Program accounts are held at RBC with FKSC acting as introducing broker and pursuant to FKSC's clearing agreement with RBC. RBC serves as custodian accounts, and execution and clearance of transactions is provided by RBC. By signing the client agreement, client authorizes and FKSC to trade through RBC.

### ***Types of Clients***

FKSC provides advisory services in the FKSC Wrap Fee Program, where appropriate, to:

- Individuals
- High net worth individuals
- Pension and profit sharing plans (but not the plan participants)
- Corporations
- Charitable Organizations
- State or municipal government entities
- Insurance companies

## **Item 6 Portfolio Manager Selection and Evaluation**

### **PORTFOLIO MANAGER SELECTION**

As previously disclosed, all participating clients' assets are managed by advisory personnel of our Firm. These individuals must possess, minimally, a college degree and/or appropriate business experience and all required licenses. Please refer to Item 4 for detailed disclosures regarding the portfolio management services we provide to program clients.

### **PERFORMANCE-BASED FEES**

FKSC does not charge performance-based fees (i.e., fees based on a share of capital gains or capital appreciation of the client's assets.)

## 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 may 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 may 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.

***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 may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategies in managing client accounts, provided that such strategies 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.

## VOTING CLIENT SECURITIES

As a matter of Firm policy, we do not vote proxies on behalf of clients. Therefore, although our Firm may 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 7 Client Information Provided to Portfolio Managers**

Individuals affiliated with our Firm are responsible for developing an initial financial profile of the prospective client. Prior to opening an account, we assist in determining a participant's profile for the Program by obtaining from the participant appropriate information (i.e., investment objectives, risk tolerance, time horizon, and any reasonable restrictions the client wishes to impose upon the management of the account). Initial investment strategy is jointly determined based on an assessment of the information provided by the client.

While we provide the client with periodic reminders, it remains the client's responsibility to advise us of any changes to the information previously provided that might impact the ongoing suitability of any prior determined investment strategies and/or objectives. We will promptly communicate any reported changes to the client's portfolio manager.

FKSC's portfolio advisor will directly contact each wrap fee program client at least annually to verify that there has been no change in the client's financial circumstances and/or investment objectives, and determine whether the client wishes to impose any reasonable restrictions on the management of the account(s). Any such changes or requests are communicated in writing to the client's portfolio manager, who is responsible for implementing appropriate adjustments to the client's portfolio.

## **Item 8 Client Contact With Portfolio Managers**

FKSC's portfolio advisors are reasonably available to consult with clients regarding the status of their account.

## **Item 9 Additional Information**

### ***Disciplinary Information***

FKSC is a dually-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.

### *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, may buy securities for itself from, or sell securities it owns to clients of FKSC, at which time commissions and or other markups/markdowns may be charged to those clients.

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

#### **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 may 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.

As previously disclosed, clients are required to direct us to custody their assets with and to place trades through RBC as a condition for participation in the FKSC Wrap Fee Program. RBC is an unaffiliated FINRA-member broker dealer and the clearing Firm and custodian that we use for brokerage accounts. Our Firm has evaluated RBC and believes that it will provide our clients with a blend of execution services, commission costs, and professionalism that will assist us in

meeting our fiduciary obligations to clients.

### ***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 may 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](mailto: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 securities 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.

### ***Review of Accounts***

**Reviews:** FKSC will provide client review of client account(s) with RBC on an at least an annual basis. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may 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:** In addition to the monthly statements and confirmation of transactions that Program clients receive from RBC, FKSC will provide at least annual reports summarizing account performance, balances and holdings. These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### ***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.

### ***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 additional 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.