



**Schwan Financial Advisors, LLC
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www.schwanfg.com

March 30, 2011

This Brochure provides information about the qualifications and business practices of Schwan Financial Advisors, LLC “Adviser”. If you have any questions about the contents of this Brochure, please contact us at 1-605-225-1047. 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.

Schwan Financial Advisors, LLC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information with which you determine to hire or retain an Adviser.

Additional information about Schwan Financial Advisors, LLC is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 30, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

Since the date of our last brochure (July 15, 2010), the Officers and Advisory Representatives of Schwan Financial Advisors, LLC (“SFA”) became registered with a new broker-dealer, Kovack Securities, Inc., and Client Advisory Accounts migrated to the new broker-dealer. The custodian for these Advisory Accounts is Fidelity Institutional Wealth Services.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, 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. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Mr. Michael A. Duch, Chief Compliance Officer, at (605) 225-1047 or via email at mduch@schwanfg.com.

Additional information about Schwan Financial Advisors is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Schwan Financial Advisors who are registered, or are required to be registered, as investment adviser representatives of Schwan Financial Advisors, LLC.

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Item 4 – Advisory Business

A. Firm Profile and Principal Executive Officers

Schwan Financial Advisors, LLC (“SFA”) is a Registered Investment Adviser with the SEC and a number of U.S. States. Established in 2003, the firm makes available a wide range of products and services to its Clients based on their investment information provided during the initial data gathering process and customized financial plan, if this service is selected by the Client.

SFA is owned through its parent company, Schwan Financial Group, LLC, by Mr. John P. Schwan, Elected Manager and majority owner, Mr. Michael A. Duch, the Chief Compliance Officer, and Ms. Sarathi Giridhar, Elected Manager.

EDUCATION AND BUSINESS STANDARDS:

Advisory persons associated with SFA must possess, minimally, the following: A college degree and/or appropriate business experience and all required licenses, such as the Series 65 Investment Adviser Representative registration, or professional designations, such as the Certified Financial Planner Practitioner (CFP®) designation.

Name: John P. Schwan

Year of Birth: 1959

Education:

Attended Montana State University from 1977 to 1978, studying Education.
B.S. – Education, Minot State University, 1982.

Business Background:

Managing Member, President and Chief Executive Officer, Schwan Financial Group, LLC, May 2003 to Present

Elected Manager, Schwan Financial Advisors, LLC, May 2003 to Present

Investment Representative, Kovack Securities, Inc., July, 2010 to Present

Registered Representative, Cambridge Investment Research, Inc. Sept 2005 to July, 2010

Licenses and Registrations Held:

Mr. Schwan holds the following professional licenses and registrations:

Investment Company Products/Variable Contracts Limited Representative (Series 6) - This registration qualifies an individual for the solicitation, purchase, and/or sale of redeemable securities of companies registered pursuant to the Investment Company Act of 1940; securities of closed-end companies registered pursuant to the Investment Company Act of 1940 during the period of original distribution only; and variable contracts and insurance premium funding programs and other contracts issued by an insurance company.

Uniform Securities Agent State Law Examination (Series 63) - This registration covers the principles of state securities regulation reflected in the Uniform Securities Act.

Uniform Investment Adviser Law Examination (Series 65) - This registration qualifies individuals as investment adviser representatives.

Mr. Schwan is also a licensed insurance agent in a number of states.

Name: Michael A. Duch

Born: 1958

Education:

Attended Nebraska Wesleyan University from 1976 to 1977, studying Pre-Medicine.

Attended the University of Nebraska from 1977 to 1979, studying Pre-Medicine.

Attended Notre Dame University in 1981, studying Business.

B.S. – Business Administration and M.B.A. – Economics and Finance, Chadwick University, 1993.

Business Background:

Elected Manager, Vice President and Chief Compliance Officer, Schwan Financial Group, LLC, May, 2004 to Present

Elected Manager, Vice President and Chief Compliance Officer, Schwan Financial Advisors, LLC, May, 2003 to Present

Registered Principal and Registered Representative, Kovack Securities, Inc., July 2010 to Present

Registered Principal and Registered Representative, Cambridge Investment Research, Inc. September, 2005 to July, 2010

Licenses, Registrations and Professional Designations Held:

Mr. Duch is a Certified Fund Specialist (CFS). This designation is issued by the Institute of Business & Finance. In order to qualify for this designation, the candidate must meet one of the following prerequisites: 1) A bachelor's degree or 2) One year of financial services work experience.

Candidates must complete a self study program consisting of six modules, and take three examinations and complete a case study. This designation requires 30 hours of continuing education every two years.

Mr. Duch holds the following licenses and registrations:

General Securities Representative (Series 7) - This registration qualifies an individual for the solicitation, purchase, and/or sale of all securities products, including corporate securities, municipal securities, municipal fund securities, options, direct participation programs, investment company products, and variable contracts.

General Securities Principal (Series 24) - This registration qualifies individuals required to register as general securities principals in order to manage or supervise a member firm's investment banking or

securities business for corporate securities, direct participation programs, and investment company products/variable contracts.

Uniform Securities Agent State Law Examination (Series 63) - This registration covers the principles of state securities regulation reflected in the Uniform Securities Act.

Uniform Investment Adviser Law Examination (Series 65) - This registration qualifies individuals as investment adviser representatives.

Mr. Duch is also a licensed insurance agent in the State of South Dakota

Name: Sarathi Giridhar, CFP®

Born: 1958

Education:

Bachelor of Commerce Degree, Rthiraj College, Chennai (formerly Madras), India, 1978

Certified Public Accountant Designation awarded August, 1984

Business Background:

Elected Manager and Vice President, Schwan Financial Group, LLC, May 2003 to Present

Elected Manager and Investment Adviser Representative, Schwan Financial Advisors, LLC, May, 2004 to Present

Registered Representative, Kovack Securities, Inc., July, 2010 to Present

Registered Representative, Cambridge Investment Research, Inc., September, 2005 to July, 2010

President, SFG Accounting Professionals, LLC, August 2005 to Present

Licenses, Registrations, and Professional Designations Held:

Ms. Giridhar is a CERTIFIED FINANCIAL PLANNER™.

The CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the “CFP® marks”) are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. (“CFP Board”).

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board’s studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor’s

Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;

- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's *Standards of Professional Conduct*, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the *Code of Ethics* and other parts of the *Standards of Professional Conduct*, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the *Standards of Professional Conduct*. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Investment Company Products/Variable Contracts Limited Representative (Series 6) – This registration qualifies an individual for the solicitation, purchase, and/or sale of redeemable securities of companies registered pursuant to the Investment Company Act of 1940; securities of closed-end companies registered pursuant to the Investment Company Act of 1940 during the period of original distribution only; and variable contracts and insurance premium funding programs and other contracts issued by an insurance company.

Uniform Securities Agent State Law Examination (Series 63) – This registration covers the principles of state securities regulation reflected in the Uniform Securities Act.

Uniform Investment Adviser Law Examination (Series 65) – This registration qualifies individuals as investment adviser representatives.

Professional Memberships:

Member of South Dakota CPA Society October, 1992 to present

Member AICPA November, 1991 to Present

Name: Allen R. Soulek

Born: 1953

Education:

BS – Business Administration, Augustana College, Sioux Falls, SD May 1972

Business Background:

Investment Adviser Representative, Schwan Financial Advisors, LLC, July, 2008 to Present

Registered Representative, Kovack Securities, Inc., July, 2010 to Present

Registered Representative, Cambridge Investment Research, Inc., July, 2008 to July, 2010

Registered Representative, Resource Horizons Group, LLC, August, 2006 to July, 2008

Registered Representative, Waddell & Reed, Inc., August, 2005 to August, 2006

Licenses, Registrations and Professional Designations Held:

Mr. Soulek is a Chartered Federal Employee Benefit Consultant (ChFEBCSM). This designation is awarded by Federal Seminars and ChFEBC, Inc. In order to obtain this designation, the candidate must have three years of financial services experience and hold a financial services license or registration, such as the Series 6, Series 7, Series 24 or Investment Advisory Representative (Series 65).

In addition to three years of financial services experience, the candidate must hold a designation or have an advanced educational degree, such as a Chartered Financial Consultant (ChFC), Chartered Life Underwriter (CLU), Chartered Financial Analyst (CFA), Certified Financial Planner (CFP), Masters Degree in Business, Economics or Finance, Attorney's License (JD), or Certified Public Accountant (CPA). Coursework for this designation consists of a 40 hour self-study or two day classroom course covering all benefit types available to Federal employees, followed by a proctored, closed book designation examination.

This designation also requires continuing education coursework equaling ten hours every two years.

Mr. Soulek holds the following professional licenses and registrations:

General Securities Representative (Series 7) - This registration qualifies an individual for the solicitation, purchase, and/or sale of all securities products, including corporate securities, municipal securities, municipal fund securities, options, direct participation programs, investment company products, and variable contracts.

Uniform Combined State Law Examination (Series 66) - This registration is designed to qualify individuals as both securities agents and investment adviser representatives. The Series 7 examination must be successfully completed in addition to the Series 66 exam before a candidate can register with a state.

Mr. Soulek is also a licensed insurance agent in various states.

B. Services Provided

Investment Management Services

Schwan Financial Advisors, LLC (hereafter SFA), through its Investment Advisory Representatives (“Advisory Representatives”) offers a variety of financial planning and investment advisory services to its clients as described below. Depending on the program or options selected, these services may be provided on a discretionary or non-discretionary basis. SFA also makes available a number of third party investment programs (“Investment Programs”) that use managers whose investment style and expertise may be appropriate for the specific needs of certain clients. Clients should carefully examine the various Investment Programs and underlying options available, and particularly the fee structure. Services provided under some or all of the options may be available from other providers for lesser fees. Under all these options, clients have the opportunity to place reasonable restrictions or constraints on the way their investment accounts (“Accounts”) are managed and to obtain portfolio design services.

Third Party Investment Programs

SFA makes available a variety of investment program options using a third party investment program called the Kovack Advisors, Inc. “Choice” Account Program, which has several underlying options and is sponsored by Kovack Advisors, Inc. (“KAI”), an SEC registered investment adviser. Depending on the option selected, portfolios are comprised of load waived mutual funds, no-load mutual funds or exchange-traded mutual funds (ETFs), stocks, bonds, and/or options, and accounts are managed on a discretionary basis by KAI or another manager selected by KAI to manage a particular program option.. Some Choice Program Option Managers are Registered Investment Advisers selected through comprehensive due diligence by KAI but not affiliated with KAI, who uses a screening process that evaluates various criteria. Although SFA and KAI are not affiliated, certain officers and employees of SFA are registered or licensed with the affiliated broker-dealer of KAI, Kovack Securities, Inc. This may be construed as a conflict of interest.

Clients should consult KAI’s brochure for more details about the fees charged, and the potential conflicts of interest between the Program Provider and clients in such Investment Program.

Under each of the options in the KAI Program, client accounts must be opened at Kovack Securities, Inc. and custodied at Fidelity Institutional Wealth Services (Fidelity IWS). This custodian is a registered broker-dealer and member of FINRA/SIPC. Kovack Securities clears transactions for program accounts through the custodian listed above on a fully-disclosed basis. Clients using the clearing firm selected by SFA or its Advisory Representative may pay higher account related fees and execution charges than if their Advisory Representative had selected another clearing firm.

Some of the options utilized by SFA are discussed in further detail below.

Kovack Advisors, Inc. Choice Fund & ETF Programs (“KAI Choice Fund Program”)

Under the KAI Choice Fund Program, SFA Advisory Representatives obtain client investment information, risk tolerance and other pertinent information (“investment information”), and select one or more KAI Choice Fund Program options in consultation with the client (described in the KAI wrap fee brochure delivered to participating clients). The SFA Advisory Representative will recommend an option designed to meet the individual financial needs, investment objectives and risk tolerance of the client, consisting primarily of mutual funds and exchange-traded funds (ETFs). KAI has engaged SightLine Investments, LLC to manage this strategy. SightLine Investments uses multiple sources of data and information as input to their asset allocation, manager selection and monitoring processes.

All KAI Choice Fund Program accounts are discretionary accounts. The Choice Fund Program manager makes all investment decisions on your Account. The minimum account size for this Program is \$30,000, but may be negotiable at the sole discretion of the Choice Fund Program Manager.

Kovack Advisors, Inc. Choice Advisor Program (“KAI Choice Advisor Program”)

SFA also offers management of client accounts using the KAI Choice Advisor Program platform. The KAI Choice Advisor Program is a low-cost platform program directed by the Advisory Representative which allows virtually any investment product to be purchased including stocks, bonds, options and mutual funds. Under this platform, client portfolios are actively managed in accordance with the client's individual needs, objectives and risk tolerance. SFA Advisory Representatives gather this client investment information and develop a portfolio in consultation with the client designed to meet the individual client's goals and objectives. The minimum account size for this Program is \$250,000, but may be negotiable at the discretion of SFA and any Choice Advisor Program Manager selected.

Under this option, SFA will design, advise and manage individual Accounts based on a formal investment management process. Advisory Representatives of SFA, through interviews and consultation, will assist the client in defining investment objectives and overall investment strategies by collecting relevant information about a client's objectives, assets, purpose of the investment (e.g., retirement, to finance college education for children), time horizon, risk tolerance and investment experience (“Investment Information”). This information is gathered using a questionnaire and interview process. This option is available on either a discretionary or a non-discretionary basis.

SFA is responsible for the administration and management of these accounts and will customize customer portfolios based on client needs. The portfolio assets will be allocated into investment classes based on the client's investment objectives, investment time horizon and risk tolerance determined by reference to the client's Investment Information.

A portfolio may be comprised of a variety of securities including equities, fixed income and other debt instruments, mutual funds, and exchange traded index products. The Advisory Representative will periodically request and review updates to a client's Investment Information to assist in managing or supervising the client's Account, and determine any necessary changes to the management of the client's Account.

Accounts managed by SFA on a discretionary basis will be continuously monitored and modifications to investments may be made based on economic and market conditions or to periodically realign the portfolio according to the client's current allocation plan, investment objectives, time horizon and risk tolerance.

SFA's discretion over the Account shall be subject to terms and conditions set forth in a client profile and/or investment questionnaire containing, among other information, the client's relevant Investment Information, and the Investment Advisory Agreement, including any reasonable restrictions on investments or SFA's discretion requested by the client. The client retains the ability to modify the Investment Information or its investment objectives contained in the investment questionnaire or client profile, as appropriate.

Accounts managed on a non-discretionary basis will be reviewed periodically and recommendations for modification of the portfolio holdings will be made to the client.

The client retains the right to accept or reject any or all of the recommendations made by the Advisory Representative on a non-discretionary account.

The SFA Advisory Representative will periodically request and review updates of a client's Investment Information and will provide this information to KAI, if appropriate. When appropriate, the SFA Advisory Representative may recommend the modification of the portfolio holdings.

Clients should carefully review the applicable brochure and/or other disclosure documents provided by KAI for full information on fees, account minimums, and any other restrictions imposed by the KAI Advisor Choice Program.

Certain officers and employees are affiliated with Kovack Securities, Inc. as registered representatives. This creates a conflict of interest when SFA Advisory Representatives recommend the establishment of a KAI Advisor Choice Program account.

Financial Planning:

SFA also provides advice in the form of a Financial Plan. Clients purchasing this service will receive a written financial plan, providing the client with a detailed financial plan designed to achieve their stated financial goals and objectives.

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

- PERSONAL: Family records, budgeting, personal liability, estate information and financial goals.
- TAX & CASH FLOW: Income tax and spending analysis and planning for current and future years. SFA will illustrate the impact of various investments on a client's current income tax and future tax liability.
- DEATH & DISABILITY: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis. This service is provided free of charge in states where statutory prohibitions exist against receiving compensation.
- RETIREMENT: Analysis of current strategies and investment plans to help the client achieve his or her retirement goals.
- INVESTMENTS: Analysis of investment alternatives and their effect on a client's portfolio.

SFA gathers required information through in-depth personal interviews. Information gathered includes a client's current financial status, future goals and attitudes towards risk. Related documents supplied by the client are carefully reviewed, including a questionnaire completed by the client, and a written report is prepared.

Should a client choose to implement the recommendations contained in the Financial Plan, SFA suggests the client work closely with his/her attorney, accountant, insurance agent and/or stockbroker. Implementation of the recommendations contained in the Financial Plan is entirely at the client's discretion. To the extent that SFA or an affiliate offers accounting, insurance or brokerage services, a client is not obligated to use an SFA affiliate to obtain any such services. If a client chooses to use SFA or an affiliate for any such services, SFA or its affiliate could have a potential conflict of interest in evaluating product recommendations involving advisory services or products offered by SFA.

Issue Consulting:

Clients can also receive investment advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning or any other specific topic. SFA also provides specific consultation and administrative services regarding investment and financial concerns of the client.

Additionally, SFA provides advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance and/or annuity advice.

Generally, Financial Planning and/or Consulting recommendations are of a generic nature and do not generally involve the recommendation of specific investment products. Recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company.

Selection and Monitoring Services:

SFA provides several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, SFA will also offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Selection and Monitoring Services are comprised of four distinct services. Clients may choose to use any or all of these services:

Investment Policy Statement Preparation (hereinafter referred to as “IPS”):

SFA will meet with the client (in person or over the telephone) to determine the client's investment needs and goals. SFA will then prepare a written IPS stating those needs and goals and describing a policy under which these goals might be pursued. The IPS will also list the criteria for selection of investment vehicles and the procedures and timing interval for monitoring of investment performance.

Selection of Investment Vehicles:

SFA will review various investments, consisting exclusively of mutual funds (both index and managed) to determine which of these investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the Investment Policy Statement.

Monitoring of Investment Performance:

Client investments will be monitored continually based on the procedures and timing intervals delineated in the IPS. Although SFA will not be involved in any way in the purchase or sale of these investments, SFA will supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

Employee Communications:

For pension, profit sharing and 401(k) Plan clients that have individual accounts with participants exercising control over assets in their own account, SFA may also provide quarterly educational support and investment workshops designed for Plan participants. The nature of the topics to be covered will be determined by SFA and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide Plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

The educational support and workshops may deal with any of the following topics: (i) financial position (e.g., net worth, cash flow, mortgage strategies); (ii) risk management (e.g., assessment of protection in the event of premature death); (iii) investment planning (e.g., risk and return principles, time value of investing); (iv) tax planning (e.g., pretax deferral versus after tax investing); (v) retirement planning (e.g., retirement goals as affected by taxes, inflation and social security); and (vi) estate planning (e.g., general understanding of wills, powers of attorney and estate settlement issues).

The fees for educational support and workshops range from \$250 to \$600 per hour plus out-of-pocket and travel expenses. Fees are not charged in advance and the hourly rate may be negotiated depending upon the group size and the number of workshops or programs scheduled for the employees.

The educational support and workshops are not intended to and will not address the individual investment needs of a particular client or a particular Plan participant. Plan participants should consult with their own financial, tax or legal advisers to determine an appropriate personalized investment plan after considering, among other factors, the individual's investment objectives, risk tolerance and overall financial condition.

C. Guiding Principals for Account Management

Account management is guided by the stated goals and objectives of the client (such as capital preservation, maximum capital appreciation, growth, income, or growth and income), the client's investment information provided (including, but not limited to, the client's risk tolerance, time horizon, investment experience, net worth, income, and tax bracket). Clients have the opportunity to place reasonable restrictions or constraints on the way their Accounts are managed and to obtain portfolio design services. The client retains the right to modify Account restrictions at any time.

Clients will periodically be asked for updates to their investment information, goals and objectives, and Clients are responsible for promptly informing SFA and its Advisory Representative of any changes in their financial situation which might affect the management of their Accounts, including the types of investments selected or recommended.

D. Participation in Wrap Fee Programs

As noted earlier in this brochure, SFA may periodically recommend and refer clients to unaffiliated third party money managers who will manage the client's account on a discretionary basis. Under this arrangement, the Client will enter into an advisory agreement with the third party money manager authorizing them to assist and advise the Client in establishing investment objectives and develop an investment strategy to meet those objectives by identifying appropriate investments and monitoring such investments. In consideration for this service, the third party money manager will generally receive an investment advisory fee. SFA will receive a portion of the investment advisory fee for the solicitation and/or referral of the Client to the third party manager, and may assist the Client in completing their Client questionnaire and account opening paperwork. The SFA Advisory Representative may also assist in the development of the initial policy recommendations and managing the ongoing client relationship.

The Client, prior to entering into an agreement with a third party money manager selected by SFA in consultation with the Client, will be provided with that manager's Form ADV Part 2A (or a brochure containing similar disclosures and program information.) In addition, SFA and its Client will agree that the Client's account will be managed by the selected third party money manager on a discretionary basis.

E. Assets Under Management

As of March 22, 2011, SFA managed \$55,218,825 on a non-discretionary basis and no assets on a discretionary basis.

Item 5 – Fees and Compensation

A. General Information on Fees

Our standard fee schedule is negotiable at our discretion. As a result, clients with similar assets may have differing fee schedules. The same or similar investment advisory services may be available from other investment advisers for a lower or higher fee. The Client will agree through their signature on the Advisory Agreement that investment management fees will be automatically deducted from the client account on a quarterly basis by the custodian.

Fees for Investment Management Services:

SFA Fee Schedule for the KAI Choice Fund Program:

First \$250,000	1.50%
Next \$250,000	1.35%
Next \$500,000	1.20%
All above \$1,000,000	1.00%

Account fees are negotiable and subject to discounts on an account by account basis.

SFA Fee Schedule for the KAI Choice Advisor Program:

Annual management fees are negotiable. The maximum annual account fee is 2.25% of assets under management.

Fees may be charged in advance or in arrears depending on the agreement between the client and SFA. Unless there are other arrangements between the client and SFA, fees will be charged quarterly.

Fees will be calculated either (1) on the basis of the market value on the last day of the previous quarter if fees are billed in advance, or (2) on the last day of the quarter in which services were rendered if fees are billed in arrears.

The fee calculation methodology is discussed with the client when the account is established.

These fees may be in addition to fees that may be charged for custody, clearing and execution services. Fees are never based on a share of capital gains or capital appreciation. All fees will be disclosed to the client and estimated for a given account at the time the Account is opened.

Clients may also incur other fees and charges imposed by third parties in connection with investments made through the Account, including other mutual fund fees, clearing, custody and other transaction charges, and service fees and IRA and Qualified Retirement Plan fees. Other parties may receive a portion of these fees.

Please note that any fees charged by SFA, program providers or sponsors are separate and distinct from fees and expenses charged by any mutual funds in which Portfolio Account assets are invested. As described in the mutual fund prospectus, these fees will generally include a management fee, other fund expenses, and a possible distribution and/or shareholder servicing fee. A client could invest in a mutual fund directly without the services of SFA. In that event the client would not receive the value of the investment program services, which includes assistance in evaluating purchases and sales. A client should carefully evaluate the options most appropriate for the client's financial condition and objectives before making a choice by consulting the appropriate disclosure document(s).

In certain circumstances, depending on various factors such as the size of the Account, the scope or nature of any restrictions placed on the Account and other relationships between SFA and the client, all fees and account minimums may be negotiable. Fees are never based on a share of capital gains or capital appreciation.

Unless a client received SFA's brochure at least two days before entering an agreement with SFA, the client has the right to cancel the agreement without penalty within five business days after entering into the agreement. In the event of cancellation, any unearned fees will be promptly refunded. The client also may terminate the agreement at any time and in this case all fees will be pro-rated through the date of termination.

The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (SEC Rule 205(a)(1)).

A client agreement may be cancelled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

Fees for Financial Planning/Consulting:

The fees for Financial Planning and Consulting will be charged in one of two ways:

1. As a fixed fee, typically ranging from \$500 - \$60,000, depending on the nature and complexity of each client's circumstances. Up to 50% of this fee may be due upon signing the financial planning agreement, with the balance due upon presentation of the plan to the client.
2. On an hourly basis, ranging from \$125 - \$450 per hour, depending on the nature and complexity of each client's circumstances, as well as the experience and qualifications of the individual conducting the work. An estimate for total hours will be determined at the start of the advisory relationship. Up to 50% of the estimated fee may be due upon signing the advisory agreement, with the balance (based on actual hours) due upon presentation of the plan to the client.

Any collected but unearned fees for those services will be promptly refunded to the client upon termination of the advisory services agreement.

Fees Offset By Commissions:

If a Financial Planning or Consulting client elects to execute recommended securities transactions through Advisory Representatives of SFA in their separate capacities as registered representatives of a broker-dealer, these individuals will earn commissions which are separate and distinct from fees charged for advisory services. Clients are under no obligation to implement any of the recommendations made with SFA or its affiliates.

In certain instances, advisory fees may be discounted, at SFA's discretion, for such commissions earned. Commissions will not be credited toward future advisory services.

Selection and Monitoring Services:

The fees for Selection and Monitoring Services may be charged in one or more of three different ways:

1. As a percentage of assets under consultation and monitoring, ranging from 0.25% to 1.0%. SFA will quote an exact percentage to each client based on the nature, size and complexity of the account. For this fee arrangement, clients will be charged in advance at the beginning of each calendar quarter based upon the month-end values (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance) of the client's account during the previous quarter.
2. As a fixed fee, typically ranging from \$500 - \$60,000, depending on the nature and complexity of each client's circumstances. Up to 50% of this fee may be due upon signing the agreement, with the balance due upon completion of the work.
3. On an hourly basis, ranging from \$125 - \$450 per hour, depending on the nature and complexity of each client's circumstances, as well as the experience and qualifications of the individual conducting the work. An estimate for total hours will be provided at the start of the advisory relationship. Up to 50% of the estimated fee may be due upon signing the advisory agreement, with the balance (based on actual hours) due upon completion of the work.

Any collected but unearned fees for those services will be promptly refunded to the client upon termination of the advisory services agreement.

B. How Fees are Billed

For our Investment Management Services, we charge an advisory fee based on a percentage of the total market value of your Account(s) under management on the last trading day of each calendar quarter, unless specified otherwise in the Advisory Services Agreement. Fees are billed quarterly in advance, and are due and payable upon the custodian's receipt of SFA's invoice.

Fees for Financial Planning Services (both flat fee and hourly) will be billed to the Client as they are provided via a periodic invoice submitted to the client. SFA may require an initial payment from the Client of up to 50% of the estimated or quoted fee at the time the Advisory Agreement is signed.

Fees for Third Party Money Managers: These fees, dependent on the money manager, will generally be billed either quarterly or annually as specified in their ADV 2A brochure or Advisory Agreement. Clients may request to terminate their advisory contract with third party money managers, in whole or in part, by providing written notice via regular mail. The date of receipt by SFA will be considered the date of termination of the contract. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client. Clients may be responsible for a termination fee as described in the third party manager's ADV 2A, brochure or contract. SFA will receive a portion of the investment advisory fee for the solicitation and/or referral of the client to the third party manager, and may assist the client in completing their client questionnaire and account opening paperwork. The SFA Advisory Representative may also assist in the development of the initial policy recommendations and managing the ongoing client relationship.

As SFA will receive compensation for recommending that clients invest with these third party managers, such recommendations may constitute a conflict of interest. The Client should carefully review the fee structure and services provided to ensure they understand these fees and services.

In addition, clients should be aware that the Adviser's fees may be higher than those charged by other investment advisers and the Client may be able to purchase similar services for less cost.

For more information on fees, the client should consult the relevant Third Party Money Manager's ADV Brochure or other relevant disclosure documents.

C. Other Fees and Expenses the Client Will Pay

All fees paid to SFA for investment advisory services are separate and distinct from the expenses charged by mutual funds to their shareholders and the fees charged by product sponsors in the case of variable insurance products. These fees and expenses are described in each fund's or variable product's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the sponsor also imposes sales charges, a client may pay an initial or deferred sales or surrender charge. Custodial fees, including account termination fees, may also be incurred by the client. If a commission is received on a product sale, the advisory fee may be reduced at the sole discretion of SFA on a pro-rata basis to offset these commissions. A client could invest in these products directly, without the services of Schwan Financial Advisors. In that case, the client would not receive the benefits provided by SFA which are designed, among other things, to assist the client in determining which products or services are most appropriate to each client's financial condition and objectives. Accordingly, the client should carefully review both the fees charged by the product sponsor and the fees charged by SFA to fully understand the total fees to be paid.

SFA will provide investment advisory services and portfolio management services but will not provide custodial or other administrative services. At no time will SFA accept or maintain custody of a client's funds or securities except for authorized fee withdrawals. The Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The fee charged by SFA is separate and distinct from the custodian and execution fees.

D. Fees Paid in Advance and Refunds Available

Clients may request to terminate their advisory contract with SFA, in whole or in part, by providing written notice via regular mail. The date of receipt by SFA will be considered the date of termination of the contract. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client. The Client's Advisory Agreement with SFA is non-transferable without the Client's written approval.

E. Other Compensation Received by SFA and its Advisory Representatives

As registered representatives and licensed insurance agents, certain employees and IARs of SFA may receive separate but typical compensation in the form of commissions for the purchase of securities products as well as for the sale of insurance products. SFA may receive a portion of this compensation. These commissions may be in addition to the advisory fees received through SFA. SFA may, at its discretion, reduce any advisory fees on a pro-rata basis to offset these commissions.

SFA may recommend to clients the purchase of investment products in which it, a related entity or their officers and employees may have some financial interest, including the receipt of compensation from a third party. For example, certain mutual funds (and/or their related persons) in which a client may invest makes payments to various recipients, including broker-dealers and/or shareholder servicing agents. Such payments may be distributed pursuant to a 12b-1 distribution plan, a shareholder servicing plan, or pursuant to another arrangement as compensation for distribution or administrative or

other services and may be paid out of the fund's assets. Associated persons of SFA in their capacity as registered representatives of KSI also may receive a portion of such fees or other compensation to the extent permitted by applicable law. Any fund, including a fund that imposes a front-end sales load but which waives that front-end load for purchases made on behalf of the client's account (a "front-end load" fund at net asset value) may bear 12b-1 distribution or service fees, which may be in excess of .25% of a client account's net assets invested in such fund (the maximum allowed for no-load funds). The 12b-1 fee, deferred sales charges and other fee arrangements will be disclosed upon request of the client and are typically described in the applicable fund's prospectus. Because of these compensation arrangements, a conflict of interest may exist in connection with the recommendation of particular mutual fund investments for a client's Account.

In Third Party Investment Programs, the Program Provider or Independent Sub-Adviser also may recommend to clients the purchase of investment products in which they, related entities or their officers and employees may have some financial interest, including receipt of compensation from a third party. Thus, these unaffiliated advisers may have a conflict of interest in recommending, among other investments, particular mutual funds. A client will be provided with the Form ADV, Schedule H or other relevant disclosure documents of the Program Provider that describes the unaffiliated Investment Program chosen by the client. The client should carefully review the advisory brochures of these entities for more information about the particular unaffiliated Investment Program, including a description of the actual or potential conflicts of interest that may exist for the Program Provider in administering its Program, or in recommending or purchasing certain investments for clients.

SFA's principal executive officers and other employees may, from time to time, receive incentive awards for the recommendation/introduction of investment products in their separate capacities as registered representatives of a broker-dealer or licensed insurance agents. The receipt of this compensation may affect SFA's judgment in recommending products to its clients, and therefore a conflict of interest may exist when making these recommendations.

1. **Conflicts:** The recommendation of securities or insurance products to advisory clients which are executed through the Advisory Representatives of SFA in their separate capacities as licensed insurance agents or registered securities representatives constitutes a conflict of interest, as the commissions received on these transactions provide an incentive to the Advisory Representatives to make these recommendations to their Clients. However, Clients are free to execute any securities or insurance product recommendation through any broker dealer or insurance agency. In addition, SFA's Code of Ethics helps ensure that the best interests of the Clients are placed before financial incentives available to the Advisory Representatives of the Firm.
2. **Clients May Purchase Products from Another Provider:** Clients are under no obligation to implement any recommendations made through SFA or any of its Advisory Representatives, and may purchase the same or similar products from another provider at their sole discretion.
3. **Primary Source of Compensation:** The primary source of revenue for SFA's Advisory Representatives is the sale of securities and insurance products in their separate capacity as securities registered representatives and licensed insurance agents.
4. **Reduction of Fees for Advisory Clients:** As noted earlier in this Brochure, advisory fees may be reduced based on other fees or commissions paid by Clients on the securities or insurance transactions at the sole discretion of SFA.

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

SFA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) and does not permit Side-By-Side Management.

Item 7 – Types of Clients

SFA provides advisory services to individuals, pension, profit sharing and 401(k) plans, trusts, estates and charitable organizations, corporations and other business entities, as well as municipalities and other organizations.

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

A. Methods of Analysis and Investments Strategies Used

SFA continually studies economic conditions, securities markets and other investment issues to inform its investment strategies for managing Client assets. Generally, SFA uses tactical asset allocation strategies to diversify client portfolios. For certain third party investment programs, SFA selects from available model portfolios based on a client's goals, objectives and risk tolerance comprised of mutual funds, Exchange Traded Funds (ETFs), other exchange traded index products such as SPIDERS, DIAMONDS, WEBS, and "Baskets", and similar grouped securities investments, as well as variable annuity sub-accounts provided by a number of institutional strategists. SFA also uses cyclical and fundamental analysis in determining appropriate investment recommendations for a given client's financial situation and objectives. In instances where it is appropriate for the client and in alignment with their goals and objectives, SFA may utilize options on securities as a hedging strategy to mitigate risk, and may recommend interests in partnerships such as equipment leasing, cable television, fast food franchising, agriculture, raw land, alternative energy, research and development, venture capital and leveraged buy-outs. SFA may use long-term purchases (securities held longer than one year) and short term-purchases (securities held for less than one year) as investment strategies for Client Accounts. Investing in any security involves the risk of loss that Clients should be prepared to bear.

SFA may provide investment advice on any investment held by a client at the start of the advisory relationship. Recommendations for new investments will typically be limited to those types of securities noted above.

B. Risks Associated with Investment Strategies and Methods of Analysis Used

The primary risk associated with all investment strategies is *Systematic Risk*, which is the market risk of any security in a general downturn. Secondly, *Credit Risk* is a factor considered when selecting a particular investment. SFA relies on information provided by third party resources, including institutional money managers, various rating services such as Morningstar and company reports. Information from these resources is generally assumed to be accurate, but the risk exists that the information received from these sources and relied on by SFA is inaccurate.

Investments made in limited partnerships are generally long-term, illiquid investments which are appropriate only for individuals who have a long-term investment time horizon, as there is generally not a secondary market available for liquidation. Clients investing in these types of securities should be prepared to hold the investment for the entire anticipated term of the investment, and should limit the percentage of their total portfolio placed in these types of illiquid investments.

Third Party Investment Managers may provide portfolio design and strategy implementation support services.

Other research materials may be provided through third party services available on the Kovack Securities brokerage platform.

C. Recommendations of Particular Types of Securities

SFA generally strives for a diversified and balanced portfolio aligned with the client's objectives and risk tolerance. Please refer to the discussion above related to the risks involved with various types of investments which may be recommended.

Item 9 – Disciplinary Information

A. Criminal or Civil Actions

There is no relevant information to report for this item related to SFA or any of its management personnel.

B. Administrative Proceedings

There is no relevant information to report for this item related to SFA or any of its management personnel.

C. Self-Regulatory Organization Proceedings

There is no relevant information to report for this item related to SFA or any of its management personnel.

Item 10 – Other Financial Industry Activities and Affiliations

SFA is registered as a Registered Investment Adviser. Investment Adviser Representatives of SFA are generally also registered representatives of Kovack Securities, Inc., a broker-dealer affiliated with Kovack Advisors, Inc., and are engaged in the business of selling life, health and variable insurance products as licensed insurance agents through Schwan Financial Agency, LLC, an affiliated insurance agency owned by SFA's parent company, Schwan Financial Group, LLC. Investment Adviser Representatives of SFA will sell life, health and variable insurance products and may spend up to 30% of their time on insurance related business. The principal business of SFA is as a registered investment adviser. Certain principal officers of SFA may spend up to 30% of their time on broker-dealer business on behalf of Kovack Securities, Inc.

In their separate capacities as Registered Representatives and/or licensed insurance agents, Investment Adviser Representatives of SFA may offer brokerage services or insurance products to both advisory and non-advisory clients in need of such services and may receive separate, yet typical compensation in the form of commissions for the sale of insurance products or effecting brokerage transactions. Advisory clients are not obligated to use SFA Advisory representatives for insurance or securities product services.

If a Financial Planning or Consulting client elects to execute recommended securities transactions through Advisory Representatives of SFA in their separate capacities as registered representatives of a broker-dealer, these individuals will earn commissions which are separate and distinct from fees charged for Financial Planning services. Clients are under no obligation to implement any of the recommendations made with SFA or its affiliates.

In certain instances, advisory fees may be discounted, at SFA's discretion, for such commissions earned. Commissions will not be credited toward future advisory services.

While SFA endeavors at all times to put the interests of its clients first as part of their fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of the individual making the recommendation.

As noted earlier in this Brochure, SFA may recommend Third Party Investment Programs to Clients if appropriate for their investment needs. SFA will generally receive part of the compensation paid to the Third Party Investment Program manager. Because SFA is compensated for these recommendations, a conflict of interest is created, as Advisory Representatives may receive a portion of the compensation received by SFA. While SFA endeavors at all times to put the interests of its clients first as part of their fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of the individual making the recommendation.

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

SFA has established policies and procedures covering a Code of Ethics and Personal Trading. These policies and procedures place the client interest always ahead of the firm's or any representative of the firm. All representatives of the firm are expected to purchase or sell a security for their personal accounts only after trading for the same security is completed for the client accounts. SFA monitors personal trading activities of their Advisory Representatives through the use of duplicate trade confirmations, personal brokerage statements, and other tools.

SFA or individuals associated with SFA may buy or sell securities identical to those recommended to customers for their personal accounts. 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.

SFA strictly prohibits Advisory Representatives from participating in or otherwise having an interest in Client transactions, beyond the receipt of normal and customary compensation they may receive.

Code of Ethics and Professional Conduct

As these situations and other situations may represent a conflict of interest, SFA has established a Code of Ethics and Professional Conduct in accordance with Rule 204A-1 of the Investment Advisers Act of 1940, which reflects the fiduciary obligations SFA, its officers and employees have to clients. All employees and Advisory Representatives must be familiar and fully comply with this Code. Following are highlights from this Code:

1. To act in a professional and ethical manner at all times.
2. To act for the benefit of clients.
3. To act with independence and objectivity.
4. To act with skill, competence, and diligence.
5. To communicate with clients in a timely and accurate manner.

6. To comply with federal securities laws and to uphold the applicable rules governing capital markets.

SFA has established the following additional conduct rules for itself, its officers, members and employees:

It is the express policy of SFA that no person employed by SFA may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, SFA has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) An officer or employee of SFA shall not buy or sell securities for their personal; portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment or possession of material non-public information. No person of SFA shall prefer his or her own interest to that of the advisory client.
- 2) SFA maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of SFA.
- 3) All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- 4) SFA requires that all individuals must act in accordance with all applicable Federal and State regulation governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination or other sanctions.

A complete copy of the Firm's Code of Ethics and Professional Conduct is available upon request.

Privacy Policy

SFA never discloses the nonpublic personal information collected about its clients to anyone except in furtherance of our business relationship, and then only to those persons or entities necessary to effect the transactions and provide the services that the Client authorizes to service providers such as broker-dealers, custodians, investment managers etc. or as otherwise permitted or required by law. You will receive a copy of this Privacy Policy along with this ADV 2A Brochure. Please contact us if you have any questions on this Privacy Policy.

Business Continuity Plan

A copy of SFA's Business Continuity Plan Disclosure Document will be provided to the Client at the time of account opening as well as when material changes to the plan occur. A copy of this document may be obtained at any time upon request.

Item 12 – Brokerage Practices

SFA and other firms using the KAI Choice Fund and KAI Choice Advisor Account Platforms will deposit client assets in brokerage accounts maintained by Kovack Securities, Inc. ("KSI"), custodied at Fidelity Institutional Wealth Services, ("IWS"), who provide custody and clearing services for Choice Fund and

Choice Advisor Accounts through a clearing arrangement with KSI. As a condition of maintaining a Choice Fund or Choice Advisor Account, clients are required to direct all trades to be placed through KSI and cleared through IWS. In directing the use of KSI, it should be understood that SFA will not have the authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to other clients.

Selection and Monitoring Services/Financial Planning/Issue Consulting:

As discussed under Item 10 of this Brochure, the Advisory Representatives of SFA are separately registered as securities representatives of Kovack Securities, Inc., a FINRA registered broker-dealer.

SFA may offer the use of this firm and these individuals to clients for implementation of Selection and Monitoring services, financial planning, and/or consulting recommendations, provided that this offer is consistent with SFA's fiduciary duty to the client. Any commissions or other compensation received from the implementation of Selection and Monitoring services, financial planning and/or consulting recommendations is separate and distinct from SFA's advisory fee. No client receiving any of these services from SFA is obligated to use any recommended broker-dealer to implement any recommended transactions.

Clients should be aware that best execution and lower commissions may not necessarily be achieved if recommended transactions are placed through these individuals in their separate capacities as registered representatives or insurance agents/brokers. Furthermore, SFA will ensure that for Selection and Monitoring service clients that are subject to ERISA, it will offset any 12b-1 fees generated by the implementation of recommendations against the fees charged by SFA for its advisory services.

Kovack Advisors, Inc. and Kovack Securities, Inc. provide SFA with access to institutional trading and custody services which are typically not available to retail investors through IWC. Brokerage services include execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significant minimum initial investment.

Kovack Securities and Kovack Advisors also make available to SFA other products and services that benefit SFA but may not directly benefit its clients' accounts. Many of these products and services may be used to provide service to all or some substantial number of SFA's accounts, including accounts not maintained at the broker/dealer providing such product or service. Examples of these products and services include tools that assist SFA in managing and administering clients' accounts, such as software and other technology which provides a) access to client account data (such as trade confirmations and account statements; b) facilitation of trade execution and allocation of aggregated trade orders for multiple client accounts; c) research, pricing and other market data; d) payment of SFA's fees from its clients' accounts; and e) assistance with back-office functions, recordkeeping and client reporting.

SFA does not consider whether referrals are received from broker-dealers when making brokerage recommendations to Clients.

In evaluating whether to recommend or require that clients custody their assets at one of these broker/dealers, SFA may take into account the availability of some of the foregoing products and services as part of the total mix of factors it considers and not solely the cost or quality of custody and brokerage services provided by the broker/dealer, which may create a potential conflict of interest.

For those clients who establish asset management relationships with Third Party Investment Program Providers, these providers may also require the client establish brokerage account relationships with designated custodial broker/dealers. See the relevant Third Party provider's ADV Part 2A or brochure for details on these requirements.

Investment Discretion

For those accounts managed by SFA on a discretionary basis, the firm generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client; however, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by SFA in the Investment Advisory Agreement.

Discretionary authority will only be authorized upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by SFA will be in accordance with each client's investment objectives and goals.

Best Execution

As a Registered Investment Advisor, SFA has a fiduciary duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it is a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market, and the specific needs of the client. SFA's primary objectives when placing orders for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. SFA will execute its transactions through various broker-dealers. The broker-dealer will be chosen based on the following: 1) the broker's capital depth, 2) the broker's market access, 3) the broker's transaction confirmation and account statement practices, 4) our knowledge of negotiated commission rates and spreads currently made available, 5) the nature and character of the markets for the security to be purchased or sold, 6) the desired timing of the transaction, 7) the execution, clearance and settlement capabilities of the broker selected and others considered, 8) our knowledge of any actual or apparent operational problems of a broker and 9) the reasonableness of the commission or its equivalent for the specific transaction. Based on the above criteria, SFA may not necessarily pay the lowest commission or commission equivalent as specific transactions may involve specialized services on the part of the broker. This would justify higher commissions (or their equivalent) than other transactions requiring routine services. If SFA is directed by the client to direct trades to a specific broker dealer other than the custodian typically used by SFA for trade execution, it is disclosed that SFA's ability to negotiate commissions (where applicable), obtain volume discounts, or otherwise obtain best execution may not be as favorable as might otherwise be obtained.

Order Aggregation

SFA may combine orders into block trades when more than one account is participating in the purchase or sale of a security. This blocking or bunching technique must be equitable and potentially advantageous for each such account (i.e., For the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of SFA's investment advisory agreements for those client accounts participating in the trade. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed

accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. SFA may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

In discretionary accounts, SFA has discretionary authority to select the broker or dealer for custodial and execution services. SFA may choose the broker/dealer to be used based on execution and custodial services offered, cost, quality of service and industry reputation.

Item 13 – Review of Accounts

SFA as part of its investment management or supervisory services engages in periodic reviews of Choice Fund account reviews to ascertain that the account is performing in accordance with the client's stated investment objective and strategy as derived from the client's relevant investment information for the Choice Fund platform Account. To assist it in these monitoring activities, SFA Advisory Representatives will periodically request and review updates to a client's investment information to ascertain that the client's investments remain consistent with the client's stated investment objective and strategy. Periodic reports are provided to clients for the Choice Fund Program Accounts.

Kovack Advisors as the Choice Fund Program Sponsor and/or SightLine Investments, LLC as the strategy manager reviews their model portfolios at a frequency described in the client contract and relevant disclosure documents and implements asset allocation shifts within each model portfolio as warranted by market and economic conditions. KAI, as part of its investment management or supervisory services, engages in periodic account reviews to ascertain that the account is structured in accordance with the client's investment objective and strategy as derived from the client's relevant investment information. Examples of the triggering factors for SFA to conduct an account review include SFA being notified of a change in client's investment objective, a change in market conditions, change of employment, re-balancing of assets to maintain proper asset allocation and any other issues that are discovered as the account is reviewed. The client will receive written statements no less than quarterly from the trustee or custodian. In addition, the client will receive other supporting reports from Mutual Funds, Third Party Asset Managers, Trust Companies or Custodians, Insurance Companies, Broker/Dealers and others who are involved with servicing or managing client accounts.

The client is encouraged to notify SFA and the Advisory Representative promptly if changes occur in his/her personal financial situation that might affect his/her investment plan.

Asset allocation accounts are re-balanced on a quarterly basis and re-optimized when deemed necessary by SFA or by a third-party money manager for those participating in the asset management program. Re-balancing is accomplished by reallocating assets to original asset targets and re-optimizing involves setting new target asset category percentages.

Account reviews for SFA are performed by an Elected Manager of SFA. Account reviews for Third Party Asset Manager Accounts are reviewed as stated in that Manager's ADV 2A Brochure or other relevant disclosure document.

Financial Planning updates are available for a separate fee.

Reports:

SFA or the Program Provider as Account Manager provide periodic performance reports, no less frequently than annually, to clients for their accounts.

Financial Planning clients will receive a written report containing recommendations pertaining to their particular financial circumstances, goals and objectives.

Item 14 – Client Referrals and Other Compensation

SFA may compensate persons or firms for client referrals in compliance with the Adviser's Act and state securities rules and regulations. The client will not pay a higher fee for being referred by a source that has a fee paying arrangement with SFA. In each instance, a written agreement will exist between the SFA and the referral source. At the time of a referral, prospective advisory clients will receive SFA's ADV Part 2A and a Solicitor's Disclosure Document. SFA has established policies and procedures to ensure that its solicitation activities are compliant with the requirements under Rule 206(4)-3 of the Adviser's Act.

Item 15 – Custody

As SFA does not maintain custody of client assets, SFA may recommend/require that clients establish brokerage accounts with Kovack Securities, Inc and assets in these accounts will be custodied with Fidelity IWS, both FINRA registered broker/dealers and members of SIPC, to maintain custody of clients' assets and to effect trades for their accounts for those clients who elect to have their assets managed on a discretionary basis by SFA or by one of the Third Party Asset Managers offered through KAI. For those clients who wish to have their assets managed on a non-discretionary basis by SFA, the firm may recommend/require that clients establish brokerage accounts with Kovack Securities, Inc., who clears trades and custodies assets with Fidelity IWS.

Each of the qualified custodians noted above will send Clients quarterly or more frequent account statements. Clients should carefully review these statements upon receipt and promptly notify SFA of any potential discrepancy or error.

Third Party Managers may use other custodians for their programs. Clients should consult the relevant manager's ADV Brochure for further information on this topic.

Item 16 – Investment Discretion

For those accounts managed by SFA on a discretionary basis, the firm generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client; however, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by SFA.

Discretionary authority will only be authorized upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by SFA will be in accordance with each client's investment objectives and goals.

Item 17 – Voting Client Securities

SFA does not vote proxies on behalf of accounts for which it provides discretionary or non-discretionary investment management services for its clients, nor does it advise clients how to vote proxies for securities held in client accounts. Clients who utilize the KAI Choice Fund or Choice Advisors program may receive proxy voting services from those money managers selected to manage portions of the client's Account. Clients should consult the relevant disclosure documents for more information on proxy voting services. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, SFA cannot give any advice or take any action with respect to the voting of these proxies. The client and SFA agree to this by contract.

For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. Also, SFA cannot give any advice or take any action with respect to the voting of these proxies.

Item 18 – Financial Information

Registered Investment Advisers are required to provide you with certain financial information or disclosures about their financial condition. SFA has no financial commitment or condition that impairs its ability to meet its contractual and fiduciary commitments to its clients, and has not been the subject of a bankruptcy proceeding.

Item 19 – Requirements for State Registered Advisers

SFA is an SEC registered Investment Adviser.