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CAPITAL MANAGEMENT LLC

**Kline Capital Management LLC**  
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Firm Brochure (Form ADV part 2A)

March 30, 2012

This Brochure provides information about the qualifications and business practices of Kline Capital Management LLC (“KCM” or “Advisor”). If you have any questions about the contents of this Brochure, please contact us at (312)263-6100 or [info@klinecapital.com](mailto:info@klinecapital.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.

Kline Capital Management LLC is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information about which you determine to hire or retain an Advisor. Additional information about KCM is also 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. The CRD number for KCM is 136825.

**Item 2 – Material Changes****Annual Update**

This Brochure was last updated on March 30, 2012.

**Material Changes since the Last Update**

NONE

**Full Brochure Available**

Currently, our Brochure may be requested by contacting Matthew Kline, Principal at (312)263-6100 or [info@klinecapital.com](mailto:info@klinecapital.com).

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

Additional information about Kline Capital Management LLC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with KCM who are registered, or are required to be registered, as investment advisor representatives of KCM.

<b>Item 3 -Table of Contents</b>	<b>Page</b>
Item 1 – Cover Page	1
Item 2 – Material Changes	2
Item 3 -Table of Contents	3
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	7
Item 6 – Performance-Based Fees and Side-By-Side Management	9
Item 7 – Types of Clients	10
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9 – Disciplinary Information	13
Item 10 – Other Financial Industry Activities and Affiliations	13
Item 11 – Code of Ethics	14
Item 12 – Brokerage Practices	14
Item 13 – Review of Accounts	16
Item 14 – Client Referrals and Other Compensation	17
Item 15 – Custody	17
Item 16 – Investment Discretion	17
Item 17 – Voting Client Securities	17
Item 18 – Financial Information	17

## **Item 4 – Advisory Business**

### **Firm Description**

Kline Capital Management LLC (“KCM” or “Advisor”) is an investment advisor providing fee-only financial planning, hourly consulting, wealth management (ongoing financial planning and investment management), and investment and portfolio management services. The terms and conditions under which the Advisor will render its services are set forth in a written Service Agreement executed with the client before services are provided.

KCM is a limited liability company (“LLC”) formed under the laws of the State of Wyoming. Matthew Kline is the company’s managing member. KCM is registered with the State of Illinois as an investment advisor.

### **Types of Advisory Services**

Prospective clients receive a complimentary initial consultation, during which the client and the Advisor discuss the client’s goals and suitability of an ongoing advisory relationship.

#### ***1. Financial Planning***

Fixed fee Goal-based Financial Planning advice is rendered in areas including cash flow and debt management, risk management, college funding, life and career changes, asset allocation and investment selection, retirement planning, stock option advice, tax planning, and estate planning. Financial Planning services include:

- Discovery and prioritization of your short- and long-term goals.
- Gather and organize your data and documents.
- Analyze your financial condition, challenges and opportunities as they relate to your goals.
- Develop an investment strategy that balances your goals with your situation and potential.
- Provide written recommendations to help you achieve stated goals.
- Implement the financial decisions you make.

#### ***2. Hourly Consulting***

KCM offers hourly consulting for isolated financial planning issues. An agreement is signed by KCM and the client describing the agreed-upon services.

#### ***3. Wealth Management***

Wealth Management services incorporate ongoing financial planning and investment management services for clients who have completed an initial comprehensive financial plan.

### ***Ongoing Financial Planning Services***

Ongoing, as-needed Financial Planning advice is rendered to monitor your progress to reaching your personal and financial goals and to respond to changes in your situation.

To the extent requested by the client, Ongoing Financial Planning services include:

- Review, maintenance, and retention of documents including wills, trusts, contracts, family records, etc.
- Ongoing Financial Planning advice on issues such as cash management, risk management, retirement income planning, estate planning and tax planning.
- Annual updates to your financial plan

- Meetings, phone calls, and other coordination efforts with your other advisors including attorney, accountant, trustee, banker, insurance agent, etc. However, these will take place only after prior authorization from the client

### ***Investment (Portfolio) Management Services***

The Advisor will implement your asset allocation and investment plan using the strategies described in Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss. If requested, we provide you with a written Investment Policy Statement which provides guidelines for how your portfolio will be managed.

To the extent requested by the client, Investment Management services include:

- Develop written Investment Policy Statement (IPS).
- Investment selection and non-discretionary execution of trades.
- Account aggregation of held-away accounts, as appropriate.
- Monitor portfolio performance
- Periodic performance reporting.
- Periodic portfolio rebalancing.
- Management for tax efficiency.

KCM Portfolio Management Services involve gathering information about a client's current situation and future goals and needs through a process involving personal discussions, a risk survey and a review of information and documents provided to us by the current or potential client. Using the goals and objectives determined in this process, we work with the client to develop a customized investment policy statement. This statement is used as the basis for developing and managing a portfolio of securities, investments and assets. Our portfolio management services are guided by the goals and objectives stated on the investment policy statement.

### ***Types of Investments***

KCM offers advice on the following:

1. Equity securities, both (1) exchange-listed securities, (2) securities traded over-the-counter, and (3) Foreign issuers
2. Warrants
3. Corporate debt securities (other than commercial paper)
4. Commercial Paper
5. Certificates of Deposit
6. Municipal securities
7. Investment company securities including mutual fund shares
8. United States government securities
9. Options contracts on (1) securities

In addition to the securities types listed above, KCM evaluates and advises clients on their pre-existing holdings, which may include all types of investments. Recommendations for new investments will typically be limited to those listed above.

Occasionally, KCM will recommend or evaluate insurance products such as annuities and various types of life insurance products which may have been recommended to clients by other professionals.

KCM tailors advice based on client circumstances, including age, goals, age, risk tolerance, employment status.

KCM respects client constraints regarding restrictions on investing in certain securities, such as employer stock trading window restrictions.

### **Managed Assets**

As of December 31, 2012, KCM managed approximately \$11,350,000 in assets for about 102 accounts, all on a discretionary basis.

### **General Services Information**

A client agreement may be canceled at any time with no penalty. A client agreement may be cancelled by mutual agreement of both client and KCM at any time, and by either party giving written notice to the other party specifying the date of termination. Upon termination of any agreement by written notice, all fees due at time of termination will be due and payable by client immediately. KCM will refund any unearned, prepaid fees within thirty days of written request from the client.

## **Item 5 – Fees and Compensation**

### **Financial Planning Fees**

The scope of the financial plan will be defined together with the client. Financial planning fees typically range from \$2,500 to \$4,000, depending on the client's specific goals and the complexity of the plan. A deposit of fifty percent (50%) of the total estimated fee is due upon signing the Services Agreement, with the balance due when the services are completed. The fee for subsequent financial plan updates will be based on our standard hourly rate at the time the financial plan update is requested by the client.

Kline Capital Management LLC (KCM) provides a wide array of financial planning services including, retirement planning, investment planning & asset allocation, estate planning, insurance planning, college/educational planning, and tax planning.

**Retirement Planning** - Assisting clients understand their needs, choices and develop a plan to successfully accumulate and distribute assets during retirement. No legal advice is given or offered to clients. Typically 3-6 hours of work.

**Investment Planning & Asset Allocation** - Involves working with clients to understand their risk tolerance, goals, objectives and unique individual situation to assist clients in creating appropriate asset allocation model. No legal advice is offered. Typically 2-4 hours of work.

**Estate Planning** - Focus on preservation, protection and distribution of assets. Involves assisting clients in planning for their passing, strategies for distribution of assets, minimization of taxes and liabilities. No legal advice is offered and clients must engage an estate planning attorney. Tax consequences are considered in general terms. Typically 4-6 hours of work.

**Insurance Planning** - Focus on risk and liability management. Include health, long term care, disability, asset protection, income replacement, as well as property & casualty. Typically 2-4 hours of work. **College / Educational Planning** - Includes strategies and alternatives to meet clients goals and objectives to fund education. Tax implications are considered in general terms. Typically 1-2 hours of work.

**Tax Planning** - Tax implications are considered in general terms and a CPA is often engaged by the client. Focus on pension strategies, investments, etc. Typically 2-4 hours of work.

**Comprehensive Financial Planning** - includes all or most of the above services as opposed to an a la carte menu.

These services will be offered to all clients and to clients of all net worth. Number of hours to complete the plan and therefore the total cost will depend upon the size and complexity of the clients individual situation. Hourly rate is \$250 per hour. A typical comprehensive plan will cost \$2,500 to \$4,000. Individual portions, such as estate planning, retirement planning may cost \$1,000 - \$1,500 for a typical client. Below is a breakdown of typical comprehensive plan fees.

<b>Net Worth</b>	<b>FEE</b>
Less than \$1,000,000	\$2,500

\$1,000,001 to \$2,500,000	\$3,000
\$2,500,001 to \$5,000,000	\$3,500
\$5,000,001 and above	\$4,000

Business Succession Planning includes developing strategies to identify, value and structure the transition of business ownership to maximize value, minimize taxes. enable to firm to continue as a viable interest. Tax implications are considered on a general basis. A CPA and an attorney must be engaged by the client. Minimum fees are \$2,500 and range based upon the size and scope of the firm.

### **Investment and Portfolio Management Fee Schedule**

KCM does not impose a minimum account size or a set minimum annual fee. KCM negotiates fees on a client-by-client basis. The exact fee charged will be stipulated within your advisory agreement with us and applies on all of the assets within the portfolio or household (it is not tiered) as defined in the agreement. Annual advisory fees are charged quarterly, in arrears (unless otherwise agreed upon). Fees may be negotiable. In most cases fees are based on a percentage of assets under management, but may be negotiated to a fixed fee. For certain cases an hourly fee may be charged.

Factors we consider when determining fees include, but are not limited to, the following:  
 Size of portfolio/assets under management, Complexity of your needs; Types of securities to be purchased, sold or held within the portfolio, The custodian used to hold your assets. (Assets held outside of our recommended custodians may increase our costs of doing business); The number of non-managed assets, if any; If the portfolios are covered by a bundled pricing agreement; The extent of additional services to be provided; If we have been delegated proxy voting responsibility; If we have been granted discretionary authority. Portfolios on which we have not been •granted discretionary authority (non-discretionary) will typically have higher fees than those charged on discretionary portfolios.

	Annual Fee (%)
<b>Wealth Management Fees**</b>	
Assets Under Management	
Up to \$1,000,000	1.50%
\$1,000,001 - \$2,500,000	1.25%
\$2,500,001 - \$5,000,000	1.0%
\$5,,000,001 or greater	0.80%

KCM does not impose an account minimum for starting or maintaining an account. The Advisor, in its sole discretion, may negotiate a lesser fee based upon certain circumstances. The client may also

utilize our Wealth Management services under a retainer fee arrangement. The client will be charged an annual Retainer Fee that is agreed to by both parties.

The annual Retainer Fee is negotiated based on a combination of the value of the assets to be managed, the complexity of the client's situation and an estimate of time involved.

### **General Fees Information**

Wealth Management is due quarterly, in arrears of service, and is deducted from client's assets. Fees for the first quarter will be prorated. Extraordinary services will be billed on an hourly basis after discussion with the client.

All fees paid to KCM for investment supervisory services are separate and distinct from the fees and expenses charged by mutual funds 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 possibly a distribution fee. **Whenever appropriate and available, KCM recommends “no load” or “load waived” mutual funds.**

Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Such charges, fees and commissions are exclusive of and in addition to KCM's fee, and KCM shall not receive any portion of these commissions, fees, and costs.

A client could invest in mutual funds directly or through other brokers or agents not affiliated with KCM, without the services of KCM. In that case, the client would not receive the services provided by KCM 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. Certain institutional share class mutual funds may not be available to the client directly. Accordingly, the client should review both the fees charged by the funds and the fees charged by KCM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

KCM's relationship with each client is non-exclusive; in other words, KCM provides investment supervisory services and financial planning services to multiple clients. KCM seeks to avoid situations in which one client's interest may conflict with the interest of another of its clients.

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

KCM 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). However, the nature of asset-based fees allows KCM to participate in the growth of the client's wealth. This also means that our fees can decline when the portfolio declines in value.

## **Item 7 – Types of Clients**

KCM specializes in providing financial planning and wealth management advice to individuals, pensions and corporations.

KCM does not have a minimum investment portfolio size for financial planning clients.

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

***Risk and return are related, and investing in securities involves risk of loss that clients should be prepared to bear.***

### **Goal-based Financial Planning**

The financial planning process incorporates the client's goals, time horizon, risk tolerance, and need to take risk. KCM determines a ***portfolio average rate of return*** that achieves the client's financial goal plan with an acceptable level of confidence and risk. Projected rates of return for each asset class are used to calculate the portfolio expected rate of return.

The results of a client's financial plan help determine the portfolio design. Client portfolios are constructed using a diversified set of asset classes with the objective of lowering the amount of risk required to achieve the portfolio expected rate of return.

Client portfolios are typically constructed using index mutual funds and ETFs. If index funds are not available (e.g. in a employer-sponsored 401(k) plan) active funds are used.

### **Strategic Asset Allocation**

The client portfolio is periodically rebalanced to meet the target asset allocation determined in the financial plan. KCM does ***not*** try to "time the market" to avoid holding risky asset classes during market downturns.

### **Index Fund Management**

Indexing is an investment approach that seeks to track the performance of a specific benchmark, or index. Index funds do this by holding all (or a representative sample) of the securities in the index being tracked. This "passive" investment approach emphasizes broad diversification, limited trading of the securities held in the portfolio, and low costs.

### **Active Portfolio Management**

Active management is an approach that uses a human element, such as a single manager, co-managers or a team of managers, to actively manage a fund's portfolio. Active managers rely on analytical research, forecasts, and their own judgment and experience in making investment decisions on what securities to buy, hold and sell.

### **Stock Fund Primary Risks**

An investment in a stock fund could lose money over short or even long periods. You should expect a stock fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall stock market. A stock fund's performance could be hurt by:

***Stock market risk***, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

The stock fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies.

- **Index sampling risk (Index Funds)**, which is the chance that the securities selected for the fund, in the aggregate, will not provide investment performance matching that of the fund's target index.

Index sampling risk for the fund should be low.

- **Manager risk (Active Funds)**, which is the chance that poor security selection will cause the stock fund to underperform relevant benchmarks or other funds with a similar investment objective.

### **Bond Fund Primary Risks**

An investment in a bond fund could lose money over short or even long periods. You should expect a bond fund's share price and total return to fluctuate within a wide range, like the fluctuations of the overall bond market. The fund's performance could be hurt by:

**Interest rate risk**, which is the chance that bond prices overall will decline because of rising interest rates. Interest rate risk should be moderate for the fund because it invests mainly in short- and intermediate-term bonds, whose prices are less sensitive to interest rate changes than are the prices of long-term bonds. **Income risk**, which is the chance that the fund's income will decline because of falling interest rates. Income risk is generally moderate for intermediate-term bond funds, so investors should expect the fund's monthly income to fluctuate accordingly. **Credit risk**, which is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that bond to decline. Credit risk should be low for the fund because it purchases only bonds that are issued by the U.S. Treasury or are of investment-grade quality. **Call risk**, which is the chance that during periods of falling interest rates, issuers of callable bonds may call (repay) securities with higher coupons or interest rates before their maturity dates. The fund would then lose any price appreciation above the bond's call price and would be forced to reinvest the unanticipated proceeds at lower interest rates, resulting in a decline in the fund's income. For mortgage-backed securities, this risk is known as **prepayment risk**. Call/prepayment risk should be moderate for the fund because it invests only a portion of its assets in callable bonds and mortgage-backed securities. **Index sampling risk (Index Funds)**, which is the chance that the securities selected for the fund, in the aggregate, will not provide investment performance matching that of the fund's target index. Index sampling risk for the fund should be low. **Manager risk (Active Funds)**, which is the chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective.

### **Foreign Stock Fund Primary Risks**

An investment in a foreign stock fund could lose money over short or even long periods. You should expect the fund's share price and total return to fluctuate within a wide range, like the fluctuations of the global stock market. The fund's performance could be hurt by:

**Stock market risk**, which is the chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices. The fund's investments in foreign stock markets can be riskier than U.S. stock investments. The prices of foreign stocks and the prices of U.S. stocks have, at times moved in opposite directions. In addition, the fund's target index may, at times, become focused in stocks of a particular sector, category, or group of companies. **Country/regional risk**, which is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. Because the fund may invest a large portion of its assets in securities of companies located in any one country or region, the fund's performance may be hurt disproportionately by the poor performance of its investments in that area.

Country/regional risk is especially high in emerging markets. **Emerging markets risk**, which is the chance that the stocks of companies located in emerging markets will be substantially more volatile, and substantially less liquid, than the stocks of companies located in more developed foreign markets. **Currency risk**, which is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Currency risk is especially high in emerging markets. **Index sampling risk (Index Funds)**, which is the chance that the securities selected for the fund, in the aggregate, will not provide investment performance matching that of the Index. **Manager risk (Active Funds)**, which is the chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective. **Investment style risk**, which is the chance that returns from non-U.S. small capitalization stocks will trail returns from the overall global stock market. Historically, non-U.S. small-cap stocks have been more volatile in price than the large-cap stocks that dominate the global market, and they often perform quite differently.

### **Money Market Fund Primary Risks**

A money market fund is designed for investors with a low tolerance for risk; however, the fund's performance could be hurt by: **Income risk**, which is the chance that the fund's income will decline because of falling interest rates. Because the fund's income is based on short-term interest rates—which can fluctuate significantly over short periods—income risk is expected to be high.

**Manager risk**, which is the chance that poor security selection will cause the fund to underperform relevant benchmarks or other funds with a similar investment objective. **Credit risk**, which is the chance that the issuer of a security will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of that security to decline. Credit risk should be very low for the fund, because it invests primarily in securities that are considered to be of high quality. **Industry concentration risk**, which is the chance that there will be overall problems affecting a particular industry. Because the fund invests more than 25% of its assets in securities issued by companies in the financial services

industry, the fund's performance depends to a greater extent on the overall condition of that industry.

An investment in a money market fund is not a deposit of a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

### **Exchange Traded Funds (ETF) Risks**

Because ETF Shares are traded on an exchange, they are subject to additional risks:

ETF Shares are listed for trading on NYSE Arca and/or other stock exchange and can be bought and sold on the secondary market at market prices. Although it is expected that the market price of a ETF Share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV vary significantly. Thus, you may pay more or less than NAV when you buy ETF Shares on the secondary market, and you may receive more or less than NAV when you sell those shares.

Although ETF Shares are listed for trading on NYSE Arca and/or other exchanges, it is possible that an active trading market may not develop or be maintained.

Trading of ETF Shares on NYSE Arca may be halted if NYSE Arca officials deem such action appropriate, if ETF Shares are delisted from NYSE Arca, or if the activation of marketwide "circuit breakers" halts trading generally.

***Note: index investing strategy and risk descriptions were obtained from Vanguard fund prospectuses.***

### **Alternative Investment Risks**

KCM may recommend alternative investments that have different and/or additional risks than those listed above. Before investing in alternative investments or any investment recommended by KCM, make sure that you understand and accept the risks associated with the investment.

### **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KCM or the integrity of KCM's management. KCM has no information applicable to this Item.

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

**Financial Industry Activities** KCM is not registered as a securities broker-dealer, or a futures commission merchant, commodity pool operator or commodity trading advisor.

**Affiliations** KCM's managing member is: a registered representative with a broker-dealer, a licensed real estate broker, licensed insurance broker, manages a real estate firm, manages a insurance agency, manages a consulting firm.

**Item 11 – Code of Ethics** – Kline Capital Management LLC has a code of ethics which is designed to protect the interests of its clients.

**Participation or Interest in Client Transactions**

The managing member's of the Advisor may buy and/or sell securities also recommended to clients. These transactions are in broadly traded mutual funds, stocks, and bonds and similar investments where personal ownership is not likely to present a conflict of interest. These transactions will be fully disclosed to clients if at any time it appears that such investing will impact any recommendation provided to clients.

It is KCM's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. KCM will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an advisor is dually registered as a broker-dealer or has an affiliated broker-dealer.

**Item 12 – Brokerage Practices**

**Selecting Brokerage Firms**

KCM is not a registered representative with any FINRA securities firm, but its managing member is a representative a FINRA securities firm. As a fee-only investment advisor KCM has a relationship with one or more discount brokerage firms for administrative purposes. KCM typically recommends Fidelity Investments to custodian client accounts. Clients may choose to work with their institution of choice if we are able to set up appropriate arrangements with the other discount brokerage firm. Any costs required by this relationship would be the responsibility of the client and would not be included in the standard wealth management fee. KCM recommends brokerage custodians based upon the availability of investment products, level of service, and brokerage fees and commissions. The reasonableness of fees and commissions is based upon comparisons with other brokerage firms offering similar services.

### **Soft Dollars**

“Soft dollars” is a rebate or commission for a trade or other financial transaction that is paid with goods or services, rather than cash.

### **Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, KCM may receive from Fidelity (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist KCM to better monitor and service client accounts maintained at such institutions.

Included within the support services that may be obtained by KCM may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by KCM in furtherance of its investment supervisory business operations. Accordingly, certain of the support services and/or products that may be received may assist KCM in managing and administering client accounts. Others do not directly provide such assistance, but rather assist KCM to manage and further develop its business enterprise.

KCM’s clients do not pay more for investment transactions effected and/or assets maintained at TDA as a result of this arrangement. There is no corresponding commitment made by KCM to Fidelity or any other any entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

KCM’s Chief Compliance Officer, Matthew Kline, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.

### **Directed Brokerage**

Some clients may instruct KCM to use one or more particular brokerage or custodians for the transactions in their accounts. Clients who may want to direct KCM to use a particular broker should understand that this may prevent KCM from effectively negotiating brokerage compensation on their behalf. This arrangement may also prevent KCM from obtaining the most favorable net price and execution. Thus, when directing brokerage business, clients should consider whether the commission expenses and execution, clearance and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that KCM would otherwise obtain for its clients.

KCM may execute block trades. Trading of client accounts is typically performed on an as-needed basis based on a specific client situation and not on a firm-wide basis.

## **Item 13 – Review of Accounts**

### **Periodic Reviews**

Client reviews are prepared in accordance with the client's Services Agreement. Wealth Management clients are provided with quarterly, semi-annual, or annual reviews, which vary in focus by quarter and may include asset allocation update and rebalancing, performance reviews, tax and estate plan reviews, investment reviews, cash flow monitoring, and more.

Financial Planning clients are given the option to return periodically at their expense for an update of their financial plan.

### **Review Triggers**

Account reviews for Wealth Management or Investment (Portfolio) Management clients are performed more frequently if circumstances dictate. Such circumstances include, but are not limited to, changes in market economic conditions, tax laws and when client objectives change. The level of the review will be determined by the complexity of the policy and the factors that trigger the review. Kline Capital Management LLC makes no representation with respect to legal matters, and it is the client's responsibility to consult with legal counsel as necessary. All reviews are conducted by Matthew Kline, Managing Member.

### **Regular Reports**

Wealth Management or Investment (Portfolio) Management clients may receive a quarterly portfolio summary, which includes a portfolio analysis, portfolio balance summary, quarterly portfolio balance summary, and portfolio performance summary. Clients also receive a report that compares the current and target portfolio asset allocation.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular account summary statements directly from the broker-dealer or custodian for the client accounts on at least a quarterly basis. Financial Planning, Wealth Management, and/or Consulting clients will receive reports, analysis, and recommendations in writing.

**Item 14 – Client Referrals and**

As referenced in Item 12 above, KCM, without cost (and/or at a discount), may receive support services and/or products from Fidelity.

KCM does not compensate anyone for referrals.

**Item 15 – Custody**

KCM does not take custody of client accounts. All accounts are held at a third party custodian. **In no case will KCM accept custody of client funds.**

**Account Statements**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. KCM urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**Item 16 – Investment Discretion****Discretionary Authority for Trading**

KCM does accept discretionary authority to manage securities on behalf of clients.

While trades are planned based upon an advisor's judgment of the likely value of asset classes at the end of trading on the exchanges (i.e., typically 4:00pm Eastern Time, the time when trades in mutual funds are executed under SEC rules), it is possible that late-session movements in the values of asset classes may occur, which may cause either an under-purchase or over-purchase of stock mutual funds or stock ETFs in a client's account relative to the desired target for a particular asset class.

**Item 17 – Voting Client Securities**

KCM may accept authority to vote proxies on behalf of advisory clients. Clients retain the authority to cancel the authorization for KCM to vote on their behalf. Clients may also vote their own proxies. The client retains the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. KCM may provide advice to clients regarding the clients' voting of proxies. Clients will receive proxies or other solicitations directly from their broker-dealer/custodian.

**Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about KCM's financial condition. KCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

KCM does not require the prepayment of more than \$500 in fees per client, six months or more in advance.