

**ITEM 1. COVER PAGE FOR PART 2A APPENDIX 1 OF FORM ADV:  
WRAP FEE PROGRAM BROCHURE**

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**NOVEMBER 2013**

**Klein Financial Corp's Wrap Fee Program**

**Sponsored By:**

**KLEIN FINANCIAL CORP**

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This brochure provides information about the qualifications and business practices of Klein Financial Corp. If you have any questions about the contents of this brochure, please contact our firm at (516) 256-2000 or by email at [tklein@kleinfs.com](mailto:tklein@kleinfs.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.

Additional information about Klein Financial Corp. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that the use of the term "registered investment adviser" and description of Klein Financial Corp. and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and its employees.

**ITEM 2. MATERIAL CHANGES TO PART 2A APPENDIX 1  
(WRAP FEE PROGRAM BROCHURE) OF OUR FORM ADV:**

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Klein Financial Corp. is required to advise you of any material changes to our Wrap Fee Program Brochure ("Wrap Brochure") from our last annual update, identify those changes on the cover page of our Wrap Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Wrap Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Wrap Brochure, and we must provide the date of the last annual update of our Wrap Brochure.

Please note we do not have to provide this information to a client or prospective client who has not received a previous version of our Wrap Brochure.

**Last Annual Amendment Filing date: 02/08/2013**

As of November 2013, we will no longer be utilizing Pershing LLC to custody client assets. We will now be utilizing the services of Interactive Brokers, LLC. For more information, please see Item 12 of this Brochure.

Klein Financial Corp.'s Form ADV Part 2A Firm Brochure is available in hard copy upon request. Alternatively, you can obtain a copy at <http://adviserinfo.sec.gov>, under 'Part 2 Brochures' on the left hand side of the screen.

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#### ITEM 4 - SERVICES, FEES & COMPENSATION

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- A. Description of our services, including the types of portfolio management services, provided under each program. We must indicate the wrap fee charged for each program, or, if fees vary according to a schedule, provide such schedule. Further, we are required to indicate whether fees are negotiable and identify the portion of the total fee, or range of fees, paid to portfolio managers.

Wrap Fee Program: Asset Management

As part of our wrap fee program we provide asset management services where we create a portfolio, consisting of individual stocks or bonds, exchange traded funds ("ETFs"), options, mutual funds and other public and private securities or investments. The client's individual investment strategy is tailored to their specific needs and may include some or all of the previously mentioned securities. Each portfolio will be initially designed to meet a particular investment goal, which we determine to be suitable to the client's circumstances. Once the appropriate portfolio has been determined, we review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon the client's individual needs, stated goals, and objectives. Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. We emphasize continuous and regular account supervision.

Wrap Fee Schedule:

Our firm's annual fees for our wrap fee program shall be based on the market value of assets under management and shall be calculated between one-quarter percent (0.25%) to two-percent (2.00%) of all assets under management. These fees are billed on a pro-rata annualized basis quarterly in advance based on the value of your account based on the time-weighted daily average of the previous quarter.

- B. Explanation that a wrap fee program may cost you more or less than purchasing such services separately and description of the factors that bear upon the relative cost of the program, such as the cost of the services if provided separately and the trading activity in your account(s).

A wrap fee programs allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and/or advice concerning selection of other advisers, and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

- C. Description of any fees that you may pay in addition to a wrap fee, and description of the circumstances under which you may pay these fees, including, if applicable, mutual fund expenses and mark-ups, mark-downs, or spreads paid to market makers.

You may pay charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm.

- D. If someone recommending a wrap fee program to you, receives compensation as a result of your participation in the program, we must disclose this fact. Further, we are required to explain, if applicable, that the amount of the compensation may be more than what the person would receive if you participated in another wrap fee program or paid separately for investment advice, brokerage and other services. Finally, we must explain that someone recommending a wrap fee program may have a financial incentive to recommend the wrap fee program over other programs or services.

Our investment advisory representatives receive a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as their salary from our firm. In cases where our investment advisory representatives are paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded.

## **ITEM 5 - ACCOUNT REQUIREMENTS & TYPES OF CLIENTS**

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We do not require a minimum account balance for our Wrap Asset Management service. Certain Independent Manager(s) may, however, impose more restrictive account requirements and varying billing practices than our firm. In such instances, we may alter our corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s) or wrap fee program sponsor.

Types of clients we typically manage wrap fee accounts on behalf of, include:

- Individuals;
- High-Net Worth Individuals; and
- Pension and Profit Sharing Plans.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION & EVALUATION**

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- A. Description of how our firm selects and reviews portfolio managers, our basis for recommending or selecting portfolio managers for particular clients, and our criteria for replacing or recommending the replacement of portfolio managers for the program and for particular clients.

Our firm does not utilize outside portfolio managers. All accounts are managed by our in-house professionals.

- B. Disclosure of whether our firm or any related persons act as a portfolio manager for a wrap fee program described in the wrap fee program brochure. We must explain the conflicts of interest that we face because of this arrangement and describe how we address these conflicts of interest.

Our firm and its related persons act as portfolio manager(s) for this wrap fee program. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services.

- C. If our firm, or any of our supervised persons covered under or investment adviser registration, act as a portfolio manager for a wrap fee program described in the wrap fee program brochure, we must respond to Items 4.B, 4.C, 4.D (Advisory Business), 6 (Performance-Based Fees and Side- By-Side Management), 8.A (Methods of Analysis, Investment Strategies and Risk of Loss) and 17 (Voting Client Securities) of Part 2A of Form ADV (Firm Brochure).

1. Advisory Business

See Item 4 of this Wrap Fee Program Brochure for a full description of our Asset Management service. Additionally, we offer individualized investment advice to our clients. We usually do not allow clients to impose restrictions on investing in certain securities or types of securities due to the level of difficulty this would entail in managing their account. In the rare instance, we may allow restrictions.

We only offer wrap fee accounts to our clients, which are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. We do not manage non-wrap fee accounts.

2. Performance-Based Fees & Side-By-Side Management

We do not charge performance fees to our clients.

3. Methods of Analysis, Investment Strategies & Risk of Loss

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

- **Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- **Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial

condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

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

- **Long-Term Purchases.** When utilizing this strategy, we may purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.
- **Short-Term Purchases.** When utilizing this strategy, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.
- **Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.
- **Margin Transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Risk of Loss:** Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

#### 4. Voting Client Securities

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

However, Independent managers selected or recommended by our firm may vote proxies for clients. Therefore, except in the event that an Independent manager votes proxies, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other types of events pertaining to the client's investment assets. Therefore (except for proxies that may be voted by an Independent manager), our firm and/or you shall instruct your qualified custodian

to forward to you copies of all proxies and shareholder communications relating to your investment assets.

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#### **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGER(S)**

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We are required to describe the information about you that we communicate to your portfolio manager(s), and how often or under what circumstances we provide updated information. Our firm communicates with your portfolio manager(s) on a regular basis as needed (daily, weekly, monthly, etc) to ensure your most current investment goals and objectives are understood by your portfolio manager(s). In most cases, we will communicate such information as part of our regular investment management duties. Nevertheless, we will also communicate information to your portfolio manager(s) when you ask us to, when market or economic conditions make it prudent to do so, etc.

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#### **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGER(S)**

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Clients are always free to directly contact their portfolio manager(s) with any questions or concerns they have about their portfolios or other matters.

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#### **ITEM 9 - ADDITIONAL INFORMATION**

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A. We are required to respond to: 1. Item 9 (Disciplinary Information); and 2. Item 10 (Other Financial Industry Activities and Affiliations) of Part 2A of Form ADV.

1. We have determined that our firm and management have no disciplinary information to disclose.
2. Mr. Klein serves as Investment Manager for KLEIN NDOH ACQUISITIONS FUND II LLC ("Fund") on behalf of J. Patrick, LLC. As such, Mr. Klein is the individual responsible for implementing the Fund's investment strategy, directing the investment of the Fund's assets and managing the activities of the Fund's portfolio. This activity is unrelated to Mr. Klein's work at Klein Financial Corp. Klein Financial Corp is unaffiliated with Mr. Klein's other business activities. A conflict of interest only occurs to Klein Financial Corp. clients in the fact that Mr. Klein's other business activity takes a portion of his time. However, Mr. Klein believes that he will be able to devote sufficient and appropriate time to perform his fiduciary duties on behalf of Klein Financial Corp.

Advisory Affiliates are also licensed insurance agents and as such may recommend to advisory clients a variety of insurance products. They may offer commissionable (non-variable) insurance products to our firm's clients for which they may receive compensation. Insurance sales constitute 15% of our advisory affiliates' time. No client is obligated to use any of our advisory affiliates to implement any recommended insurance transactions. The principal business of Klein Financial Corp is conducting our firm's advisory business. While our advisory affiliates endeavor to put the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation creates a potential conflict of interest regarding insurance recommendations.



- B. We are required to respond to: 1. Items 11 (Code of Ethics or Interest in Client Transactions and Personal Trading); 2. Item 13 (review of Accounts); 3. Item 14 (Client Referrals and Other Compensation); and 4. Item 18 (Financial Information) of Part 2A of Form ADV, as applicable to our wrap fee clients.

1. Code of Ethics, Participation or Interest In Client Transactions & Personal Trading

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

2. Review of Accounts

We review accounts on at least a quarterly basis for our clients. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. Tibor Klein, Principal and Chief Compliance Officer, conducts reviews of all client accounts managed by our firm.

We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

We provide performance reports to client on a quarterly basis. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to our Wrap Asset Management service.

### 3. Client Referrals & Other Compensation

- a) If someone who is not a client provides an economic benefit to our firm for providing investment advice or other advisory services to our clients, we must generally describe the arrangement. For purposes of this Item, economic benefits include any sales awards or other prizes.

We have no arrangements to disclose.

- b) If our firm or a related person directly or indirectly compensates any person who is not our employee for client referrals, we are required to describe the arrangement and the compensation.

We do not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

### 4. Financial Information

We are not required to provide financial information to our clients because:

- We do not require the prepayment of more than \$1,200 in fees when services cannot be rendered within 6 (six) months.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs its ability to meet contractual and fiduciary obligations to clients.

We have never been the subject of a bankruptcy proceeding.