

Form ADV, Part 2A – Firm Brochure  
Item 1 - Cover Page



**Kelman-Lazarov, Inc.**  
**CRD# 107727**

5100 Poplar Avenue  
Suite 2805  
Memphis, Tennessee 38137

(901) 685-8284

**[www.kelman-lazarov.com](http://www.kelman-lazarov.com)**

**September 2014**

This brochure provides information about the qualifications and business practices of Kelman-Lazarov, Inc. If you have any questions about the contents of this brochure, please contact us at (901) 685-8284 or [ron@kelman-lazarov.com](mailto:ron@kelman-lazarov.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Kelman-Lazarov, Inc. is an investment advisory firm registered with the appropriate regulatory authority. Registration does not imply a certain level of skill or training. Additional information about Kelman-Lazarov, Inc. also is available on the SEC's website at **[www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov)**.

## **Item 2 - Material Changes**

The purpose of this Item 2 is to disclose material changes that have been made to this Brochure since the last annual update of this Brochure.

The following changes have been made to this Brochure since its last updates, dated March 2014 and June 2014:

### **Asset Management Services offered through Kelman-Lazarov, Inc.**

Effective June 2014, Kelman-Lazarov has commenced offering asset management and retirement planning services through its own registered investment adviser. Previously, such services were offered through Cetera Advisor Networks ("Cetera").

The asset management services offered through Kelman-Lazarov include traditional asset management as well as a wrap fee program (see the Kelman-Lazarov wrap fee program brochure). Kelman-Lazarov also offers advisory services to accounts with generally less than \$200,000 in assets under management through its' Portfolio Asset Management Program. The fees Kelman-Lazarov may assess for its asset management services differ from those assessed by Cetera for asset management services. Kelman-Lazarov will recommend that asset management clients hold their accounts with Charles Schwab and Company ("Schwab") and will recommend that client transactions be placed through Schwab.

Please refer to Items 4 and 5 of this Brochure for a complete discussion of services offered through Kelman-Lazarov and the fees associated with those services. Please refer to Item 12 of this Brochure for a discussion of the placement of client securities transactions.

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## **Item 4 - Advisory Business**

### **General Information**

Kelman-Lazarov, Inc. ("Kelman-Lazarov") has offered customized and confidential financial planning and investment advisory services since 1979.

Martin S. Kelman and Ronald J. Lazarov are the founding and principal owners of Kelman-Lazarov. Please see the **Brochure Supplements** (Form ADV Part 2B) for more information on these principal owners and other individuals who formulate investment advice and have direct contact with clients, or have discretionary authority over client accounts.

As of December 31, 2013, Kelman-Lazarov managed \$278,067,274 on a discretionary basis, and \$2,790,509 of assets on a non-discretionary basis.

### **TYPES OF SERVICES OFFERED**

#### **Asset Management**

Kelman-Lazarov actively manages accounts using a long term philosophy to help clients work toward achieving their financial goals. The investments selected by Kelman-Lazarov may include closed-end funds, exchange-traded funds, open-end mutual funds, individual stocks and/or bonds, dependent upon the client's stated needs, objectives and risk tolerance. Kelman-Lazarov uses a proprietary process to select securities and allocate assets among asset classes. It also monitors investment returns relative to appropriate benchmarks.

Kelman-Lazarov does not serve as custodian of clients' assets. All cash and securities will be held in the custody of a qualified custodian. Clients do not give up any rights of ownership in their assets, and Kelman-Lazarov cannot remove cash or securities, other than for fees earned.

Kelman-Lazarov provides its asset management services through three programs:

- Kelman-Lazarov Traditional Asset Management Program;
- Kelman-Lazarov Wrap Fee Program; and
- Kelman-Lazarov Portfolio Asset Management Program

With the exception of smaller accounts (generally those with less than \$200,000 under management and described below under Portfolio Asset Management Program), Kelman-Lazarov's investment philosophy and strategy remains the same in both programs; however, due to the different fee structures associated with each program, one program may be more appropriate than the other for a particular client. Please refer to Item 5 of this Brochure for a detailed description of the fee structure associated with each program.

#### **Portfolio Asset Management Program**

As indicated above, accounts with less than \$200,000 in assets under management may be managed using a different strategy than larger accounts. These smaller accounts may be managed using asset allocation models comprised of mutual funds or ETFs which may carry higher expense ratios than those of other mutual funds or ETFs. The securities selected for these smaller accounts are intended to allow for more economically efficient management of the account. Kelman-Lazarov does not receive any portion of the expense ratios charged by mutual funds or ETFs. Please refer to the fund prospectus for a complete description of all fees and charges associated with investing in mutual funds and ETFs.

### **Retirement Plan Services**

Kelman-Lazarov may provide retirement plan advisory services to Plans and Plan Fiduciaries on a discretionary or non-discretionary basis. The Employee Retirement Income Security Act of 1974 ("ERISA") sets forth rules under which Plan Fiduciaries may retain investment advisers for various types of services with respect to Plan assets. For certain services, Kelman-Lazarov may be considered a fiduciary under ERISA. For example, to the extent that the Plan Fiduciaries retain Kelman-Lazarov to act as an investment manager within the meaning of ERISA § 3(21) or ERISA § 3(38), Kelman-Lazarov will provide non-discretionary or discretionary services, respectively.

#### **Retirement Plan Consulting Services**

Kelman-Lazarov may provide Retirement Plan Consulting Services to Plans and Plan Fiduciaries on a non-discretionary basis. The appropriate Plan Fiduciary designated in the Plan documents (e.g., the Plan sponsor or named fiduciary) will (i) make the decision to retain our firm; (ii) agree to the scope of the services that we will provide; and (iii) make the ultimate decision as to accepting any of the recommendations that we may provide.

Advice is limited to asset class and investment recommendations. Kelman-Lazarov will provide Plan Fiduciaries with recommendations of investment options consistent with any Investment Policy Statement of the Plan. Plan Fiduciaries retain responsibility for the final determination of investment options and for compliance with ERISA section 404(c). Kelman-Lazarov will assist in monitoring the plan's investment options and will make recommendations to maintain or remove and replace investment options. The Plan Fiduciaries are free to seek independent advice about the appropriateness of any recommendations made for the Plan. Retirement Plan Consulting Services may be offered individually or as part of a comprehensive suite of services.

#### **Retirement Plan Management Services**

Kelman-Lazarov may provide Retirement Plan Management Services to Plans and Plan Fiduciaries on a discretionary basis. When retained as an investment manager within the meaning of ERISA § 3(38), Kelman-Lazarov provides continuous and ongoing supervision over the designated retirement plan assets. Kelman-Lazarov will actively monitor the designated retirement plan assets and provide ongoing management of the assets. When applicable, Kelman-Lazarov will have discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets in its sole discretion without first consulting with the Plan Fiduciaries. Kelman-Lazarov may also have the power and authority to carry out these decisions by giving instructions, on the Plan Fiduciary's behalf, to brokers and dealers and qualified custodian(s) of the Plan for the management of the designated retirement plan assets.

Kelman-Lazarov will monitor the investment options of the Plan and add or remove investment options for the Plan without prior consultation with the Plan Fiduciaries.

#### **Education and Enrollment Services**

- ***Participant Enrollment***

Kelman-Lazarov will assist with group enrollment meetings designed to increase retirement Plan participation among employees and to improve the investment and financial understanding of employees.

- *Participant Education*

Kelman-Lazarov will provide education services to Plan Participants about general investment principles and the investment alternatives available under the Plan. Education presentations will not take into account the individual circumstances of each Plan Participant.

### **Financial Planning**

Financial planning may consist of a number of services, depending on the client's needs. The planning process evaluates a client's current financial situation and proposes an action plan to help move towards setting and achieving the client's financial goals. Kelman-Lazarov has conversations with the client and reviews documents, such as income tax returns and current investments, to determine a client's current financial situation and long term financial goals.

Next the planning process identifies potential impediments to achieving the goals, as well as options for furthering the goals of the client. A financial plan is developed with recommendations to help achieve the identified financial goals, and is presented to the client for consideration. Typically Kelman-Lazarov uses computer software as part of the financial planning process.

Clients may retain Kelman-Lazarov to prepare a full financial plan, or to only give advice about a particular area of concern. Areas to be addressed may include, but are not limited to, retirement planning, funding of education, estate planning, insurance needs (disability, long-term care, and life insurance), and investment asset allocation. Clients do not have to act on the plan's recommendations, nor use Kelman-Lazarov to implement any recommendations. Clients may, however, retain Kelman-Lazarov to help implement the plan. Kelman-Lazarov may recommend seeking additional advice from an estate planning and/or tax professional as appropriate.

### **Consulting Services**

Kelman-Lazarov may provide consulting services to clients on specific financial matters, including, but not limited to, providing defined contribution allocation recommendations, distribution planning, and financial matters arising due to life changing events. Where Kelman-Lazarov provides general consulting services, Kelman-Lazarov will work with the client to prepare an appropriate summary of the specific project(s) to the extent necessary or advisable under the circumstances.

### **Tailoring of Advisory Services**

Advisory services are tailored to client's individual needs. Kelman-Lazarov spends time getting to know clients and developing a financial profile. The profile will be documented in an Investment Policy Statement ("IPS"), which will be updated periodically, as appropriate. Areas to be explored with clients may include, but are not limited to, the client's age, investment experience, financial circumstances, investment objectives, major goals, tolerance for market fluctuations (risk tolerance), time horizon, needs for liquidity, types of securities to be invested in, and asset allocation mix. This information is used in structuring a portfolio designed to meet the client's goals. Portfolios are managed individually, with the selection and mix of investments dependent on what is suitable for each client. Therefore, investment performance varies from client to client.

To implement the client's IPS, Kelman-Lazarov will manage the client's investment portfolio on a discretionary basis. As a discretionary investment adviser, Kelman-Lazarov will have the authority to supervise and direct the portfolio without prior consultation with the client. Kelman-Lazarov may offer non-discretionary asset management services on a limited basis, at the discretion of the firm. Client with non-discretionary arrangements must be contacted prior to the execution of any trade,

which may result in a delay in executing recommended trades. Clients with non-discretionary arrangements retain the responsibility for the final decision on all actions taken within the account.

Notwithstanding the foregoing, clients may impose certain written restrictions on Kelman-Lazarov in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Client portfolios are treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of Kelman-Lazarov.

### ***Item 5 - Fees and Compensation***

#### **Asset Management**

Kelman-Lazarov provides its asset management services through three programs:

- Kelman-Lazarov Traditional Asset Management Program;
- Kelman-Lazarov Wrap Fee Program; and
- Kelman-Lazarov Portfolio Asset Management Program

Due to the different fee structures associated with each program, one program may be more appropriate than the other for a particular client.

#### **Kelman-Lazarov Traditional Asset Management Program**

In this program, accounts pay a management fee, plus the cost of transactions in the account. Please see Item 12 - Brokerage Practices for additional information on transaction costs charged for the execution of client securities transactions. Management fees in this account do not cover transaction charges.

The fees associated with this program, negotiable at the discretion of the firm, are:

<u>Assets under Management of Kelman-Lazarov</u>	<u>Annual Asset Management Fee based on value at quarter-end</u>
\$0 - \$1,000,000	1.15%
Thereafter to \$2,000,000	0.90%
Greater than \$2,000,000	0.70%

Transaction fees are payable at the time orders are placed and do not include postage and handling charges and certain other miscellaneous charges. Except as otherwise noted, transaction fees include ticket charges as well as amounts for clearing and execution.

#### **Kelman-Lazarov Wrap Fee Program**

In this program, accounts pay one inclusive fee that covers both portfolio management and transaction costs. This fee is higher than the management fee charged to clients in the Traditional Asset Management Program, as this fee includes transaction costs charged for the execution of client securities transactions. Please refer to the Kelman-Lazarov Wrap Fee Program Brochure (Appendix 1) for additional information on the fee structure associated with this Program.

The fees associated with this program, negotiable at the discretion of the firm, are:

<u>Assets under Management of Kelman-Lazarov</u>	<u>Annual Asset Management Fee based on value at quarter-end</u>
\$0 - \$1,000,000	1.25%
Thereafter to \$2,000,000	1.00%
Greater than \$2,000,000	0.80%

In deciding whether to recommend the Traditional Asset Management Program or the Wrap Fee Program, Kelman-Lazarov will consider the anticipated frequency of trading and the types of securities to be traded, and will make a recommendation to the client. Kelman-Lazarov may have an incentive to recommend the Traditional Asset Management Program instead of the Wrap Fee Program based on the anticipated frequency of trading. However, the lower investment management fee associated with the Traditional Asset Management Program helps mitigate this conflict of interest. Accounts in both programs are monitored for consistency with client objectives and the IPS, as well as securities held, trading frequency, and suitability of investments for each client.

#### *Kelman-Lazarov Portfolio Asset Management Program*

In this program, accounts pay a management fee of 1.25% client assets under management, plus the cost of transactions in the account. Please see Item 12 - Brokerage Practices for additional information on transaction costs charged for the execution of client securities transactions. Management fees in this account are lower than those charged to clients in the Wrap Fee Program; however, this fee does not cover transaction charges.

Transaction fees are payable at the time orders are placed and do not include postage and handling charges and certain other miscellaneous charges. Except as otherwise noted, transaction fees include ticket charges as well as amounts for clearing and execution.

#### Payment of Fees

Portfolio management fees are payable quarterly in advance, unless otherwise agreed to in writing by Kelman-Lazarov and the client. Deposits to and withdrawals from the account during the quarter are subject to proration over the quarter in determining fee calculation. If management begins after the start of a quarter, fees will be prorated accordingly. Fees are normally debited directly from client account(s), unless other arrangements are made. If the client has two or more related accounts under management with Kelman-Lazarov, they may be combined for the purpose of qualifying for applicable break points.

#### Additional Fees and Charges

The fees noted above for both programs are separate and distinct from the internal fees and expenses charged by mutual funds, Exchange Traded Funds (ETFs), or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). Some "no load" mutual fund shares may be required to be held for a minimum time period, generally six months. If positions in such funds are liquidated or reduced prior to the end of the holding period, early redemption fees will apply. The client should review all fees charged by funds, brokers, Kelman-Lazarov and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

#### Termination of Agreement

Either Kelman-Lazarov or the client may terminate their written agreement at any time, subject to any written notice requirements in the agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account



was managed, and any fees due to Kelman-Lazarov from the client will be invoiced or deducted from the client's account prior to termination.

If a client chooses to terminate an Agreement within the first twelve months after the execution of such Agreement, client will be charged an administrative fee of \$300 dollars to defray initial account setup and administration costs. Kelman-Lazarov may waive the administrative fee in its sole discretion.

### **Retirement Plan Services**

Fees for Retirement Plan Service engagements are individually negotiated based upon the scope of the engagement. Fees are based upon the value of the assets in the Plan being advised. All retirement plan service fees are negotiable and will be agreed to in writing by Kelman-Lazarov and the Plan sponsor.

### **Financial Planning**

Kelman-Lazarov, Inc. offers a variety of fee arrangements for Financial Planning services, commensurate with the service requested by the client. Planning fees will generally be charged on an hourly basis, at a rate of \$200/hour, and will be based on the scope and complexity of the planning needs of the client. Estimated fees will be stated in the Financial Planning Agreement; however, total fees may be higher or lower than estimated. The client(s) will be notified as soon as possible if Kelman-Lazarov anticipates the fee will significantly exceed the initial estimate, and a new estimate will be provided at that time. However, this is still only an estimate and actual fees may differ. On occasion a flat rate may be quoted if Kelman-Lazarov deems it appropriate. Fees are negotiable, agreed upon with the client in advance, and due upon receipt of the invoice.

Depending on the anticipated length and the complexity of the circumstances, a retainer may be required in advance. In such instances, the client will receive a monthly statement, listing the charges incurred and the balance of the retainer. Once the retainer is exhausted, Kelman-Lazarov may require additional funds to be deposited. Where no retainer is required, fees are billed monthly in arrears.

### **Termination of Agreement**

Financial Planning Agreements terminate with completion of the project and delivery of services to the client. Financial Planning clients who wish to have their financial plans updated, or who wish to implement any asset management recommendations made in the plan, will be required to enter into a separate, written agreement for such services.

### **Consulting Services**

Kelman-Lazarov does not have a standard fee schedule for consulting services, but will discuss appropriate fees with clients prior to rendering services. Some factors in determining appropriate fees are the time and complexity of the situation. The fee may be flat fee or an hourly fee, typically \$200 per hour, and paid in arrears. Fees are payable when invoiced.

### **Termination of Agreement**

Consulting Agreements terminate with completion of the project and delivery of services to the client. Consulting clients who wish to receive further services or who wish to implement any asset management recommendations made, will be required to enter into a separate, written agreement for such services.

### Other Compensation

Kelman-Lazarov executive officers and associates may also be Registered Representatives of Cetera Advisor Networks, LLC, 200 N. Sepulveda Blvd. Ste.1300, El Segundo, CA 90245-5670, 800/879-8100, a broker/dealer (member FINRA) and may receive usual and customary commissions associated with insurance and securities brokerage transactions. These individuals may also be licensed and appointed with various insurance companies for sale of health, disability, and long-term care and annuity products.

If a client so chooses, he or she may implement security-related investment advisory recommendations by utilizing the services of any qualified associate of Kelman-Lazarov, in that associate's capacity as a registered representative, and the registered representative may be entitled to receive commissions for the placement of client securities transactions. However, an advisory client will not be charged both an advisory fee and commissions on the same pool of assets.

Clients are under no obligation to purchase securities, insurance, and/or other products through the resources available to Kelman-Lazarov, its officers, and associated persons. The client is free to choose the source through which to implement advisory recommendations.

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

Kelman-Lazarov does not have any performance-based fee arrangements. "Side by Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are assessed on a performance fee basis. Because Kelman-Lazarov has no performance-based fee accounts, it has no side-by-side management.

### ***Item 7 - Types of Clients***

Kelman-Lazarov serves individuals, pension and profit-sharing plans, corporations, trusts, estates and charitable organizations. Kelman-Lazarov may, at its discretion, make exceptions to the foregoing or negotiate special fee arrangements where Kelman-Lazarov deems it appropriate under the circumstances.

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

#### Methods of Analysis

Kelman-Lazarov uses a variety of methods of analysis and investment strategies to formulate investment advice and manage assets. The primary method of analysis is fundamental analysis, looking at the financial health of the economy, industries, and individual companies. For equity securities, both quantitative analysis, such as information that might be found in a company's financial statement, and qualitative analysis, such as the tenure and experience of a company's top management, are key. This analysis helps Kelman-Lazarov formulate opinions regarding underlying strength of the security and the potential for future performance.

For bonds, the strength of the issuing corporation or municipality is stressed. For mutual funds, exchange traded funds, and closed-end funds, research as to past performance, safety ratings, fees, and the fund's manager are paramount. Instrumental to this analysis are research resources at Kelman-Lazarov's disposal, including Morningstar Office, a suite of Morningstar research and publications on a variety of asset classes. Kelman-Lazarov analyzes the research from the various resources and makes informed decisions on the allocation of funds.

Technical analysis is also, to a lesser extent, employed, looking at past performance and patterns to predict future performance. One of Kelman-Lazarov's strengths is seeking out closed-end funds trading at a discount to the fund's net asset value, tracking the 52-week moving average, and setting a target price to buy the closed-end funds when they trade at a discount greater than the norm.

#### Investment Strategies:

Kelman-Lazarov's investment strategy has a long-term focus and is centered on asset allocation. Asset allocation involves determining an appropriate percentage to invest in a variety of asset classes. Asset allocation is client-specific and is based on the client's Investment Policy Statement. The diversification afforded by appropriate asset allocation helps balance the risks and rewards of investing.

Being a "long-term investor" generally means that securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year. From time to time, though, Kelman-Lazarov may take advantage of market fluctuations, and purchase securities with the expectation that they will be sold within a relatively short period of time, generally less than one year. This type of advice is usually the exception, and not the rule.

#### Risk of Loss

While Kelman-Lazarov seeks to diversify clients' investment portfolios across various asset classes consistent with each client's IPS in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Management Risk.* While Kelman-Lazarov manages client investment portfolios based on Kelman-Lazarov's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in which they are invested. Accordingly, client investment portfolios are subject to the risk that Kelman-Lazarov allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that Kelman-Lazarov's specific investment choices could underperform their relevant indexes.

*Risks of Investment in Mutual Funds, ETFs and Other Investment Pools.* As described above, Kelman-Lazarov will often invest client portfolios in mutual funds, ETFs and other investment pools ("pooled investment funds"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940.

*Equity Market Risk.* Kelman-Lazarov may invest portions of client assets directly into equity investments, either stocks or pooled investment funds that invest in the stock market. As noted above, while pooled investments have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risk that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (e.g., bear markets) due to general market declines in the stock prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risk.* Kelman-Lazarov may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risk (risks that changes in interest rates will devalue the investments), credit risk (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*Foreign Securities Risk.* Kelman-Lazarov may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

#### ***Item 9 - Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of Kelman-Lazarov or the integrity of Kelman-Lazarov's management. Kelman-Lazarov has no disciplinary events to report.

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

As previously described, Kelman-Lazarov executive officers and associates may also be Registered Representatives and/or Investment Adviser Representatives of Cetera Advisor Networks ("Cetera"), LLC 200 N. Sepulveda Blvd. Ste.1300, El Segundo, CA 90245-5670, 800/879-8100, a broker/dealer (member FINRA) and federally registered investment adviser and may receive usual and customary commissions associated with insurance and securities brokerage transactions or advisory fees for the servicing of advisory clients of Cetera. These individuals may also be licensed and appointed with various insurance companies for sale of health, disability, and long-term care and annuity products.

Advisory associates of Kelman-Lazarov may be licensed to sell life, health, disability, and annuity products through various insurance companies and may receive compensation for these products.

Clients are under no obligation to purchase securities, insurance, and/or other products through the resources available to Kelman-Lazarov, its officers, and associated persons. The client is free to choose the source through which to implement advisory recommendations.

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

##### **Code of Ethics and Personal Trading**

Kelman-Lazarov has adopted a Code of Ethics ("the Code"), the full text of which is available to you upon request. Kelman-Lazarov's Code has several goals. First, the Code is designed to assist Kelman-Lazarov in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, Kelman-Lazarov owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires persons associated with Kelman-Lazarov (managers, officers and employees) to act with honesty, good faith and fair dealing in

working with clients. In addition, the Code prohibits such associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for Kelman-Lazarov's associated persons. Under the Code's Professional Standards, Kelman-Lazarov expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Kelman-Lazarov associated persons are not to take inappropriate advantage of their positions in relation to Kelman-Lazarov clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, Kelman-Lazarov's associated persons may invest in the same securities recommended to clients. Under its Code, Kelman-Lazarov has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, reporting and review of such trading and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

#### Participation or Interest in Client Transactions

As outlined above, Kelman-Lazarov has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. In the event of any identified potential trading conflicts of interest, Kelman-Lazarov's goal is to place client interests first.

Consistent with the foregoing, Kelman-Lazarov maintains policies regarding participation in initial public offerings (IPOs) and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If a Kelman-Lazarov associated person wishes to participate in an IPO or invest in a private placement, he or she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

Finally, if associated persons trade with client accounts (e.g., in a bundled or aggregated trade), and the trade is not filled in its entirety, the associated person's shares will be removed from the block, and the balance of shares will be allocated among client accounts in accordance with Kelman-Lazarov's written policy.

#### ***Item 12 - Brokerage Practices***

Kelman-Lazarov maintains the investment discretion to select the securities and amount of securities for client accounts (see Item 16 for further information). Any recommendations and/or decisions implemented are based upon a suitability determination and each client's specific investment objectives and needs. The firm's discretionary authority extends to the selection and the amount of securities for each account and the timing of any transactions therein, as well as the broker or dealer to be used for each client securities transaction.

#### **Selection of Executing Broker or Dealer**

Kelman-Lazarov has a fiduciary duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, 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.

Kelman-Lazarov's primary objectives when placing orders for the purchase and sale of securities for client accounts when clients do not direct brokerage, as described below, 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.

Kelman-Lazarov recommends that client accounts be held with Charles Schwab & Co. ("Schwab"), and Kelman-Lazarov will generally recommend the execution services of Schwab, as broker-dealer. The firm's recommendations are 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, 8) clearance and settlement capabilities of the broker selected and others considered, 9) our knowledge of any actual or apparent operational problems of a broker and 10) the reasonableness of the commission or its equivalent for the specific transaction. Mutual fund transactions will be placed in no-load or load-waived share classes.

Kelman-Lazarov evaluates on a quarterly basis whether the firm's clients are receiving the best available execution with the broker-dealers it recommends.

### **Directed Brokerage**

Some clients may have a pre-established relationship with a broker and will instruct Kelman-Lazarov to execute all transactions through that broker. In such cases, it should be understood that Kelman-Lazarov may not have authority to negotiate commissions or obtain volume discounts and best execution may not be achieved. When the client chooses the broker, there may be a disparity between the commissions a client pays and those paid by clients who do not direct us to use a broker or those clients who direct us to use different brokers.

### **Brokerage Accounts with Schwab**

Kelman-Lazarov recommends that clients establish brokerage accounts at Schwab, as qualified custodian, to maintain custody of clients' assets and to effect trades for their accounts. Schwab is a registered broker-dealer and member of the Securities Investors Protection Corporation (SIPC).

Schwab provides Kelman-Lazarov with access to institutional trading and custody services, which are typically not available to retail investors. These services are generally available to independent investment advisers on an unsolicited basis, at no charge, provided a stated amount of the adviser's clients' assets are maintained in accounts with the custodian.

Custodial services include brokerage, custody, research, and access to mutual funds and other investments that are generally available only to institutional investors or would require a significantly higher minimum initial investment. Each custodian is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through the custodian or that settle into the custodians' accounts.

### **Soft Dollars**

In selecting brokers to affect securities transaction for a client, consideration is given to the quality of the selected broker's execution of similar transactions, the commission rates charged and in some cases, the quantity and quality of research and/or other investment advisory support provided by

the broker.

Kelman-Lazarov may therefore recommend or select a qualified custodian who provides certain research and securities transaction services. The firm may participate in such an arrangement despite the fact that lower costs may be available elsewhere.

Directing transactions in such a manner and receiving research and execution services is called “soft dollars.” The research and other investment advisory support services include:

- macro- and micro-economic reports,
- industry-wide reports,
- reports on specific investment selection of investment vehicles,
- personal consultation and,
- in some cases, software and electronic linkages which facilitate execution and record keeping.

In addition, Schwab may make available, arrange and/or pay for these types of services rendered to Kelman-Lazarov by independent third parties. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Kelman-Lazarov.

As a fiduciary, Kelman-Lazarov endeavors to act in its clients’ best interests. Kelman-Lazarov’s recommendation that clients maintain their assets in accounts at a specific custodian may be based in part on the benefit to Kelman-Lazarov of some of the services and products provided by that custodian and not solely on the nature, cost or quality of custody and brokerage services provided by that custodian, which may create a potential conflict of interest.

Clients may at times pay commissions to brokers not directly responsible for the particular research or services which led to or facilitated the transaction generating the commission. Conversely, they may benefit from research or service paid for by commissions paid by others.

### **Aggregated Trade Policy**

Kelman-Lazarov typically directs trading in individual client accounts as and when trades are appropriate based on the client’s IPS, without regard to activity in other client accounts. However, from time to time, Kelman-Lazarov may aggregate trades together for multiple client accounts, most often when these accounts are being directed to sell the same securities at the same time. If such an aggregated trade is not completely filled, Kelman-Lazarov will allocate shares received (in an aggregated purchase) or sold (in an aggregated sale) across participating accounts on a pro rata or other fair basis; provided, however, that any participating accounts that are owned by Kelman-Lazarov or its officers, directors, or employees will be excluded first.

### ***Item 13 - Review of Accounts***

Kelman-Lazarov periodically reviews client accounts. Securities are monitored on an ongoing basis, with formal investment reviews of accounts at least quarterly. These investment reviews consider a variety of factors including the existing asset allocation relative to the targeted allocation, and determining if the account needs to be rebalanced. The holdings are reviewed as to performance, to be sure they are suitable for the client, and with an eye to tax efficiencies. More frequent reviews might be triggered by economic or market conditions, upon a client’s request, or when a client notifies Kelman-Lazarov of a change in their personal circumstances that might result in a change in their needs or objectives. Examples of changes in personal circumstances might include retiring,

losing a job, or getting divorced. Reviews are conducted by Ronald J. Lazarov, President of Kelman-Lazarov, Martin S. Kelman, Chairman of Kelman-Lazarov and/or other associates.

Financial planning and consulting clients do not receive periodic reviews, but reviews are available upon client request. The nature of the review would depend upon the client's request, and would be conducted by Martin S. Kelman, Chairman of Kelman-Lazarov, and/or other associates.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms.

#### ***Item 14 - Client Referrals and Other Compensation***

As noted above, Kelman-Lazarov may receive an economic benefit from Schwab in the form of support products and services it makes available to Kelman-Lazarov and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit our firm, and the related conflicts of interest are described in *Item 12 - Brokerage Practices*. The availability of Schwab's products and services to Kelman-Lazarov is based solely on our participation in the custodian's programs and not in the provision of any particular investment advice.

From time to time, Kelman-Lazarov may enter into arrangements with third parties ("Solicitors") to identify and refer potential clients to Kelman-Lazarov. Consistent with legal requirements under the Investment Advisers Act of 1940, as amended, Kelman-Lazarov enters into written agreements with Solicitors under which, among other things, Solicitors are required to disclose their compensation arrangements to prospective clients before they enter into an agreement with Kelman-Lazarov, as well as deliver a Solicitor's Disclosure Statement and a copy of this Kelman-Lazarov Brochure (Form ADV Part 2) to prospective clients.

#### ***Item 15 - Custody***

Kelman-Lazarov is deemed to have custody of client assets solely because it deducts advisory fees from client accounts. Other than these client-authorized fee deductions, Kelman-Lazarov does not maintain or accept custody of client funds or securities.

#### ***Item 16 - Investment Discretion***

Clients will generally be asked to grant Kelman-Lazarov discretion in the management of the client's account. Such discretionary authorization is specified in the Asset Management Agreement executed by the client, and is limited to the selection and the amount of securities to be purchased or sold in the account and the timing of any transactions therein, as well as the broker or dealer to be used for each client securities transaction, without receiving prior consent from the client for each transaction. Kelman-Lazarov's discretionary asset management services are subject to any investment limitations or restrictions specified in the IPS.

Kelman-Lazarov may offer non-discretionary asset management services on a limited basis, at the discretion of the firm. Client with non-discretionary arrangements must be contacted prior to the execution of any trade. Clients with non-discretionary arrangements retain the responsibility for the final decision on all actions taken within the account.



***Item 17 - Voting Client Securities***

As a policy and in accordance with its client agreement, Kelman-Lazarov does not have, and will not accept, authority to vote client securities. Clients will receive their proxies or other solicitations directly from the custodian. Clients may contact Kelman-Lazarov at (901) 685-8284 with questions about a particular proxy or solicitation. However, Kelman-Lazarov does not typically research nor develop a firm opinion with regard to a particular proxy or solicitation.

***Item 18 - Financial Information***

Kelman-Lazarov does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Therefore no disclosure is required for this item.