

# **KM Advisory Services**

KM Advisory Services  
50 Square Drive, Suite 220  
Victor, New York 14564  
(585) 381 - 5900  
(585) 381 - 0478 Fax  
Prosperity@KMInvest.com

**Firm Brochure**  
**Part 2A of Form ADV**  
**Updated March 23, 2015**

**This brochure provides information about the qualifications and business practices of KM Advisory Services. If you have any questions about the contents of this brochure, please contact us by telephone at (585) 381-5900, by facsimile at (585) 381-0478 or via email at Prosperity@KMInvest.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.**

**Wherever KM Advisory Services is referred to as a “registered investment adviser” throughout this document, the term “registered” does not imply a certain level of skill or training. “Registered” means KM Advisory Services has filed the necessary documentation to maintain registration as an investment advisor with the Securities and Exchange Commission.**

**Additional information about KM Advisory Services is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

### **Material Changes**

There have not been any material changes since our last filing on July 1<sup>st</sup>, 2014.

**KM Advisory Services  
Firm Brochure  
Table of Contents**

**Advisory Business**

The Firm – KMA	1
Services Provided	1
• Financial Planning and Consulting Services	1
• Investment Management Services	2
• Commission Business and Transactions	3
• Wrap Fee Programs	3

**Fees and Compensation**

Financial Planning and Consulting Fees	3
• Termination of Financial Planning or Consulting Services	4
Investment Management Fees	4
• Termination of Investment Management Services	4
Brokerage Commissions	4
• Potential Conflicts of Interest Resulting From Commissions	5
• How is the potential conflict of interest mitigated?	5
• Brokerage and Custodian Transaction Fees	6

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

**Types of Clients** 6

**Methods of Analysis, Investment Strategies and Risk of Loss** 7

Methods of Analysis – Fundamental	7
Investment Strategy – Tactical Asset Allocation	7
Risk Associated with Tactical Asset Allocation	8
Risk of Loss	8

**Disciplinary Information** 9

**Other Financial Industry Activities and Affiliations** 9

**Code of Ethics, Participation or Interest in Client Transactions and Personal Trading** 9

Code of Ethics Disclosure	9
Privacy Notice Statement	10
Personal Security Trading Practices	11

**Brokerage Practices** 11

Recommending Broker/Dealers to Clients	11
Security Transactions	12
Research and Other Soft Dollar Benefits	14

Brokerage for Client Referrals	14
Directed Brokerage	14
Best Execution	15
<b>Review of Accounts</b>	15
<b>Client Referrals and Other Compensation</b>	16
<b>Custody</b>	16
Account Custodian	16
Handling Client Assets	17
Other Custody Related Issues	17
<b>Investment Discretion</b>	17
<b>Voting Client Securities</b>	17
<b>Financial Information</b>	18

## **ADVISORY BUSINESS**

### ***The Firm - KMA***

In February 1994, Kathryn J. Meredith established KM Advisory Services (hereinafter referred to as “KMA” or the “Firm”). KMA is an investment advisory firm registered with the Securities Exchange Commission. In January 2004, John P. Harnish joined KMA as its Chief Compliance Officer (COO) and Director of Financial Planning. Kathryn and John are Investment Adviser Representatives of KMA (hereinafter they are referred to as the “Advisors”).

KMA provides financial planning and consulting services as well as discretionary investment advisory services. KMA’s Advisors are FINRA licensed Registered Representatives with Cadaret, Grant & Co., Inc., a member of FINRA and SIPC (hereinafter referred to as the “broker/dealer” or “Cadaret, Grant”). KMA’s Advisors offer investment advisory services to clients, with custody of the accounts being maintained at , Pershing LLC (an affiliate of the Bank of New York Mellon, Member FINRA/SIPC) or directly at the Registered Investment Company (mutual fund), or Insurance Company (annuities), (hereinafter referred to as the “custodian”, “Pershing”, “Fund Company” or “Insurance Company”).

### ***Services Provided***

#### **Financial Planning and Consulting Services**

KMA and its Advisors offer personal and business financial planning and consulting services relating to:

- Investment Planning and Management;
- Retirement Planning;
- Estate Planning;
- Education Planning;
- Risk Management (insurance);
- Tax Planning;
- Net Worth, Cash Flow, and Financial Position;
- Business Related Financial Consulting;
- Or other investment and non-investment related matters.

Clients are required to enter into a Financial Planning Agreement prior to engaging KMA for financial planning or consulting services. This agreement sets forth the terms and conditions of the engagement, the scope of services to be provided, and the fee(s) the client will be charged. KMA and its Advisors generally charge either an hourly or fixed fee for financial planning and consulting services.

Clients may select one or more of the following comprehensive financial plans as described in Schedule A of KMA’s Financial Planning Agreement:

- **Prosperity Plan** – Under this arrangement, KMA will provide a written, comprehensive financial plan that covers a broad range of planning analysis and issues specific to the client, such as cash flow management, retirement, college, business, investments, tax, protection and estate planning. The maximum fee for this service is \$2,800.

- **Retirement Plan** - Under this arrangement, KMA will provide a written, comprehensive financial plan that covers retirement and distribution planning. The maximum fee for this service is \$1,000.
- **Portfolio Analysis/Asset Allocation Plan** - Under this arrangement, KMA will provide evaluation, analysis and recommendations based on the client's current portfolio, goals and risk tolerance. The maximum fee for this service is \$500.
- **Annual Prosperity Planning** - Under this arrangement, KMA will provide financial planning services to clients on an annual retainer. Planning services may include, but are not limited to, cash flow management, retirement, college, business, investment, tax, protection and estate planning. The fee for this service is \$500. This fee is separate and distinct from other financial planning fees (including investment management).
- **Business and/or Financial Consulting** - Under this arrangement, KMA will provide evaluation, analysis and recommendations to clients for a particular area of concern without the preparation of a written comprehensive financial plan. The maximum fee for this service is \$180 per hour.

The Advisors collect the client's personal and financial data, including their desired financial goals and objectives. The Advisors then analyze the data and make recommendations orally and/or in writing depending on the service(s) the client indicated in the Financial Planning Agreement. All recommendations are client specific, based on the client's financial goals, risk profile and return objectives, and may involve working with other professionals (attorneys, CPAs, etc.) or the use of financial products (insurance and/or securities). Clients are not obligated to engage the services of any recommended professional or to purchase any recommended financial products. Clients retain absolute authority over all implementation decisions and are free to accept or reject any recommendation from KMA or its Advisors. Clients are free to select any brokerage firm, insurance company, or similar sales agency they desire for the implementation of any recommendations made during the analysis of their personal and financial information. Should the client decide to implement the Advisor's recommendations, investments will be transacted through the Advisor's broker/dealer.

### **Investment Management Services**

Prior to engaging KMA to provide investment advisory services, clients are required to enter into KMA's Financial Planning Agreement setting forth the terms and conditions under which the Advisor will manage the client's investments and the fees or other charges the client will pay. Separate custodial documents may also be required prior to establishing an account.

KMA and its Advisors offer clients the following investment management services:

- **Annual Asset Management** - Under this arrangement, KMA will provide portfolio management of the client's assets. Based on the client's goals, objectives, and risk tolerance, individual investment portfolios are designed and established utilizing a variety of investments including, but not limited to, mutual funds, general securities (stocks, bonds and options), annuities, REITs, and other investments to achieve the client's investment objectives. Clients are charged an annual fee of 0.5% of the assets under management billed annually in advance. Client will pay a minimum annual asset management fee of \$500.

- **Prosperity Retirement Plan Management** - Under this arrangement, KMA will provide portfolio management of the client's retirement plan through their employer. Based on the client's goals, objectives, and risk tolerance, individual investment portfolios are designed and established utilizing various investments that are offered within the plan to achieve the client's investment objectives. Clients are charged an annual fee of 0.5% of the assets under management billed annually in advance. Client will pay a minimum retirement plan management fee of \$500.

The Advisors manage portfolios on a discretionary basis. As of KMA's 2014 fiscal year-end (December 31), KMA managed 2,267 discretionary accounts totaling \$100,077,064.

### **Commission Business and Transactions**

Should the client desire, they could engage KMA's Advisor, Kathryn J. Meredith, in her individual capacity as a registered representative of Cadaret, Grant to implement investment recommendations on a commission basis. Clients choosing to purchase investment products through Cadaret, Grant will be charged brokerage commissions to effect these securities transactions.

In addition, KMA's Advisors are licensed as life and health insurance agents/brokers. As life and health insurance agents, the advisors are able to sell insurance and insurance products to clients with those needs. The Advisors receive separate and standard commissions for the sale of these products.

### **Wrap Fee Programs**

KMA does not participate in wrap fee programs.

## **FEES AND COMPENSATION**

### ***Financial Planning and Consulting Service Fees***

Financial planning fees vary depending on the client's desired services to be rendered by KMA as described in the Financial Planning and Consulting Services section of this brochure. Financial planning fees are due and payable at the time of the Prosperity Profile meeting (personal and financial data collection), unless other arrangements have been made with the Advisor prior to the meeting.

For clients with an annual retainer agreement in place, the fees are assessed within 30 days of the client's anniversary date and are payable on a semi-annual basis if the fee exceeds \$500.

Hourly planning/consulting fees are payable in advance based on the estimated hours necessary to complete the plan or consultation. Additional hourly fees will be due or refunded at the conclusion of the plan/consultation.

At her sole discretion and on a case-by-case basis, Kathryn J. Meredith, KMA's Principal and Owner, may waive any or all financial planning fees.

**Termination of Financial Planning and Consulting Services**

Clients may terminate the financial planning contract at any time prior to the presentation of the plan. A refund of any unearned fees will be made based on the time and effort expended before termination.

In the event that KMA or the client wishes to terminate an annual retainer agreement prior to its annual renewal, 30 days notice must be given, and any prorated fees will be returned to the client.

***Investment Management Fees***

Clients who have engaged KMA for asset management services are charged 0.5% of their assets under management paid annually in advance. Clients will pay a minimum annual fee of \$500. If the annual fee exceeds \$500, the client will pay on a semi-annual basis. The annual fees are based on the client's assets under management valued within 30 days prior to the client's anniversary date.

In addition to the Asset Management Fee, the client may incur certain charges imposed by unaffiliated third parties. Such charges include, but are not limited to: custodial fees; transaction fees; charges imposed directly by a mutual fund, index fund, or exchange traded fund purchased for the account which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses); certain deferred sales charges; transfer taxes; wire transfer and electronic fund fees; and other fees and taxes on brokerage accounts and securities transactions.

Although not a material consideration in recommending and/or selecting a particular mutual fund for the Account, KMA and its Advisors may receive a portion of the 12b-1 distribution fees or other fees imposed by the mutual fund and paid by the mutual fund or one of their affiliates, provided that receipt of such payment is not prohibited under ERISA.

**Termination of Investment Management Services**

In the event KMA or the client wishes to terminate an asset management arrangement prior to its annual renewal, 30 days notice must be given. Prorated fees will be returned to the client.

The client continues to have access to the investments in their account(s), subject to any restrictions imposed by the broker/dealer or custodian of the accounts.

Termination of KMA's Financial Planning Agreement shall not affect either (a) the validity of any action taken by the Advisor pursuant to the Agreement, or (b) the obligations of the parties with respect to any transactions effected prior to the termination date.

The disability or incompetency of the client will not terminate or change the terms of KMA's Investment Advisory Agreement. However, the client's executor, guardian, attorney-in-fact or other authorized representative may terminate the Agreement by giving written notice to KMA or its Advisors.

***Brokerage Commissions***

In the event the client chooses to purchase investment products through the Advisor in their individual capacity as a Registered Representative of Cadaret, Grant, brokerage commissions



will be charged by Cadaret, Grant to effect securities transactions. A portion of the commissions charged will be paid by Cadaret, Grant to KMA's Advisor in accordance with Cadaret, Grant's normal commission schedule. The brokerage commissions charged by Cadaret, Grant may be higher or lower than those charged by other broker/dealers. In addition, Cadaret, Grant, as well as KMA's Advisors, may receive additional ongoing 12b-1 trail commissions on mutual fund purchases during the period that the client maintains the mutual fund investment.

Clients usually pay an up-front sales load on Class A shares. Class B and C shares usually have no front-end load (sales charge) but have a contingent deferred sales charge and carry higher annual expense charges levied by the mutual fund company. In addition, Class A shares offer clients breakpoints (discounts on sales charges) at various investment amounts; whereas, Class B and Class C shares do not offer breakpoints. Clients must be aware that they may pay a contingent deferred sales charge upon the redemption (sale) of Class B and C share mutual funds in their account(s). Clients may also incur a short-term trading fee imposed by mutual fund companies if the fund is sold or exchanged within a certain period of time. Clients are given a prospectus that outlines commissions, fees, and trading restrictions, as they may vary among the different fund companies.

KMA's Advisors may recommend insurance products, such as annuities. These products have fees (such as annual, administrative, and mortality) and expenses attached to them. Besides these fees and expenses, insurance companies generally impose surrender charges on clients for the early withdrawal of funds or cancellation of the annuity contract. Clients are given a prospectus when purchasing a variable annuity, which outlines the fees, expenses and surrender charges that the client may pay.

The Advisors may recommend non-exchange-traded Real Estate Investment Trusts (REIT) to clients. When a REIT is recommended, a prospectus, which details the fees and expenses, is provided to the client. Typically, a portion of each investment in a REIT is used for fees and expenses. Non-traded REITs are long-term illiquid investments. In the event that a client has to surrender the REIT early, the client will typically have a back-end surrender charge.

### **Potential Conflicts of Interest Resulting from Commissions**

A potential conflict of interest arises when KMA's Advisors make recommendations for additional services for which they will earn compensation in the form of commissions or fees in addition to the fees charged for financial planning and investment management services. As FINRA licensed representatives of Cadaret, Grant and licensed Life and Health Insurance broker/agents, KMA's Advisors may recommend investment or insurance products for which they would be compensated by commissions. The risk to the client is that the Advisor could potentially make recommendations in their own best interest rather than that of the client.

### **How is the potential risk of conflict of interest mitigated?**

As a fiduciary, KMA and its Advisors are obligated to serve the client's best interest in all dealings. Therefore, all recommendations are made based on the belief that they are in the best interest of the client. Furthermore, while the costs, risks and advantages of any investment or insurance product are carefully weighed before being recommended to a client, the commission

the Advisor may or may not receive is not taken into consideration. These products are offered by KMA and its Advisors in order to provide comprehensive financial planning services.

Secondly, clients compensate KMA on a fee basis for financial planning and ongoing investment management. This includes ongoing recommendations and help implementing these recommendations should the client choose to accept them. Clients retain absolute authority over all implementation decisions and are free to accept or reject any recommendation made by KMA. Clients may select any broker, brokerage firm, insurance or other product sales company, or any other professional he or she desires for the implementation of any recommendations made by KMA.

Finally, while KMA may recommend third-party professionals (e.g. attorneys, accountants, tax preparers) to aid in the implementation of recommendations, KMA does not receive any form of compensation for its referral of clients.

### **Brokerage and Custodian Transaction Fees**

All individual security transactions (stocks and bonds) placed with KMA's broker/dealer (Cadaret, Grant) are executed through the broker/dealers' clearing firm, Pershing. Advisory fees charged by KMA are separate and distinct from other fees the client may pay including but not limited to:

- Transaction fees such as ticket charges paid to the broker/dealer or custodian
- Commissions, if applicable
- Inactivity Fees
- Custodial fees for overnight mail, wire orders, checks returned for insufficient funds for those clients with check writing privileges
- Custodial and termination fees for IRA's
- Other service fees under special circumstances

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Neither KMA nor its Advisors charge fees based upon a share of capital gains or capital appreciation of the assets in the client's account. However, there are specific investments that have a performance-based fee structure for the investment manager (not for KMA or its Advisors). In the event that an investment of this nature is recommended to a client, full details will be provided to describe the fees.

### **TYPES OF CLIENTS**

KMA's clients are generally comprised of individuals; pension and profit sharing plans; trusts, estates and charitable organizations; and corporations or business entities. KMA does not impose any restrictions on clients regarding opening or maintaining accounts.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis - Fundamental***

KMA's Advisors employ the following methods of analysis prior to purchasing or selling a security for a client's account:

- Fundamental Analysis - a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. In doing so, the Advisor attempts to study everything that can affect the security's value (like the overall economy and industry conditions) as well as company-specific factors (like financial condition and management). Based on the Advisor's analysis, a value for the security is produced and compared it with the current price to determine what position to take (if any) regarding that security.

### ***Investment Strategy – Tactical Asset Allocation***

KMA's overall investment strategy, based on the demographics of its client base, is to manage accounts to protect and grow the client's assets and provide income during retirement. To accomplish this, KMA and its Advisors employ a tactical asset allocation investment strategy to manage client portfolios. KMA's Advisors meet with clients to get a clear understanding of their investment goals and the amount of risk they are willing to take to attain these goals. Based on this information and the current market conditions, the Advisors develop a target asset allocation. In developing the targets, the Advisor will set a higher (overweight) allocation target to sectors that are anticipated to outperform others and a lower (underweight) allocation target to sectors that are anticipated to under-perform. As market conditions change, the asset allocation targets will be reviewed and updated as appropriate. In addition, asset allocation targets are updated if there is a change in the client's investment objective.

Once the Advisors have established the percentages for each asset allocation, they search for specific investments suited to the client's investment objectives and risk tolerance. The Advisors use screening tools and research reports, as well as conduct due diligence with analysts, portfolio managers and strategists with money management firms such as Allianz & PIMCO, Franklin Templeton, Fidelity, and Oppenheimer. This information is used to determine which investments are best suited for the client. Investments generally consist of a variety of equity and fixed income mutual funds, variable and fixed annuities, and Real Estate Investment Trusts (REITs).

The Advisors utilize the following general securities publications and research materials to aid in their search:

- Morningstar Principia Mutual Fund Advanced;
- Value Line Investment Survey;
- Investment News Daily;
- Barron's;
- Investment Advisor;
- Journal of Financial Planners;
- Financial Planning;
- Financial Advisor;
- Profiles Plus;

- Continuing Education Programs; and
- The internet as a resource to obtain research and information on investments and investment related issues.

### ***Risk Associated with Tactical Asset Allocation***

There is risk associated with any investment strategy, including tactical asset allocation. The client must be aware of the following risk associated with a tactical asset allocation strategy:

- There is no guarantee that the use of this strategy will provide a higher performance than the use of other investment strategies.
- This strategy relies on an accurate reading of market conditions and the future direction of the market. There is no guarantee that the anticipated asset allocation targets will outperform other sectors.
- Clients may be exposed to tax consequences due to capital gains/losses from the sale of securities to rebalance accounts. Some of the capital gains could be short-term, which are taxed at a higher rate.
- Fund companies may place restrictions on an account for violating the Fund's short-term trading policy. While this is possible, KMA and its Advisors intend to avoid processing trades in client's accounts that would subject the client to short-term trading fees or account restrictions.

### ***Risk of Loss***

Investors must be aware that there is a potential risk of loss regardless of whether or not they decide to invest their money. If investors decide to invest their money, they are obligated to assume a portion of risk. The amount of risk assumed varies from investor to investor and is one of the contributing factors for an Advisor in determining a suitable portfolio for their client. The following is a list of some of the risk that an investor may be exposed to:

- Systematic (Market) Risk – These are risks that affect the entire market and cannot be avoided through diversification. This risk may be caused by events such as changing interest rates, a recession, or wars.
- Unsystematic Risk – These are risks specific to a company or industry sector and may be avoided or mitigated by diversification.
- Credit Risk – The risk that a company or municipality will not be able to repay its lenders. This is very important to those investing in fixed-income investments such as bonds.
- Country Risk – This is risk associated with investing in foreign securities. This risk includes political, exchange rate, economic, sovereign and transfer risk (which is the risk of capital being locked up or frozen by government action.)
- Liquidity Risk – The risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss.
- Interest Rate Risk – The risk of changing interest rates and their impact on interest-bearing assets, such as bonds. In general, as interest rates increase, the price of a fixed rate bond will decrease, and vice versa.

If investors decide not to invest their money, they face the risk of loss of potential gains they would have earned had they been invested.

## **DISCIPLINARY INFORMATION**

On March 28<sup>th</sup>, 2005, a client filed a Statement of Claim through NASD's Dispute Resolution against Ms. Meredith and her broker/dealer (Cadaret, Grant), which was given an NASD Case Number of 05-04131. In the Statement, the client claimed that the investment losses that occurred during a period between 2000 and 2004 were the result of Ms. Meredith's and Cadaret, Grant's unsuitable recommendations and improper transactions in her various investment accounts.

Ms. Meredith and Cadaret, Grant provided information to rebut the client's accusations and to prove that they were not responsible for the losses sustained by the client; however, in consideration of the projected cost of arbitration versus the cost to settle the complaint, Cadaret, Grant and Ms. Meredith decided to settle the case prior to arbitration. The case was settled on 12/20/2006. Please refer to Ms. Meredith's Supplement Brochure for further information concerning this case.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As discussed earlier in this brochure, KMA's Advisors are FINRA licensed Registered Representatives with Cadaret, Grant, a member of FINRA and SIPC. Cadaret, Grant's clearing firm is Pershing, an affiliate of the Bank of New York Mellon, a member of FINRA and SIPC.

KMA does not have any related persons that are one of the following:

- Broker/dealer, municipal securities dealer, or government securities dealer or broker
- Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," or offshore fund)
- Other investment adviser or financial planning firm
- Futures commission merchant, commodity pool operator, or commodity trading advisor
- Banking or thrift institution
- Accountant or accounting firm
- Lawyer or law firm
- Insurance company or agency
- Pension consultant
- Real estate broker or dealer
- Sponsor or syndicator of limited partnerships.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### ***Code of Ethics Disclosure***

KMA has adopted a Code of Ethics Policy. The Code sets forth a standard of business conduct for the Firm and all persons associated with the Firm. The purpose of this Code is to set ideals of integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence for the Firm and its associated persons to adopt in the interest of the Firm and investor protection. In particular, the Code is designed to:

- Protect the clients by deterring misconduct

- Protect KMA's reputation
- Guard against violations of the securities laws
- Establish procedures to ensure that advisors conduct themselves ethically at all times

In an effort to meet the above obligations, the Code sets forth policies and procedures that KMA's Advisors are expected to adhere to in the following areas:

- Compliance
- Personal securities transactions and reporting
- Insider trading
- Rumors
- Conflicts of interest / outside business activities
- Gifts and entertainment
- Reporting violations and sanctions
- Record keeping

Clients and prospective clients may obtain a complete copy of KMA's Code of Ethics upon request by contacting their Advisor in writing at 50 Square Drive, Suite 220, Victor, NY 14534 or calling at (585) 381-5900.

In accordance with Section 204A of the Investment Advisers Act of 1940, KMA also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of material non-public information by KMA or any person associated with KMA.

### ***Privacy Notice Statement***

KMA protects the material non-public information of its clients. Employees are expected to exercise diligence and care in maintaining and protecting the client's non-public confidential information. KMA holds all personal information provided to the Firm in the strictest confidence. The records maintained by KMA include all personal information collected from the client in connection with any of the services provided by KMA. KMA does not disclose information to non-affiliated third parties, except as permitted by law, and does not anticipate doing so in the future. If KMA were to anticipate such a change in the Firm's policy, it would be prohibited under the law from doing so without informing the client first. KMA uses health and financial information the client provides in order to help them meet their personal financial goals and has established the following procedures to mitigate any real or perceived infringements of their rights of privacy:

- KMA limits employee and agent access of information to only:
  - 1) Those who have a business or professional reason for knowing (i.e. broker/dealer or custodian);
  - 2) Non-affiliated parties as permitted by law (i.e. federal regulations permit KMA to share a limited amount of information about the client with a brokerage firm in order to execute securities transactions on their behalf, or so that the Firm can discuss the client's financial situation with their accountant or attorney.); or
  - 3) Those required by judicial or regulatory process.
- KMA maintains a secure office and computer environment to ensure that client information is not placed at unreasonable risk.
- The categories of non-public personal information collected from clients depend upon the scope of the client's engagement. It will include information about their personal

finances, information about their health to the extent that it is needed for the planning process, information about transactions between the client and third parties, and information from consumer reporting agencies.

- For unaffiliated third parties that require access to the client's personal information, including financial services companies, service providers, and auditors, KMA also requires strict confidentiality in its agreements with them and expects them to keep this information private. Federal and state regulators may also review firm records as permitted by law.
- Personal information contained in any form or document the client completes in order for KMA to facilitate the commencement, continuation or termination of a business relationship between the client and a non-affiliated third party service provider, such as a broker/dealer, investment advisor, insurance company, or account custodian, shall be deemed as having been automatically authorized by the client with respect to the corresponding non-affiliated third party service provider.
- KMA does not provide personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about a client will be maintained during the time that they are a client and for the required time thereafter that such records are required to be maintained by federal and state securities laws and regulations, and consistent with the CFP Board Code of Ethics and Professional Responsibility.

KMA's Privacy Notice is initially given to all clients upon signing KMA's Financial Planning Agreement and is sent to all clients annually thereafter.

### ***Personal Securities Trading Practices***

KMA's Advisors and/or employees may buy, sell, or hold a position in securities, which may be recommended to clients. As a fiduciary, KMA and its access persons owe its clients the loyalty to refrain from effecting personal securities transactions that might conflict with the client's best interests. Conflicts arise when Advisors, employees, or other access persons take advantage of investment opportunities that should have been exercised for clients or when they use their knowledge of pending client transactions to place their trades before their client's transactions.

KMA has established the following guidelines to mitigate potential conflicts of interest when placing personal securities transactions. KMA's access persons may effect individual securities transactions on the same day as a client transaction for the same security; provided the client receives the best execution price or the transaction is part of a block trade for the given security. (Please refer to the Investment Management Services section of this brochure for KMA's Procedures regarding block trades). There are no restrictions on access persons for placing trades in open-end mutual funds on the same day as clients.

### **BROKERAGE PRACTICES**

#### ***Recommending Broker/Dealers to Clients***

Currently, KMA and its Advisors recommend Cadaret, Grant and Pershing to their clients. KMA's Advisors are Registered Representatives of Cadaret, Grant. Pershing and other custodians maintain custody of clients' assets and effect trades for KMA's advisory clients'

accounts. Pershing acts as Cadaret, Grant's clearing broker. KMA is independently owned and operated and is not affiliated with or a related person of Cadaret, Grant or Pershing.

KMA's Advisors may recommend other broker/dealers to their advisory clients. Some factors KMA considers prior to recommending other broker/dealers include their financial strength, reputation, execution, pricing, research and service. The Advisors routinely compare the order execution disclosure information of Cadaret, Grant and Pershing to other broker/dealers to ensure that Cadaret, Grant and Pershing remain competitive in providing best execution for their clients.

Generally, all recommended broker/dealers and custodians are Members of FINRA and SIPC. The Financial Industry Regulatory Authority (FINRA) was created through the consolidation of the National Association of Securities Dealers (NASD) and the member regulation, enforcement and arbitration operations of the New York Stock Exchange. The consolidation, approved by the Securities and Exchange Commission, became effective July 30, 2007. You may visit the FINRA website at [www.finra.org](http://www.finra.org).

Information about the Securities Investors Protection Corporation (SIPC), including the SIPC brochure, can be obtained by contacting SIPC at 202.371.8300 or by visiting their website at [www.sipc.org](http://www.sipc.org).

### ***Security Transactions***

Security transactions are generally executed through the Advisor's broker/dealer (Cadaret, Grant). However, KMA may utilize other broker/dealers and custodians when requested by the client or when the client's retirement plan sponsor selects the custodian. KMA's clients must be aware that if they direct KMA or its Advisors to use a particular broker, it may limit KMA or its Advisors in their ability to achieve best execution, participate in block trading, or negotiate commissions with other brokers on behalf of the client.

KMA's Advisors generally place trades for individual client accounts. However, at the Advisor's discretion, a client's security transaction order may be combined or "batched" together with other clients and/or the Advisor's orders and executed as a "block" transaction. By executing block transactions, the Advisor attempts to achieve best execution and to equitably allocate among their clients the difference in price that might have been obtained had such orders been placed independently. Sometimes block trades are executed with only a partial fill of the order. This can usually be attributed to limit orders or thinly-traded securities. If this occurs, KMA has adopted the following guidelines for allocation:

- a) The shares will be allocated to accounts on a top down basis until all shares have been exhausted. The Advisor will provide the allocation of shares to the trader, who will then allocate the first account and shares, then the second account and shares, and so on.
- b) In the event of varying prices of execution, an average price will be determined and given to client accounts to ensure price uniformity for all clients who receive an allocation.
- c) The Advisor's personal or family account(s) will not receive allocations before a client's account. If the pre-determined printed allocation has an Advisor's personal or family account(s) listed before a client's account, the Advisor's personal or family account(s) will be moved to the end of the list.



- d) KMA will keep a record of block trades and their allocations.

KMA has established the following procedures in the event that a trading error occurs during the execution of a security transaction, other than a mutual fund:

- a) Upon discovery of the trade error, the Advisor will immediately notify the CCO, who will, in turn, notify the broker/dealer or custodian's trading department with details concerning the error. The broker/dealer or custodian will flatten the incorrect transaction with a covering transaction, regardless of whose fault it is. This immediate action will be taken to limit the potential effects that capital market fluctuations may have upon further price deterioration or appreciation. Specifically, any thought of delaying immediate remedial action in the hopes of an advantageous market swing is avoided through this action.
- b) The CCO will give the trader the correct transaction that should have been executed.
- c) The broker/dealer or custodian will confirm the correct price that the client should have received had the order been processed correctly.
- d) A trade error report containing the following information must be completed:
  - Account registration and number;
  - The trade and settlement dates;
  - The number of shares or dollar value of the trade;
  - An explanation of the error;
  - The resolution of the error; and
  - If the client lost money due to the error, any information to evidence that the client was made whole and not harmed in any way.
- e) Any restitution to the client's account must be made through the broker/dealer.
- f) The CCO or a designated alternate will review the trade error report to ensure that all documents regarding the trade error have been attached to the report before filing the document in the trade error file.

KMA has established the following procedures in the event that a trading error occurs during the execution of a mutual fund transaction:

- a) Upon discovery of the trade error, the Advisor will immediately notify the CCO, who will, in turn, notify the broker/dealer or custodian's trading department with details concerning the error.
- b) The broker/dealer or custodian will reverse the errors and reenter the correct transaction order in such a manner as to ensure that the client's correct trade is processed without detriment to the client. If required, the broker/dealer's Compliance Department will provide the custodian or mutual fund company with a Letter of Indemnity.
- c) A trade error report containing the following information must be completed:
  - Account registration and number;
  - The trade and settlement dates;
  - The number of shares or dollar value of the trade;
  - An explanation of the error;
  - The resolution of the error; and
  - If the client lost money due to the error, any information to evidence that the client was made whole and not harmed in any way.
- d) Any restitution to the client's account must be made through the broker/dealer.

- e) The CCO or a designated alternate will review all trade error reports to ensure that all documents regarding the trade error have been attached to the report before filing the document in the trade error file.

### ***Research and Other Soft Dollar Benefits***

Even though KMA and its Advisors recommend Cadaret, Grant and Pershing to their clients, they do not receive any soft dollar benefits from them. A soft dollar arrangement is an agreement between the investment advisor and the broker/dealer's trading department where the broker/dealer provides certain products and services (soft dollars) to the investment advisor in exchange for the advisor directing trades to the broker/dealer. Using a broker/dealer to purchase research in this manner is a practice susceptible to conflicts of interest - particularly if the broker/dealer's trade commissions are costing clients an additional premium (compared to commissions available from competing brokers).

KMA may receive other products and services from Cadaret, Grant or Pershing that benefits KMA but not KMA's client accounts. Some of these other products and services assist KMA in managing and administering client accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); facilitate payment of KMA's fees from its clients' accounts; and assist with back office functions, record keeping and client reporting. These services may be used to service all or a substantial number of KMA's accounts.

Cadaret, Grant also has arrangements with various product vendors, which enables Registered Representatives of Cadaret, Grant to purchase their products at a discount. These products may include such items as:

- Financial planning software;
- Client reporting and consolidated statement software;
- Client communication software;
- Client relationship management software;
- Coaching; and
- Investment research

KMA currently purchases two products through Cadaret, Grant's discount pricing program - EISI Profiles financial planning software and Morningstar Principia investment research.

### ***Brokerage for Client Referrals***

It is the practice of some broker/dealers to give client referrals to investment advisors as an incentive for directing business through them. KMA's broker/dealer and custodians do not participate in this business philosophy. Nor does KMA seek broker/dealers with this business philosophy to recommend to their clients, as this would create a conflict of interest.

### ***Directed Brokerage***

KMA may utilize other broker/dealers and custodians when requested by the client or when the client's retirement plan sponsor selects the custodian. KMA's clients must be aware that if they direct KMA or its Advisors to use a particular broker/dealer that it may limit KMA or its Advisors in their ability to achieve best execution, participate in block trading, or negotiate

commissions with other brokers on behalf of the client. As a result, clients may pay higher commissions, have higher transaction costs, or receive less favorable prices.

### ***Best Execution***

As stated earlier, the Advisors routinely compare order execution disclosure information of Cadaret, Grant and Pershing to other broker/dealers to ensure that Cadaret, Grant and Pershing remain competitive in providing best execution for their clients' security transactions. The commissions and/or transaction fees charged by Cadaret, Grant and Pershing may be higher or lower than those charged by other broker/dealers. The commissions paid by KMA's clients shall comply with KMA's duty to obtain "best execution." However, a client may pay a higher commission than what another qualified broker/dealer might charge to effect the same transaction where KMA determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and services received. In seeking best execution, the determining factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker/dealer services. These services include, among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while KMA and its Advisors will seek competitive rates, they may not necessarily obtain the lowest possible commission rates for their clients' transactions.

### **REVIEW OF ACCOUNTS**

KMA's Principal and Owner, Kathryn J. Meredith, reviews economic and market conditions, performs due diligence, and reviews extreme gains/losses in the portfolios, all of which may trigger account reviews.

Asset management accounts are reviewed, at a minimum, on a quarterly basis; however KMA's Advisors will review a client's account more frequently upon their request. Clients are encouraged to meet with Ms. Meredith on an annual basis to review the performance of their accounts, discuss current market conditions and determine what changes, if any, are warranted in their investment objectives or asset allocation targets. Additional reviews and meetings are conducted at the client's request. All clients are advised that it remains their responsibility to notify KMA of any changes in their investment objectives and/or financial situation. Such notification will trigger a review of the client's account.

KMA's Principal and Owner, Kathryn J. Meredith, reviews and establishes the asset allocation target for each client's account and identifies suitable investment choices to replace or add to the investment portfolio. Under the direction of Kathryn J. Meredith, John P. Harnish (Director of Financial Planning) uses these guidelines to review and rebalance client accounts as necessary. KMA has no set limits on the number of accounts that each advisor will review.

KMA's Advisors review client accounts on a quarterly basis, after which KMA sends the client a consolidated account statement and a summary of any investment changes. At the client's annual review, written reports are prepared and provided to the client. Reports include, but are not limited to current consolidated account statements, performance summaries, asset allocation summaries and any recommendations to rebalance their account portfolios.

Financial plans are not reviewed automatically, since clients are given an in-depth presentation at the completion of the plan. As part of the Financial Plan's presentation and implementation process, clients receive written recommendations of actions to be taken. KMA's Advisors make frequent telephone and personal contact with the client in order to support them with the implementation of the recommended actions. KMA offers to review and update the client's plan on an annual basis, and annual reviews are recommended to the client.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

While KMA does some advertising, it primarily relies on client referrals to introduce new clients to their business. It is KMA's policy not to compensate clients for referring potential clients to their business, because the client would be considered a solicitor and would have to satisfy requirements under Rule 206(4)-3 of the Advisers Act before a cash referral fee could be paid to them.

#### **CUSTODY**

Due to increased regulatory concerns over advisors with custody, it is KMA's intention not to have custody over client assets. While KMA's clients have fees paid from their investment accounts, this is done with a client signed Letter of Authorization. KMA's Advisors are not permitted to exercise custody in any form over client assets or accounts. KMA has established the following procedures that are designed to help ensure that KMA and its Advisors do not inadvertently obtain custody of client assets:

##### ***Account Custodian***

KMA will not act as custodian for any client accounts. All clients are required to open an account with KMA's broker/dealer, Registered Investment Company or other qualified custodian where the client's assets will be held. KMA's personnel will assist the client in preparing paperwork to open a new custodial account, but only the client is permitted to authorize, by their signature, the opening of the account.

Once the account is established, it is the custodian's responsibility to send client account statements, transaction confirmations, proxy material, and any other information related to their account. KMA will not route original custodial statements to its clients on behalf of a custodian. KMA and its Advisors are responsible, within reason, to ensure that clients receive custodial statements directly from the custodian. To meet this responsibility, the Advisors will receive duplicate copies of its clients' statements. Clients will also receive a quarterly written consolidated account summary from KMA, which they are urged to compare with the custodian's account statement that they receive. Any client that does not receive an account statement from the custodian should call KMA immediately so that the Advisors can correct the problem.

### ***Handling Client Assets***

Due to custody regulations, KMA's Advisors can only handle or forward checks clearly made payable to a third party, such as the client's independent custodian. The Advisor may not handle or forward any other client check or security certificate received by the Firm. All such instruments must be returned to the client within three (3) business days and may not be forwarded to any other party other than the client or the client's representative.

Clients must be aware that if they personally deliver securities certificates to KMA's office, the Advisors are not allowed to physically handle the securities certificates. The Advisors may provide direction to a client in completing the transfer and shipping paperwork to help ensure that the securities certificates are properly deposited with the client's custodian. However, it is the client's responsibility to deposit overnight pouches with the respective carriers for forwarding of securities certificates to their designated custodian. Securities certificates inadvertently received in the mail will be returned to the client within three (3) business days.

### ***Other Custody Related Issues***

KMA has invoked the following restrictions on its access persons to ensure that custody is not inadvertently obtained:

- Advisors may not serve as trustee over a client's account, unless the client is an immediate family member of the Advisor.
- Advisors will not accept signatory power over any client's checking or custodial account(s).
- Advisors will not hold client securities in KMA's name or in bearer form.
- Proceeds from sales or redemptions of client securities will not be directed to the custody of KMA except to pay for advisory fees (as noted above).
- Advisors will not require clients to prepay more than \$500 in fees six months or more in advance.

### **INVESTMENT DISCRETION**

KMA's Advisors are granted limited discretionary authority in writing by the client when the client signs KMA's Financial Planning Agreement. This limited discretionary authorization gives KMA's Advisors the authority to buy, sell, hold, exchange, invest, and otherwise deal with the client's investment assets at their sole discretion and without consulting with the client in advance. This authorization is perpetual and will remain in full force and effect until KMA or its Advisors receives a written termination notice from the client.

KMA does not have discretionary authority to select the broker/dealer used to effect the client securities transactions.

### **VOTING CLIENT SECURITIES**

KMA and its Advisors are expressly precluded from taking any action on behalf of the client, will not take any action on behalf of the client, and are not obligated to render any advice to the client, with respect to:

- The voting of proxies solicited by, or with respect to, the issuers of any securities held in the portfolio, or
- The legal proceedings involving securities or other investments presently or formerly held in the portfolio, or the issuers thereof, including bankruptcies.

The Custodian will send all such proxy and legal proceedings information and documents it receives to the client, so the client may take whatever action he or she deems appropriate.

### **FINANCIAL INFORMATION**

As previously discussed in this brochure, KMA provides financial planning and investment management services on a discretionary basis for which the clients are billed annually in advance. If a client terminates his or her financial planning or investment advisory agreement prior to its anniversary date, the client is reimbursed any unearned fees.

Neither KMA nor its Advisors have ever petitioned or been subject to bankruptcy proceedings, and there are no financial conditions that would prevent KMA or its Advisors from meeting any contractual commitment to its clients.