



**Kravitz Investment Services, Inc.  
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**Form ADV, Part 2A Brochure**

March 27, 2015

This brochure provides information about the qualifications and business practices of KPlans, Inc. If you have any questions about the contents of this brochure, please contact us at 818.325.3000. 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.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that KPlans, Inc. or any person associated with KPlans, Inc. has achieved a certain level of skill or training.

Additional information about KPlans, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - MATERIAL CHANGES**

**Revised March 27, 2015**

The purpose of this page is to inform you of material changes since the last annual update to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

KPlans, Inc. ("KPlans") reviews and updates our brochure at least annually to confirm that it remains current. Below is a summary of the material changes KPlans made since the last annual update to the brochure.

Material changes from KPlans' brochure dated March 27, 2014:

### ***COVER PAGE***

We have changed our website to <http://kplansinc.com>.

### ***ITEM 4 – ADVISORY BUSINESS***

Kravitz Investment Services, Inc. ("KIS") is a manager of a series of Reliance Trust Collective Investment Trust funds (CITs).

### ***ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS***

KPlans now conducts insurance activities as KPI Insurance Services.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

KPlans, Inc. (“KPlans,” “we,” “our” or “us”) is a privately owned corporation headquartered in Encino, California. KPlans is registered as an investment adviser with the U.S. Securities and Exchange Commission.

Louis Kravitz founded the firm Louis Kravitz & Associates in 1977. Now called Kravitz, Inc., the firm provides actuarial and consulting advice on the design and administration of retirement plans. In 1995, Lou’s son Daniel Kravitz joined the firm, and in 2004, he became President, bringing with him a new vision for the firm in the rapidly transforming field of retirement plans.

Dan and Lou also decided to form a sister company to better serve their plan clients by providing unbiased investment advisory services. They enlisted the help of Steve Sansone to form the firm now known as KPlans, Inc. as a registered investment adviser in 2005.

In 2008, KPlans partnered with Payden & Rygel to launch an investment strategy designed exclusively for Cash Balance Plans. At the end of 2010, Lou Kravitz stepped down as Chairman of KPlans, Inc. and transferred his ownership interest to Dan. Currently, Dan Kravitz and Steve Sansone are the owners of the firm.

### Advisory Services Offered

#### Consulting Services

KPlans specializes in providing highly focused fiduciary investment consulting and education services to sponsors of qualified retirement plans and their plan participants. Working with plan sponsors and their Retirement Plan Committees, KPlans offers consulting services relating to plan structure, Recordkeeper selection, investment selection and review, and investment strategy. KPlans also provides investment management services for Defined Benefit and Cash Balance Pension plans.

We use our independence and objectivity as an Advisor to help plan clients find an appropriate vendor for the plan. We help confirm that the vendor’s pricing, investments, and services are competitive and reasonable in light of the services being rendered. KPlans can also help plan fiduciaries implement an investment selection and review process, which includes an investment policy statement and a quarterly monitoring and reporting process.

We describe the fees charged for our services below under **Item 5 - Fees and Compensation**.

#### Investment Oversight

ERISA (Employee Retirement and Income Security Act) imposes high standards of fiduciary duty upon those responsible for administering a retirement plan and investing its assets. ERISA requires that plan fiduciaries establish a prudent investment selection and monitoring process for their retirement plans.

Once accomplished, plan fiduciaries need to construct an investment menu that allows participants the opportunity to create portfolios that are appropriate to their goals and objectives. KPlans offers investment advisory services to participant directed and non-participant directed retirement plans and their plan sponsors.

For participant directed retirement plans, KPlans will recommend a range of investment options, generally in mutual funds and/or separate accounts managed by third party portfolio managers specializing in a specified asset class, to be made available to participants in the plan. When recommending separate accounts, we suggest that our clients consider several vendors. The named fiduciaries of the retirement plan are responsible for reviewing and approving these options. For non-participant trustee directed retirement plan clients, KPlans will recommend the investment options to the named fiduciaries of the retirement plan. KPlans offers quarterly monitoring of investment performance, unless a plan client agrees to an alternate protocol.

KPlans' recommendations are based on the investment strategy discussed below under ***Item 8 - Methods of Analysis, Investment Strategies, and Risk of Loss***. All recommendations we make will be in accordance with the plan's written investment guidelines and any legal and/or client restrictions. KPlans may assist the plan client with the preparation of a written investment policy statement that is based upon the plan's specific goals and objectives. All plan clients are responsible for informing KPlans of any changes to their investment policy statement, guidelines and any restrictions.

KPlans may also offer portfolio construction and/or educational services for participants of retirement plans. All services provided will be outlined in the written investment services agreement executed with each plan client.

KPlans' recommendations will primarily include mutual funds and may include separate accounts, depending on the options available through the plan vendor. We describe the material investment risks for the types of securities that we recommend under the heading ***Specific Security Risks*** in ***Item 8*** below.

We discuss the extent of our discretionary authority below under ***Item 16 - Investment Discretion***.

We describe the fees charged for our services below under ***Item 5 - Fees and Compensation***.

#### *Collective Investment Trust (CITs)*

Kravitz Investment Services, Inc. ("KIS") is the manager of three collective investment trust funds:

Reliance Trust Ultra Conservative Cash Balance Plan Fund  
Reliance Trust Conservative Cash Balance Plan Fund  
Reliance Trust Moderate Cash Balance Plan Fund

Reliance Trust is the trustee. KIS is the Investment Manager for the CITs, managing each of the funds utilizing a strategic asset allocation strategy.

We describe the fees charged for our services below under ***Item 5 - Fees and Compensation***.

### **Limitations on Investments**

KPlans recommends investments to qualified retirement plans. For certain bundled plan structures, KPlans is limited to those investment providers and investment options chosen by the plan administrator. Therefore, KPlans can only make recommendations to the plan client from among the available options, and will not recommend other securities, even if there may be better options elsewhere. Similarly, when KPlans is providing services to retirement accounts in an annuity structure, KPlans is limited to those investment options made available by the insurance company. No such limitations exist in an open architecture plan structure.

If desired, KPlans' services may include conducting a vendor search, providing information for the plan sponsor to compare the current vendor with other vendors.

### **Wrap Fee Programs**

KPlans does not manage accounts as part of a wrap or bundled fee program.

### **Assets Under Management**

KPlans provides continuous and regular investment supervisory services to plan clients. As of 12/31/2014, the amount of assets under our management was:

Discretionary Assets	\$ 13,314,783
<u>Non-Discretionary Assets</u>	<u>\$ 475,913,582</u>
Total Assets	\$ 489,228,365

## **ITEM 5 - FEES AND COMPENSATION**

### **Fee Schedule**

KPlans' fees for consulting and investment oversight are quoted to each plan client on a case-by-case basis, depending on the size of the account and the scope of services that KPlans will provide to the plan client. Fees may be a set annual dollar amount, an annual percentage of plan assets under advisement, hourly fees, or a combination of any of these. Fees are subject to negotiation. KPlans will enter into a written investment services agreement with each plan client that describes the scope of services that will be provided by KPlans and the fees we will charge for the services.

KPlans reserves the right to change the fee amounts and terms listed below at any time for new plan clients and upon prior written agreement with existing plan clients.

### Ongoing Fees

KPlans will generally charge an annual fee of up to 1.0% per annum of the value of assets under management, payable quarterly in arrears, subject to a minimum annual fee ranging from \$2,500 to \$5,000. The minimum fee may be higher in some cases, depending on the scope of services provided and the size and complexity of the retirement plan. Asset based fees are calculated based on the value of assets under management reported by the custodian as of the last business day of each quarter. Fees for partial quarters are prorated based on the number of days during the quarter that the account was under our management.

KPlans may also charge an hourly rate ranging from \$100 to \$300 per hour (or a per diem fee) for investment education meetings with retirement plan participants when this service is not included in the annual fee structure of the previous paragraph. KPlans charges either a fixed dollar amount or an hourly rate (ranging from \$200 to \$400 per hour) for consulting services in connection with special projects, such as conducting a full scope Vendor search for a Client. We reserve the right to charge for additional meetings or projects outside the scope of services provided for in the investment services agreement. Fees for these arrangements are individually negotiated and are fully disclosed in the written proposal between KPlans and the plan client.

KPlans may also generally charge for reimbursement of our out-of-pocket expenses (such as travel, messenger, production costs for plan specific educational materials, etc).

### Initial Set-up Fees

KPlans may charge an initial set-up fee in the first year KPlans is retained for services such as the initial review of the plan and its operation, meetings to discuss processes and procedures, analysis of a plan's existing investments, the creation or amendment of a plan's investment policy statement, etc. The initial set up fee generally ranges from \$500 to \$5,000, but may be higher or lower in individual cases, depending on the scope of services provided and the size and complexity of the retirement plan. Half of the initial set-up fee is usually due upon execution of the investment services agreement with the plan client, with the second half due upon the completion of the set-up services.

### Collective Investment Trust

Participating plans investing in the Trust will pay trustee fees, management fees and plan expenses. Each participant in the various classes of the Trust will pay a management fee of either 0.25%, or 0.35% to KIS on an annual basis depending on the fund share class. There may be instances where KPlans is also the Advisor to the plan and receiving an advisory fee. In such cases, KPlans will offset the advisory fee by any amount of management fees received by KIS. This mitigates the conflict of interest and maintains level compensation to KIS/KPlans. Plan participants should review the fact sheet provided for complete information on fees and expenses associated with the Trust.



## Payment Terms

Plan clients typically provide written authorization to the plan's record keeper to pay KPlans' fees per the agreement in place with the plan. Alternatively, plan clients may be invoiced for fees due. KPlans does not have the authority to instruct the custodian to withdraw our fees from the plan client's account. If plan clients wish to pay out of the account, the plan client must approve the fee and send payment instructions to the custodian. It is often possible to use plan assets to pay some of a plan's expenses. However, certain requirements must be met and there are some expenses that cannot be paid with plan assets. To avoid problems, plan clients should contact us or legal counsel before using plan assets to pay expenses.

In some cases, KPlans receives a commission or other form of payment from a third party as a result of the purchase of a product or service by a plan client. For example, when the plan is in an annuity structure, KPlans as a licensed insurance agency may receive insurance commissions for the products purchased by the plan client. Typically this type of practice presents a conflict of interest and gives individuals an incentive to recommend investment products based on the compensation they receive, rather than on a plan client's needs. To address this conflict, any commissions or other payments we receive will be applied as a credit to reduce the fees the plan client otherwise owes to KPlans. Any commissions or other payments we receive in excess of KPlans fees will be returned to the plan client and applied pursuant the terms of the plan. Additionally, plan clients have the option to purchase investment products that KPlans recommends through any broker or agent they desire. See **Item 10 – Other Financial Industry Activities and Affiliations** below for a description of fee sharing arrangements we currently have in place.

## Termination

Either party may terminate the investment services agreement upon sixty (60) days' written notice to the other party. The plan client may terminate the agreement by writing KPlans at our office. Upon termination of the agreement, KPlans will send a final billing statement to the plan client showing the amount of fees due for services provided. The final fees are due within thirty (30) days.

## Other Fees and Expenses Plan Clients May Pay

KPlans' fees do not include custodian fees. Plan clients pay all brokerage commissions, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account, which are in addition to the fees the plan client pays to KPlans. See **Item 12 - Brokerage Practices** below for more information.

In addition, any mutual fund shares held in a plan client's account may be subject to deferred sales charges, 12b-1 fees, and other fund-related expenses. Each fund's prospectus fully describes the fees and expenses. All fees paid to KPlans for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares. Consequently, plan clients with mutual

funds in their portfolios are effectively paying both KPlans and the mutual fund manager for the management of their assets.

KPlans may recommend the Payden/Kravitz Cash Balance Plan Fund to defined benefit and cash balance plans. KIS is a joint owner of the investment adviser to the fund, and therefore indirectly benefits when recommending the fund. In such cases, KPlans will offset the advisory fee for any remuneration received from Payden/Kravitz. This mitigates the conflict of interest and maintains level compensation to KIS/KPlans. For more information on our relationship with the fund, see **Item 10 – Other Financial Industry Activities and Affiliations**, below.

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

KPlans does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a plan client. However, KIS manages the Reliance Trust CITs, and separate accounts so there may be an incentive to favor one client over another resulting in conflicts of interest. For instance, KIS may receive fees from certain accounts that are higher than the fee we receive for managing the funds. In those instances, the portfolio managers may have an incentive to favor the higher fee accounts over the funds. This risk is mitigated by the fact that all investments are done exclusively in mutual funds. KIS believes these policies are reasonably designed to address the conflicts of interest.

## **ITEM 7 - TYPES OF CLIENTS**

KPlans provides investment services to retirement plans, including profit sharing plans, defined benefit plans, and cash balance plans, and to collective investment trust funds. As part of our services to the plan, we may also provide education to individual plan participants.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis and Investment Strategies**

KPlans seeks to help qualified retirement plans in developing a prudent investment decision making process. We assist plans with the creation of a written Investment Policy Statement (“IPS”), which outlines the processes for the selection, monitoring and evaluation of the investments in the plan, as well as the monitoring of investment-related services. A plan’s IPS will typically cover the following areas:

- Define the plan’s investment objectives;
- Define the roles of those responsible for the plan’s investments and related services;
- Establish investment selection procedures and criteria, and monitoring procedures;
- Describe procedures for handling investment options that fail to satisfy established objectives;
- Provide for appropriate diversification within and among investment vehicles; and
- Provide for services to assist the participants in making investment decisions.

Then, KPlans can assist the plan in implementing the investment process. We make recommendations regarding the investments or investments options to be included in the plan, in accordance with the plan's written investment guidelines and any legal and/or plan restrictions. KPlans offers ongoing investment monitoring services, providing quarterly analysis reports that evaluate the investment options within the plan based on the factors and methodology adopted by the plan sponsor.

### *Methods of Analysis for Selecting Securities*

The plan client's IPS will outline the investment selection and monitoring process adopted by the plan. KPlans assists plans by making recommendations of specific mutual fund investments for the plan or options for the plan to make available to participants consistent with the IPS. Criteria we use to evaluate funds may include time horizons, tenure of manager, size of fund, performance history, and risk analysis.

In addition, the IPS will identify an ongoing monitoring process to periodically review and confirm that the selection process and its criteria continue to be satisfied and that an investment option continues to be suitable and appropriate for the participants in the plan. KPlans reviews mutual funds on a regular basis to determine if they continue to meet the investment criteria identified. Funds that fail to adhere to these criteria may be placed onto a Watch List for further review or potential future termination. There are a variety of reasons that a fund may be placed onto the Watch List, including poor performance, high risk levels, concentration issues, style drift, manager turnover, stewardship issues, and high fees.

### **Collective Investment Trust**

KIS manages risk-based funds that seek to maximize returns for a given level of risk. Within the context of these objectives (Moderate, Conservative, Ultra Conservative), clients may select a fund that focuses on the issue of balancing return and market risk. Each fund is a "fund of funds" and will invest exclusively in a portfolio of mutual funds designed to provide broad diversification with a multi-manager mandate combining both absolute and relative return styles of management.

Selection criteria for investment selection within the collective funds may include, but are not limited to:

1. Style of management – absolute or relative
2. Style consistency within its respective asset class
3. Management tenure or manager expertise
4. Performance related criteria over various time frames either for the strategy in question or the manager's tenure
5. Brand of the firm complex or fund manager
6. Utilization of passive management

### **General Risk of Loss Statement**

Investing in securities always involves the risk that you will lose money. Before investing in the securities markets, investors should be prepared to bear that risk. Over time, an account's value will fluctuate, and

at any time, the account's assets may be worth more or less than the amount that was invested. Different types of securities and different asset classes involve different levels of exposure to risk. Retirement plans must take care to properly diversify plan investments, or to offer a broad range of investment options to allow participants to construct diversified portfolios.

## **Specific Security Risks**

### *General Risks of Owning Securities*

The prices of securities held in investment accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in an account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

### *Mutual Funds (Open-end Investment Company)*

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads).

The benefits of investing through mutual funds include professional management, diversification, affordability, and liquidity. Mutual funds also have features that some investors might view as disadvantages:

#### **Costs Despite Negative Returns**

Mutual funds charge investors sales charges, annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

#### **Lack of Control**

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades.

#### **Price Uncertainty**

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on

the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### *Different Types of Funds*

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called "fixed income" funds), and stock funds (also called "equity" funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the risk of loss.

#### *Money Market Funds*

Money market funds have relatively low risks, compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why "inflation risk," the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

#### *Bond Funds*

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

##### *Credit Risk*

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

##### *Interest Rate Risk*

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

##### *Prepayment Risk*

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to "retire" its debt and issue new bonds that pay a lower

rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### *Stock Funds*

Although a stock fund's value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same. For example:

#### Growth Funds

Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains. These funds favor companies expected to grow earnings and stock prices faster than the economy, and may be smaller and less seasoned companies. The smaller and less seasoned companies that may be in a growth fund have a greater risk of price volatility. Growth stocks, which can be priced on future expectations rather than current results, may decline substantially when expectations are not met or general market conditions weaken.

#### Income Funds

Equity income funds stress current income over growth, and may invest in stocks that pay regular dividends. These funds are subject to dividend payout risk, which is the possibility that a number of the companies in which the fund invests will reduce or eliminate the dividend on the securities held by the fund.

#### Small Cap Funds

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have higher risk of failure, and are not as established as larger blue-chip companies are. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

#### Mid Cap Funds

Funds that invest in companies with mid-range market capitalizations involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

#### Index Funds

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all—or perhaps a representative sample—of the companies included in an index.

#### International Funds

International investments are subject to additional risks, including currency fluctuation, political instability and potential illiquid markets.

### Emerging Market Funds

Funds that invest in foreign securities of smaller, less-developed countries involve special additional risks. These risks include, but are not limited to currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

### REIT Funds

REIT Funds include REITs within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans. REIT investments include illiquidity and interest rate risk.

### TIPS Funds

Treasury Inflation Protected Securities (TIPS) are inflation-indexed securities structured to remove inflation risk.

### *Tax Consequences of Mutual Funds*

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

### Cash and Cash Equivalents

Cash and cash equivalents are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

## **ITEM 9 - DISCIPLINARY INFORMATION**

KPlans and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. KPlans does not have any disciplinary information to disclose.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **Dual Registration as Insurance Agency**

KPlans is also licensed as an insurance agency in California doing business as KPI Insurance Services (insurance license number 0E77910). KPlans' personnel may be licensed as insurance agents of KPI Insurance Services. KPlans and our agents may sell insurance products to advisory clients and receive commissions on the sale of insurance products. As an insurance agency, KPlans' insurance commissions

may partially or fully replace our advisory fees. The insurance commissions we receive will be used to offset the advisory fees that a plan client owes to KPlans for investment advisory services. In all cases, our receipt of commissions is fully disclosed to the plan client. If we receive commissions related to a plan client that are more than the amount of the advisory fees the plan client owes to KPlans, we will refund excess fees to the plan.

### **Affiliated Third-Party Administrator**

Daniel Kravitz is the President of Kravitz, Inc., which provides actuarial and consulting advice on the design and administration of retirement plans. He spends a majority of his time in the management and operations of Kravitz, Inc.

KPlans may occasionally recommend that an advisory client consider the appointment of Kravitz, Inc. to serve as third party administrator or consultant to the plan client with respect to their existing retirement plans or the design of a new retirement plan. KPlans has a personal interest in recommending Kravitz, Inc., because Dan Kravitz, the President of our firm, has a significant ownership interest in both firms. Similarly, Kravitz, Inc. may recommend that a plan client retain KPlans as investment adviser or consultant. Kravitz, Inc. has a personal interest in recommending KPlans to a plan client, because Dan Kravitz, the President of Kravitz, Inc., has a significant ownership interest in both firms.

### **Affiliated Investment Adviser**

KIS is a 50% owner of Payden/Kravitz Investment Advisers LLC ("Payden/Kravitz"), an SEC registered investment adviser. Payden/Kravitz is a joint venture between Kravitz and Payden & Rygel, an unaffiliated SEC registered investment adviser.

Payden/Kravitz provides investment advice to the Payden/Kravitz Cash Balance Plan Fund ("Payden/Kravitz Fund"), a registered mutual fund. The Payden/Kravitz Fund is designed as an investment vehicle for cash balance pension plans.

Dan Kravitz is Co-Chairman and Director of Payden/Kravitz and is also a co-portfolio manager of the Payden/Kravitz Fund. Steve Sansone is Co-President and Director of Payden/Kravitz.

KIS personnel may participate in meetings to discuss the Payden/Kravitz Fund with unrelated licensed securities representatives and cash balance plans who are potential fund investors. If the cash balance plan chose to invest in the Payden/Kravitz Fund, the licensed representative would sell shares to the investor through the brokerage firm he/she represents. KPlans does not receive any commissions or direct compensation for recommending the Payden/Kravitz Fund; however, we do receive an indirect benefit as a 50% owner of the investment manager to the Payden/Kravitz Fund. See ***Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*** for our policies addressing these conflicts of interest.



## Other Industry Activities

Steve Sansone, KPlans' Vice-President, is also a member of the Board of Directors of the Bank of Santa Clarita (the "Bank"). KPlans and the Bank are not affiliated entities. At times, Steve or another officer of KPlans may refer clients in need of banking services to the Bank, and the Bank could potentially refer its clients in need of investment advisory services to KPlans. The Bank of Santa Clarita also serves as the custodian for some KPlans clients. KPlans does not conduct shared operations or have shared premises with the Bank of Santa Clarita, and Steve has no authority or ability as a member of the Bank's Board of Directors to access client funds held at the bank. In the construction of portfolios for its Defined Benefit or Cash Balance Clients, KPlans may utilize the Bank's Money Market account or CDARS program if it provides an enhanced interest rate return for KPlans Clients. In those instances, KPlans would have access to either invest the Client's assets into the Bank's Money Market Account or request that money be transferred or pulled from the Client's Money Market account in order to be properly allocated in an established Custodian account within a global asset allocation strategy that KPlans has created for the Client. We have no reason to believe that this activity creates a conflict of interest for our clients or presents a time burden on Steve's required duties to KPlans and our clients.

## ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

### Code of Ethics

KPlans believes that we owe plan clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our plan clients ahead of the interests of the firm and our personnel. KPlans has adopted a Code of Ethics that emphasizes the high standards of conduct that KPlans seeks to observe. KPlans' personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

KPlans' Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. KPlans' personnel are required to follow clear guidelines from the Code of Ethics in areas such as gifts and entertainment, other business activities, and adherence to applicable securities laws.

KPlans will provide a complete copy of the Code of Ethics to any plan client or prospective plan client upon request.

### Personal Trading Practices

Additionally, KPlans personnel are subject to personal trading policies governed by the Code of Ethics. KPlans and our personnel may invest in mutual funds that we also recommend to clients. Mutual funds do not trade but are issued and redeemed once daily at the fund's net asset value ("NAV"). Therefore, we believe that our personal transactions in mutual funds do not present a conflict of interest to our plan clients.

## Participation or Interest in Client Transactions

KPlans personnel may participate in meetings to discuss the Payden/Kravitz Fund with potential fund investors, as described under ***Affiliated Investment Adviser*** in **Item 10** above. KPlans does not receive any commissions or direct compensation for recommending the Payden/Kravitz Fund; however, we do receive an indirect benefit as a 50% owner of Payden/Kravitz, the investment manager to the Payden/Kravitz Fund, because Payden/Kravitz receives advisory fees for managing the fund.

There may be occasions in the investment advisory services provided to Defined Benefit and Cash Balance retirement plan clients where we may utilize the Payden/Kravitz Fund as part of an overall asset allocation strategy, up to 100% of the total allocation. In those occasions when we utilize the Payden/Kravitz Fund in the investment advisory services for our Defined Benefit and/or Cash Balance Plan clients, we will offset our fees by any revenue we received from the Payden/Kravitz Fund so that we do not receive dual fees.

As manager of the Reliance Trust CITs, KIS intends to invest a portion of the assets in the Payden/Kravitz Fund, which represents a conflict of interest. To mitigate this conflict, KIS' portion of the management fee on the Payden/Kravitz Fund will be rebated to the CIT, which will eliminate the financial incentive to invest in the fund.

## ITEM 12 - BROKERAGE PRACTICES

KPlans maintains a number of market relationships with vendors and suppliers of various services to retirement plans and the companies that sponsor them. If a plan client does not have an existing retirement plan provider in place, or wishes to compare their current provider with others available, KPlans may recommend various plan providers, based on the needs of each plan. For large plans, KPlans' assistance in searching for a retirement plan provider may be part of the consulting services outlined in our agreement with the plan client, comparing alternative vendors for the plan's consideration. For other plans, KPlans may suggest vendor options that we feel might be appropriate for the investment style or structure of the plan, such as John Hancock Life Insurance Company or Great West Life & Annuity Insurance Company. KPlans is not affiliated with John Hancock or Great West. For plans held in their custody, these companies may pay KPlans' fees through insurance commissions or other form of payment on the plan's purchase of products or services. Any payments we receive from John Hancock or Great West will be used to offset the advisory fees that the plan client would otherwise owe to KPlans. The plan client may choose any retirement plan provider they desire to serve the needs of the plan.

## ITEM 13 - REVIEW OF ACCOUNTS

### Account Reviews

All accounts are reviewed at least quarterly and more frequently if information is obtained that warrants concern. Such information could include, among other things, a change in the management of a given investment product, change in market conditions or change in a plan client's overall investment guidelines. Reviewers include the Client Relationship Managers. In addition, the reviewers contact plan

clients to conduct a plan review meeting with each plan client annually, usually in conjunction with presenting a written investment monitoring report. KPlans also offers to provide or coordinate education meetings for plan participants to those plan clients who contract for these services.

## **Account Reporting**

KPlans prepares and sends investment monitoring reports to plan clients that outline and review investment performance and asset allocation on a quarterly basis. The Client Relationship Managers review the reports prior to delivery. In addition, plan clients receive account statements at least quarterly from their custodian, which includes all holdings, all transactions made and any fees (including advisory fees) that were deducted from the account, during the statement period.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

### **Paid Referrals**

KPlans may enter into agreements with affiliated parties (solicitors), including officers and/or employees of KPlans and/or of our affiliated firm Kravitz, Inc. to refer plan clients to KPlans for a referral fee. If an affiliated solicitor introduces a plan client to KPlans, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. The amount of any referral fee KPlans pays to a solicitor will not increase the fee paid by the plan client. Any affiliated solicitor of KPlans will disclose the nature of the relationship to prospective plan clients at the time of the solicitation and will provide all prospective plan clients with a copy of this brochure.

### **Referrals to and from our Affiliates**

In addition, as described above under ***Item 10 – Other Financial Industry Activities and Affiliations***, Kravitz, Inc., our affiliated third party administrator, may refer clients to KPlans for investment advisory services. Likewise, we may refer advisory clients in need of plan administration services to Kravitz, Inc. While we do not directly receive or make payments for these referrals, we do have an incentive to refer business between the firms, as Dan Kravitz, the President of both firms, has an ownership interest in each firm.

## **ITEM 15 - CUSTODY**

KPlans does not take custody of plan client funds or securities. A qualified custodian (generally a broker-dealer, bank, trust company, or other financial institution) holds the plan clients' assets. Plan clients may authorize the qualified custodian to deduct management fees directly from the plan or participants' accounts and provide them to KPlans; however, KPlans does not have the authority to independently direct the custodian to debit fees. In these cases, the custodian will determine and debit the fees based on KPlans' agreement with the plan client per the plan client's written authorization.

## ITEM 16 - INVESTMENT DISCRETION

KPlans generally does not accept discretionary authority over Defined Contribution retirement plan clients' accounts, unless we are asked specifically to do so. Currently, KPlans serves as an ERISA 3(38) Investment Manager on one plan. We make recommendations to retirement plans on what investments or investment options to include the plan. However it is up to the plan's named fiduciary to approve the recommendations we make. KPlans may accept discretionary authority over Defined Benefit retirement plan clients' accounts, in which case we will have the authority to select the investments utilized for the plan. In some cases, in our discretionary authority we may determine that it is appropriate to utilize the Payden/Kravitz Fund within the overall asset allocation of the plan or the Reliance Trust CITs (see **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading** for more information regarding our practices). Defined Benefit Plan clients may restrict the use of the Payden/Kravitz Fund or the Reliance Trust CITs.

## ITEM 17 - VOTING CLIENT SECURITIES

### Proxy Voting

KPlans does not accept the authority or responsibility to vote plan client securities. For accounts subject to ERISA, an authorized plan fiduciary other than KPlans will retain proxy voting authority. Plan clients may contact us with questions about a particular proxy vote, but KPlans will not be deemed have proxy voting authority solely as a result of providing advice or information about a particular solicitation. Plan clients will receive their proxies or other solicitations directly from their custodian or a transfer agent.

## ITEM 18 - FINANCIAL INFORMATION

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about the firm's financial condition. KPlans does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.