



Klaas Investment Portfolios

Klaas Financial

KLAAS FINANCIAL ASSET ADVISORS, LLC

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Klaas Investment Portfolios ("KIP")

Wrap Fee Brochure | February 25, 2016

This wrap fee program brochure provides information about the qualifications and business practices of Klaas Financial Asset Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 815-877-8440 or by email at info@klaasfinancial.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Klaas Financial Asset Advisors, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Klaas Investment Portfolios or "**KIP**" is the brand name under which Klaas Financial Asset Advisors, LLC, provides investment management or investment supervision services to its clients.



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Material Changes

Klaas Financial Asset Advisors, LLC ("Klaas", "we", "us", "our", "ours") delivers its Wrap Fee Program Brochure initially when we enter into an advisory agreement with you. We then offer or deliver our brochure on an annual basis, no later than April 29th of each year.

The last update to our brochure was dated March 18, 2015. We have made the following material changes to our Brochure since the last update:

- We have edited the Portfolio Management section to reflect that in addition to hiring third-party managers, Klaas may also act as an investment manager. Our existing client agreements already allow us to do so, but this was not reflected in our disclosure brochure previously.

Currently, our brochure may be requested by contacting us at (815) 877-8440, by emailing us at info@klaasfinancial.com, or by visiting klaasfinancial.com/klaas/downloads/ADV-Part-2A-Appendix-1-KIP-Wrap-Fee-Brochure-20160225.pdf. We will provide you with a copy of our current brochure at any time without charge.

Additional information about us and about our investment advisory representatives ("Advisory Representatives") is also available via the SEC's website at www.sec.gov.

Information about your Advisory Representative may also be found in the supplements to our brochure.

*Klaas Financial Asset Advisors, LLC
CRD Number 121399*



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Services, Fees and Compensation

Consulting Services

Each client has a financial consultant, who is an advisory representative of Klaas Financial Asset Advisors, LLC ("Klaas"). Clients who wish to participate in the Klaas Investment Portfolios ("KIP") wrap fee program will enter into an investment advisory agreement with Klaas.

Clients inform their financial consultants of the investment objectives, risk tolerance, and investment time horizon, and any investment policies, guidelines, or reasonable restrictions applicable to the assets they designate for investment through the Program. Based on the information provided, the financial consultant assists the client in selecting one or more of the investment strategies available through the Program ("Program Strategies") and allocating assets between or among Program Strategies, as applicable. Klaas may also directly manage clients' assets.

Our advisory representatives rely upon you to notify them of any changes in your objectives, goals and risk tolerances, as well as any other material changes in your personal circumstances (such as your employment, marital status, financial condition, etc.). These changes may prompt changes in your investment account and the investment strategies employed.

Portfolio Management

Klaas determines which Program Strategies are included in the Program. Program Strategies may be developed and managed by Klaas or by third-party money managers ("Money Managers"). Klaas has discretion to change the Program Strategies available through the Programs, replace a Money Manager, or add additional Money Managers at any time.

Clients, or Klaas on a client's behalf, will provide the Money Manager with the client's initial selection of one or more Program Strategies, and any reasonable investment restrictions the client has placed on the investments in the accounts. The selection of each Program Strategy will not be effective until accepted by the Money Manager. The Money Manager is entitled to decline management of an account for any reason. Client understands that an account may be unmanaged for a period of time before the account is both accepted by the Money Manager and funded to meet the Money Manager's minimum asset size for a particular Program Strategy, if applicable.

The Money Manager will manage Program accounts on a discretionary basis in accordance with the Program Strategy that the client or Klaas selects and on information provided by the client. Any restrictions on the management of an account imposed by a client may cause the Money Manager to deviate from the investment decision it would otherwise make in managing the account.

In addition to granting Money Manager investment discretion over the investments invested through the Program Strategies, the client grants Klaas discretionary authority to change the selection of any Program Strategy, add one or more additional Program Strategies to those previously selected, and reallocate assets among Program Strategies at any time. Clients generally authorize Money Managers to follow any instruction from Klaas regarding the selection of Program Strategies. Clients also grant Klaas discretionary authority to replace the Money Manager with one or more different Money Managers or to add additional Money Managers and Program Strategies at any time. Clients may also replace or add a Program Strategy by notifying their financial consultant. For any period between terminating an old Investment Strategy and acceptance by Money Manager of the designated assets into a Program Strategy, assets will not be managed, but the Program Fee will continue to be charged to the account as described below.



Execution of Trades

Each client will direct that transactions for the client's Program account be executed through a broker-dealer named by the client in the Program agreement. The financial consultants may be registered representatives of Investacorp, Inc., a broker-dealer; however, Investacorp, Inc. will generally not execute transactions for Program accounts.

Custody

An unaffiliated entity acts as custodian for Program Accounts. The custodian is named in the client's Program Agreement. In most cases Fidelity Institutional Wealth Services ("Fidelity") will act as custodian for Program accounts. Klaas does not have physical custody of your assets but may be deemed to have custody when you authorize us to deduct advisory fees directly from your account.

Fees and Compensation

Each account in Program will generally be charged an asset-based fee ("Program Fee") on a quarterly basis, in arrears. The Program Fee will be calculated based on the value of the Program Assets in the account at the end of each calendar quarter. The rate used to calculate the Program Fee is subject to negotiation between the financial consultant, Money Manager and each client. The actual fee rate paid by the client will be set forth in the client's Program Agreement.

The Program Fee rate is a flat annual fee rate (maximum rate of 2.50%). The Program Fee will generally be charged in arrears. Certain clients may also be charged monthly rather than quarterly. Whether the Program Fee is charged quarterly or monthly, is set forth in the client's Program agreement.

Any party at any time upon written notice may terminate the Program Agreement, and the Program Fee will be calculated based on the value of the assets as of the close of business on the last business day before the account balance is transferred from the account or the account is closed and the proceeds returned to client. In this case, the fees will be prorated based on the number of calendar days in the quarter prior to account termination and/or closure, and Program Fee payments will be due and assessed upon the account termination or closure date.

The Program Fee will typically be charged as a single or "wrap fee." If the Program Fee is charged as a wrap fee, it covers the consulting services provided by Klaas, the financial consultant, the portfolio management services provided by the Money Manager(s), execution of transactions through the broker-dealer named in the agreement and custodial services (unless otherwise agreed between the custodian and the client). Klaas or the financial consultant will generally pay the broker-dealer a transaction charge for each trade in the account. The cost of these trades is covered by the Program Fee. Thus, financial consultant (or Klaas) will earn more compensation if fewer transactions are executed for the accounts. This conflict of interest is mitigated because the Money Manager manages these accounts in the same way that they manage all accounts in the Program Strategies regardless of whether the financial consultant or investment adviser pays the transaction charges.

The Money Manager's portion of the Program Fee for providing program services may range from 0% to 1.00%, as set forth in the agreement with the Money Manager. The Money Manager may share its fee with third parties that it contracts with to provide it with services in connection with the accounts. Money Man-



ager may also share a portion of its fee with Investacorp. Inc. to cover certain administrative costs incurred in connection with the Program.

Certain clients may be charged certain components of the Program Fee separately. Certain clients may be charged one fee that covers all of the services covered by the Program Fee except for execution of transactions and custodial services, which the client will pay for separately. Certain clients may be charged the portions of the Program Fee owed to Klaas and the Money Manager separately. Some clients may be charged a separate asset-based fee for execution of transactions through the broker-dealer named in the agreement and for custodial services and other clients may pay separate transaction charges and custodial fees. The fee structure will be set forth in the Program agreement or in other documents provided to the client.

The Program Fee does not cover:

- Brokerage commissions or other charges resulting from transactions not effected through the broker-dealer named in the client's Program agreement
- Any internal management operating fees or expenses imposed or incurred by a mutual fund or other pooled investment vehicle
- Any additional custodial services contracted for directly by the client with the custodian
- "Mark-ups" and "mark-downs" or "dealer spreads" that broker-dealers, including affiliates of Money Managers, may receive when acting as principal in certain transactions
- Certain costs or charges that may be imported by the broker-dealer or custodian named in the client's Program agreement or third parties, including costs associated with exchanging foreign currencies, odd-lot differentials, IRA fees, transfer taxes, exchange fees, wire transfer fees, postage fees, and other fees or taxes required by law
- Performance fees charged in connection with the selection of certain strategies offered by particular Program Managers. If there is a performance fee charged in addition to the Program Fee in connection with a particular strategy, it will be described in an addendum to the Program Agreement. Because the performance fee is in addition to the Program Fee, the selection of a strategy that entails a performance fee will typically result in the client paying more for services under the program that the client would pay if the client selected a different Program Manager or strategy. A performance fee may create an incentive for the adviser receiving the fee to make riskier or more speculative investments. Only "qualified clients" as defined under the Investment Advisers Act of 1940 rules are eligible to select Program Managers or strategies that entail a performance fee.

Further, to the extent that cash used for investment through Program comes from redemptions of the client's mutual fund or other investments outside of Program, there may be tax consequences or additional cost from sales charges previously paid and redemption fees incurred. Such redemption fees would be in addition to the Program Fee on those assets.

The broker-dealer and/or custodian will receive payments from certain mutual funds (including money market funds) pursuant to a Rule 12(b)-1 distribution plan or other such plan as compensation for distribution or administrative services and are distributed from the fund's total assets. These fee arrangements will be disclosed upon request of a client and are available in the applicable fund's prospectus. The fees received by the broker-dealer create a conflict of interest. In addition, the broker-dealer receives compensation in con-



nection with cash held in the account. The broker-dealer receives additional compensation from the custodian based on the value of credit balances in the accounts. If cash is swept into a money market fund, the broker-dealer receives compensation based on the value of assets in these funds as broker-dealer.

The financial consultant recommending the Program to the client may receive more compensation than if the client participated in other programs or services offered by Klaas or paid separately for investment advice, brokerage, and other services. Thus, the financial consultant may have a financial incentive to recommend the Program over other programs or services.

The Program may cost a client more or less than purchasing such services separately depending on the frequency of trading in the Program accounts, commissions charged at other broker-dealers for similar products, fees charged for like services by other advisers and broker-dealers, the fee structure of the account and other factors.

Account Requirements and Types of Clients

We typically do not require a minimum amount of assets to open an account in the Program; however, we may require clients to have a household investment balance of \$100,000. This minimum balance requirement may be waived, or may vary depending on the Money Manager or investment strategy.

The Money Manager may waive these minimums under certain circumstances. Should the market value of the assets in a Program Strategy fall below the stated minimum, the Money Manager will have the right to require that additional monies be deposited to bring the Program Strategy account value up to the required minimum, or client the Program Strategy account.

The following types of clients may participate in Program: individuals, including high net worth individuals and families, including small business owners, pension and profit sharing plans, including the plan participants, trusts, estates and charitable organizations, corporations or other business entities, Taft-Hartley plans, and not for profit entities.

Only clients who meet the definition of "qualified client," as set forth in Rule 205-3(d)(1) of the Investment Advisers Act of 1940 will be able to select strategies that have a performance fee in addition to the Program Fee.

Portfolio Manager Selection and Evaluation

Klaas selects the investment models or strategies available as Program Strategies. Program Strategies may be offered by Klaas as Money Manager, or by third-party Money Managers. Money Managers may manage accounts outside of the Program using investment strategies not available in the Program.

In determining which investment strategies will be available in the Program, Klaas generally employs a multi-phase approach to researching and selecting suitable investment strategies and Money Managers. Klaas may also rely on the due diligence information provided by the Money Managers when conducting research. Third-party Money Managers are evaluated using data and information from several sources, including the manager and, if available, independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed are the manager's disclosure documents, marketing brochures, due diligence questionnaires and other relevant information that help demonstrate the manager's investment process. Klaas does not, however, verify the accuracy of the information provided to our firm with outside data sources.



Manager performance is monitored by Klaas. Managers who under-perform relative to the applicable asset class and or style will likely be removed from the program. Klaas practices careful judgment and discretion when determining whether to include each Manager in the program. However, Klaas does not independently verify Manager returns, but rather relies on the returns presented by the Manager and/or third-party sources.

Financial consultants recommend Program Strategies for particular clients based on investment objectives, risk tolerance, time horizon, asset size, any investment restrictions the client may wish to impose, any investment guidelines or policies that the client may have or other factors that may make a particular Program Strategy suitable for the client.

Klaas has discretionary authority to replace any Money Manager with a different Money Manager with respect to all or a portion of the client accounts that are being managed by a Money Manager. Klaas also may add one or more additional Money Managers at any time. Factors that would cause Klaas to replace a Money Manager may include but are not limited to the following: the manager does not perform as well as other managers with a similar investment strategy or style, a change in management personnel or a change in their strategy or discipline that is deemed no longer beneficial to Klaas or the client, the determination of significant risk or impairment as discovered through due diligence, a significant regulatory deficiency, or a violation of the terms of agreement held between the manager and Klaas. Clients may also replace or add a Manager by notifying Klaas in writing of both the new Manager and the Manager to be replaced, if applicable, subject to acceptance by Klaas. For any period between terminating an Old Manager and acceptance of the account by a New Manager an account will be not be managed, but the Wrap Fee will continue to be charged to the account.

Klaas may provide clients with information about Money Managers and Program Strategies. The information may be prepared by Klaas, the Money Manager, or by a third party and is based on and/or incorporates information provided by Money Managers and other third-party sources. Klaas believes that this information is accurate; however, Klaas does not independently verify or guarantee the accuracy or completeness of the information. Klaas shall have no liability with respect to information provided by Money Managers. Performance information may be included in the information provided by Klaas or may be provided by Money Managers. This performance is calculated by the Money Managers themselves or by third parties. This performance is not calculated or verified by Klaas or by any third party at Klaas's request. Thus, this performance may not be calculated on a uniform and consistent basis.

Clients will receive the Money Manager's disclosure document. Clients should review the Money Manager disclosure document carefully for important information about the Money Manager, including risks associated with the selected Program Strategies. The Money Manager is solely responsible for the truthfulness, completeness, and accuracy of its own disclosure document. Klaas shall not be responsible for any act or omission of any Money Manager or any misstatement or omission contained in any document prepared by any Money Manager or any loss, liability, claim, damage, or expense, whatsoever, as incurred, arising out of or attributable to such misstatement or omission or any other action or omission by a MoneyManager.

Individual Needs of Clients and Restrictions

As described in "Services, Fees and Compensation" above, clients inform their financial consultant of their investment objectives, risk tolerance, and investment time horizon and give their financial consultant any applicable investment policies, guidelines, or reasonable restrictions. Based on this information, the financial consultant assists the client in selecting or selects Program Strategies for the client.

Clients may impose restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. A client also may request that the Money Manager manage the client's assets in accordance with client-specified investment guidelines or policies or otherwise implement a strategy in the client's account in a manner that may differ from that in which



the Money Manager would otherwise implement the strategy in the account. The financial consultant will communicate any restrictions or guidelines imposed by the client to the Money Manager. The Money Manager may reject the restriction or the account if the manager deems the restriction to be unreasonable.

In the absence of client-specified investment restrictions, guidelines or policies and/or other modifications the Money Manager will generally manage accounts in a manner very similar to that of other clients who have selected the same Program Strategy.

Clients must promptly inform their financial consultant of material changes in their financial circumstances or investment objectives. The financial consultant will periodically discuss, at least once a year, whether the management of the account continues to reflect the investment objectives and financial requirements of the client.

Other Types of Accounts

Klaas provides advice through other programs and services, which include other Program Fee programs. These programs and services are described in different disclosure documents which are available upon request.

Performance-based Fees

Neither Klaas nor any of its supervised persons receives performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client. However, certain third party managers who provide model portfolios to Money Manager may charge and receive a performance-based fee in connection with certain Program Strategies. The Money Manager generally calculates the performance fees in these situations and directs the custodian to deduct the fees from client accounts. However, the Money Manager does so only on behalf of the third party model manager and does not retain any portion of the performance-based fees for the services it provides under the Program.

Methods of Analysis, Investment Strategies and Risk

Each Program Strategy entails varying degrees of risk. There can be no assurance that a particular Program Strategy will be successful or that clients will not suffer losses. Results generated by each account will differ, and the investment advice provided to an individual will differ from client to client. Investment performance is not guaranteed, and Money Manager's past performance with respect to a client's account or other accounts does not predict future performance. For more information about the methods or analysis, investment strategies and risk, see the Money Manager's disclosure brochure.

Voting Client Securities

The Money Manager will vote proxies for securities held in the accounts, unless a client specifically reserves the right to vote proxies in writing. This delegation to the Money Manager may be revoked at any time by written notice to the Money Manager. The Money Manager has proxy voting policies and procedures which contain guidelines in order to minimize conflicts of interest and to ensure that it votes proxies in a manner consistent with the best interests of its clients. A copy of these policies and procedures is available upon request. Further, clients may obtain information from the Money Manager on how their proxies were voted by submitting a written request to Klaas, who will forward it to the Money Manager.

Client Information Provided to the Money Manager

As described in "Services, Fees and Compensation" above, clients inform their financial consultant of their investment objectives, risk tolerance, and investment time horizon and give their financial consultant any applicable investment policies, guidelines, or reasonable restrictions. Based on this information, the financial consultant assists the client in selecting, or selects for client, one or more Program Strategies. The Money Manager will manage client's assets in accordance with the selected Program Strategy or Strategies on a discretionary basis. The financial consultant informs Money Manager which Program Strategies have been selected for each client in the account opening paperwork. The financial consultant also provides the Money Manager with information about the client. The financial consultant is responsible for communicating any



changes to the Program Strategies selected or client information to the Money Manager.

Clients may impose restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. The financial consultant will communicate any restrictions imposed by the client, or any changes to these restrictions that the client makes, to the Money Manager. The Money Managers may reject the restriction or the account if it deems the restriction to be unreasonable.

Client Contact with the Money Manager

Clients are encouraged to contact their financial consultant to arrange for a consultation with the Money Manager. Clients are also free to contact the MoneyManager directly.

Additional Information

Disciplinary Information

There are no legal or disciplinary events that are material to an evaluation of Klaas's advisory business.

Other Financial Industry Activities and Affiliations

Investment Adviser Representatives associated with Klaas are securities licensed through Investacorp, Inc., a registered broker/dealer, member FINRA, SIPC. Investacorp, Inc. and Klaas are not affiliated. Clients are not obligated to execute securities transactions through these individuals. However, should clients choose to execute securities transactions through these individuals, then clients are advised that they will pay a commission to them and a conflict of interest exists.

Investment Adviser Representatives associated with Klaas are insurance licensed to offer fixed insurance products through various insurance companies. Clients are not obligated to execute insurance purchases through these individuals. However, should clients choose to execute securities transactions through these individuals, then clients are advised that they will pay a commission to them and a conflict of interest exists.

Investment Adviser Representatives associated with Klaas affiliated with Investacorp Advisory Services, Inc. (IAS) as an Investment Advisor Associate. In such capacity, the Investment Advisor Associate would receive compensation from IAS with regard to third party money managers and wrap type programs. As such, a conflict of interest does exist.

Certain of Klaas's principal executive officers and other individuals who determine investment advice given to clients are registered representatives of Investacorp, Inc., a registered broker-dealer. Investacorp Inc. is affiliated with Ladenburg Thalman Asset Management, Inc, a Money Manager that Klaas may recommend.

Code of Ethics and Personal Trading

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Viola-



tions, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

A copy of the Klaas Code of Ethics may be obtained by writing to: 4707 Perry Ridge Lane, Loves Park, IL 61111

Review of Accounts

Client accounts are reviewed at least periodically by Steven LaVerne Schou, Chief Compliance Officer, and Craig J. Klaas, Chief Financial Officer. Steven LaVerne Schou and Craig J. Klaas are the chief advisors and are instructed to review clients' accounts with regard to clients' respective investment policies and risk tolerance levels. All accounts at Klaas are assigned to these reviewers. Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

Klaas may provide clients with quarterly performance reviews of Program accounts. Klaas will not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter. Performance reviews are not a substitute for regular monthly account statements received from the custodian or Form 1099. Performance reviews should not be used to calculate fees or to complete income tax returns.

Client Referrals and Other Compensation

We may enter into written agreements with certain unaffiliated banks and credit unions to compensate them for referring clients to us. We will pay these entities (referred to as "solicitors") a percentage of the advisory fee that you pay us if it is determined that you have become a client of ours as a result of their direct or indirect efforts.

The payments we make to a solicitor will not result in an increase in the amount of the advisory fee that the referred client will pay.

Our solicitation or referral arrangements will comply with applicable laws that govern:

- the nature of the services provided;
- the fees to be paid;
- disclosure of solicitor arrangements to clients; and client consents, as required.

Additionally, we receive certain economic benefits as a result of our participation in the institutional brokerage programs of Fidelity Brokerage Services, LLC ("Fidelity"). These benefits include products and services that assist us in managing and administering client accounts, including access to investments generally available to institutional investors, software, technology, and research. We will generally recommend Fidelity as the custodian for your KIP Wrap Fee Program Account. We are not affiliated with the custodians we recommend. We do not enter into soft dollar arrangements with any custodian. We may also receive non-economic benefit from Third Party Managers we utilize in the form of the support products and services they make available to us. The benefits we receive are more fully described in Klaas' Part 2A Disclosure Brochure in the section entitled "Brokerage Practices."

Financial Information

Klaas does not require prepayment of advisory fees six months or more in advance. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you. Klaas has never been the subject of a bankruptcy petition.

