



HK FINANCIAL SERVICES

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FORM ADV PART 2 BROCHURE

This firm brochure provides information about the qualifications and business practices of HK Financial Services, Inc. (HKFS). If you have any questions about the contents of this brochure, please contact us at 563-582-2855. The information in this firm brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about HKFS is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for HKFS is 106237.

HKFS is a Registered Investment Adviser. However, registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

SUMMARY OF MATERIAL CHANGES

This "Summary of Material Changes" section addresses only material changes since our Brochure was last delivered to you or posted on the Securities and Exchange Commission's (SEC) website (see the cover page for the SEC website address). We provide updates regarding material changes, if any, at least annually. If we have no material changes, this Brochure will remain current. Please retain it until we provide you with an updated Brochure.

Material Changes:

As of December 31, 2016, HKFS managed \$2,671,264,731 in assets on a discretionary basis.

Additional copies of this Brochure are available without charge from the SEC website, or our website, www.hkfs.com. You may also direct a request in writing to our corporate office at 3390 Asbury Road, Dubuque, Iowa 52002, or by phone at 800-791-8994 or 563-582-2855.

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Advisory Business

Form ADV Part 2A, Item 4

Honkamp Krueger Financial Services, Inc., also doing business as HK Financial Services, Inc. and as HKFS ("HKFS", "us", "we", "our"), is an independent investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended ("Advisers Act"). Chris Kobes is the Chief Compliance Officer for our Registered Investment Adviser compliance program. We provide asset management and financial planning to individuals, families, retirement plans, institutions, businesses, and other organizations. HKFS was founded in 1995 by the partners of Honkamp Krueger & Co., P.C. As a fiduciary, we owe a duty to act solely in the best interests of our clients ("Clients", "you", "your") and must disclose any conflicts that might limit or prevent us from meeting that duty.

Most of our Clients are referred to us by the Certified Public Accountants (CPAs) and CPA firms with which we affiliate, and many of the CPAs are themselves Investment Advisor Representatives (IARs) of HKFS. Our principal owners include CPAs, executive managers, and other employees, none of whom individually own more than 25% of HKFS.

OUR EXECUTIVE TEAM



Gregory Burbach, CPA, CFP® | Director

Managing Partner of Honkamp Krueger & Co., Greg earned a B.S. in Accounting from Western Kentucky University. He specializes in corporate, partnership and individual income tax preparation and consulting; estate planning; financial planning; financial statement preparation; general business consulting and management services; strategic planning and ownership and succession management. Greg is a Certified Public Accountant, a CERTIFIED FINANCIAL PLANNER™ practitioner, and a licensed insurance agent.

John Darrah, CFP®, CLU | Chairman of the Board & Chief Executive Officer

John earned a B.A. in Business Administration & Government from Monmouth College. He holds Series 7, 24, 51, 63, and 65 securities registrations and is a Registered Securities Representative with ProEquities, Inc. He is also a licensed insurance agent. John has earned the CERTIFIED FINANCIAL PLANNER™ certification, and holds the Chartered Life Underwriter designation and. He serves as Chair of the HKFS Management Committee along with serving on the HKFS Risk Management and Investment Advisory Committees. John joined the firm in 1996.



Louie Rosalez, CEPP | President



Louie earned a B.A. Degree in English and History from Buena Vista College. He manages all facets of the Insurance Division, Marketing, and New Business initiatives for HKFS. Louie holds Series 6 & 63 securities registrations and is a Registered Securities Representative with ProEquities, Inc. He is a licensed health and life insurance agent. He holds the Chartered Estate Planning Practitioner designation and is a multi-year qualifier for the premier Million-Dollar Round Table's Top of the Table demonstrating exceptional professional knowledge, strict ethical conduct, and outstanding client service. He serves as Chair of the HKFS Risk Management Committee as well as serving on the HKFS Management Committee. Louie joined HKFS in July 1998.

Ann McCorkindale, CFA, CFP® | Executive Vice President, Chief Investment Officer

Ann earned B.S. Degrees in Accounting and Business Administration along with a minor in Economics from the University of Dubuque. She manages the RIA Investments and RIA Operations teams, which consists of analysts and staff in the departments of investments and operations. Ann also assists financial professionals that service and support the high net worth clients of our Investment Advisor Representatives. Ann holds the Chartered Financial Analyst designation and has earned the CERTIFIED FINANCIAL PLANNER™ certification. She serves as Chair of the HKFS Investment Advisory Committee as well as serving on the HKFS Management Committee. Ann joined the firm in 1999.



Brian Cose, CFP®, CLU, AEP | Executive Vice President, Secretary, National Sales Manager

Brian earned a B.A. Degree in Political Science from the University of Northern Iowa. He manages our team of Financial Advisors and assists them in working with our HKFS CPA firm affiliates to design, implement wealth management, and transfer strategies for the clients of the affiliate CPA firms. Brian holds Series 4, 6, 7, 24, 63, and 65 Securities Licenses and is a Registered Representative with ProEquities, Inc. He is a licensed Health, Life, and Variable Insurance Agent. Brian has earned the CERTIFIED FINANCIAL PLANNER™ certification. He holds the Chartered Life Underwriter and Accredited Estate Planner designations. Brian joined HKFS in October 2000.

HKFS provides advisory services to help you achieve your financial goals. Within this relationship, we assist you in making asset allocation decisions, primarily investing in the stock, bond, and, cash markets. We select and monitor investment vehicles (with the advice of our Investment Advisory Committee), which may include mutual funds, exchange traded funds, and individual securities. They are then combined to offer a diversified portfolio. We rebalance your portfolios regularly to maintain the desired asset allocation. We encourage you to regularly review your asset allocation based upon changes to your own risk tolerance, personal situation, and goals, among other reasons.

HKFS creates and manages portfolios for you. Portfolios may include stock mutual funds, exchange traded funds, and bond mutual funds. Each portfolio may include funds representing various market segments, both domestic and foreign. Portfolios may have some customization designed specifically for you, including individual stocks, bonds and/or other securities. The balance of stock and bond exposure for each account will depend on your instructions included in your Investment Policy Statement (IPS).

HKFS carefully tailors advisory services to you, your personal needs, and your other unique circumstances. We assess your goals, risk profile, and time horizon in a variety of ways. HKFS utilizes stock and bond models that have recommended allocations to various styles and categories of securities. Our objective is to optimize performance and diversify, while at the same time reducing risk. Neither we, nor any other advisor for that matter, can guarantee that you'll achieve your particular objectives. Portfolios can be tailored to meet your concerns and needs, or to take into consideration other investments (for example, your family business or investments held elsewhere). You may direct us to restrict investing in certain securities or types of securities. Your directions are recorded in your IPS. Each IPS is reviewed and updated with you on an agreed upon schedule. We may include individual stocks and bonds. We may employ outside money managers with expertise in specific market sectors to assist with the management of certain securities. We may also utilize, to a limited degree, "derivatives," such as structured notes, collateralized mortgage and other debt obligations, as well as callable bonds and certificates of deposit to meet your needs.

HKFS does not participate in wrap fee programs.

As of December 31, 2016, HKFS managed \$2,671,264,731 in assets on a discretionary basis. This amount reflects what we believe to be fair market value for each asset, as reported to us by our various custodians, or by another independent pricing service. (See Investment Discretion on Page 12).

Fees and Compensation

Form ADV Part 2A, Item 5

For the advisory services we provide, HKFS collects an asset management fee for each account. This fee is a percentage of your assets under management with HKFS at the beginning or end of a calendar quarter. Your investment management agreement with HKFS states the fee you will pay and indicates whether your fee is paid in advance or in arrears, as well as how we calculate it. Our maximum fee schedule is illustrated below. We do have account and fee minimums. We negotiate fees on individual accounts, and for households with multiple accounts, that exceed one million dollars (\$1,000,000). Most accounts pay less than the maximum fee. Our fees and charges are explained in your investment management agreement.

For Advisory Services, the maximum fee schedule is as follows:

<u>Assets Under Management</u>	<u>Maximum Annual Fees</u>
\$1,000,000 and Under	2.50%
Above \$1,000,001	Negotiable

For Employer-Sponsored Retirement Plans, the maximum fee schedule is as follows:

Asset Management	Negotiable up to 1.5% of plan assets.
Custodial and Administrative Fees	Customized and separately disclosed per plan.

HKFS deducts annual fees from your assets. We generally manage accounts to have sufficient cash to cover those fees. We collect approximately one-fourth of the fee quarterly based on the value of your account at the beginning or end of each quarter, depending on the provisions of the investment management agreement. Retirement plan accounts have fees deducted in advance. With our approval, fees may be invoiced and paid by check.

In addition to our fees, you are also responsible for the internal management fees and charges associated with the mutual funds, exchange-traded funds (ETFs) and other securities we select for an account. The managers of such assets assess their fees and expenses against fund assets. When possible, we prefer mutual funds with low expense ratios that are no load or load-waived funds. We prefer low expense ETFs free of trading costs when deemed prudent. Some mutual funds have early redemption charges and short-term trading fees. We avoid incurring these costs when reasonably possible. If you purchase certain ETFs, mutual funds or individual securities, you may also incur transaction costs. You may also incur other fees such as custodial fees, termination fees, and wire fees. (Please see our section Brokerage Practices beginning on Page 9).

For retirement plans, the fees for custodial trading services are based on an agreement between HKFS and Fidelity Brokerage Services, LLC (Fidelity) and represent a pass-through of the fees assessed by Fidelity. Services include registration and custody of all plan securities, access to Fidelity's mutual fund platform, an automated trading link that integrates with the HKFS recordkeeping system, and other miscellaneous services. These fees are paid from the plan assets and charged pro rata to the plan each quarter. We separately disclose to retirement plan sponsors and participants various plan costs and fees - as required by the Department of Labor (DOL).

In some cases, we collect fees in advance (for example, employer-sponsored retirement plans). Your investment management agreement will indicate if your fees are collected in advance. If you terminate your advisory relationship with us before the end of a quarterly billing period, your asset management fee will be prorated for only those days that HKFS rendered services to you, including the day we receive notice. We will charge for the management days in the period, divided by ninety (90), times your fee rate, divided by four, times your balance at the beginning of the quarter. You will receive a credit to your account for the remaining days in the period or a check, if you prefer, depending on the notice you provide. We will send the check to the address used on your account statement, unless you timely instruct us otherwise.

Neither HKFS nor any of our supervised persons receive or accept compensation for the sale of securities or other investment products (including asset-based sales charges or service fees from the sale of mutual funds) inside your managed account.

Selling securities or other investment products for a commission presents a conflict of interest, giving us and our supervised persons an incentive to recommend investment products based on the compensation we receive, rather than on your needs. We address any such conflict by fully disclosing such fees in advance using formal disclosure forms. We discuss how such securities or other investment products may help you achieve your objectives, as well as possible alternatives, benefits, and costs. We do not exercise discretion on such transactions.

We may recommend securities or other investment products in a separate commission-based brokerage account through our association with the registered broker-dealer, ProEquities, Inc. In such cases, only our related persons that are licensed to sell securities products will receive compensation for such transactions. Any fees and compensation relating to such transactions will be disclosed to you in the course of the transaction. These assets may sometimes be placed in a managed account. You will not be charged an additional asset-based fee if we received compensation for the transaction.

You also have the option to purchase securities products that we recommend through other brokers or agents not affiliated with HKFS. If you do, they may charge the same or different fees or charges.

Most of our revenue from advisory relationships comes from asset-based advisory fees and not from transaction-specific commissions, markups, and other compensation from the sale of investment products.

HKFS does not charge commissions or markups on bonds and other securities we may buy for your managed account. HKFS strives to buy these assets at the best possible price by comparing prices from multiple sources. When possible, we will aggregate purchases to achieve better pricing. (See Brokerage Practices on Page 9).

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

"Performance Fees" are a type of compensation arrangement whereby the investment adviser receives compensation from a client based on a share of capital gains on or capital appreciation of the assets or a portion of the assets of a client. We do not accept performance fees. Instead, we base our fee on your account balance, meaning as your account grows, our fee grows too. However, we also have an incentive to grow your account, which may present a conflict of interest.

Types of Clients

Form ADV Part 2A, Item 7

We provide advisory services to individuals, pension and profit sharing plans (and their participants), trusts, estates, foundations and endowments, charitable organizations, corporations, and other entities. Being a fiduciary means we must manage each account in the best interests of the owner or beneficiaries.

We generally do not accept accounts less than \$50,000 because of practical considerations in managing small accounts. For example, certain mutual funds impose a minimum account balance. This limits our ability to properly allocate or rebalance an account across multiple asset classes. We use SEI Trust Company as the custodian for accounts under \$200,000, with a minimum annual fee of \$750. We use Schwab Advisor Services as the custodian for accounts of \$200,000 or more, with a minimum annual fee of \$3,000. (See Custody on Page 12).

We may waive single account minimums for households and for other clients holding multiple accounts with us of sufficient aggregate size if it makes business sense for us. We also have additional custodians available.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

ANALYSIS AND STRATEGIES

Investing in securities inherently involves risk of loss, which you should be prepared to bear. To deal with that risk, we employ three fundamental strategies: (1) allocating assets to meet long-term goals, (2) using broad diversification, and (3) holding allocations through market cycles while strategically adjusting style weights.

ASSET ALLOCATION

Studies have shown that asset allocation determines most of your return. Historically, stocks have earned a greater return than bonds, albeit with greater risk. Risk in this sense means price volatility. Therefore, the higher your allocation to stocks, the greater you can expect your long-term return to be, and the greater you can expect your risk to be.

HKFS financial professionals carefully analyze your needs and apply these findings and results to the management of your portfolio. These findings and the allocation decision will be documented in your IPS.

DIVERSIFICATION

Diversification is a major component of Modern Portfolio Theory (MPT). MPT is a theory that HKFS considers in our investment management. MPT attempts to maximize portfolio return for a given amount of risk by carefully choosing the proportion of various assets. We believe that it is important to diversify your stock and bond portfolios into different investment styles or segments. For example, a stock portfolio can be diversified into large or small capitalization stocks, growth or value stocks, and domestic or international stocks, while bonds can be diversified into long or short maturities or higher or lower quality bonds. By diversifying into a collection of investment assets that have diverse correlations to each other, we believe we can lower the overall risk of the entire account.

HOLDING THROUGH MARKET CYCLES

We do not believe that you will benefit over the long term if we move you in and out of markets based on market movements (called 'market timing'). We believe attempting to sell out of and buy back into any market is riskier than maintaining an allocation strategy through the cycles. Frequent and excessive trading may increase brokerage and other transaction costs as well as tax liability, while at the same time reducing

performance. However, we do believe that value can be added by strategically adjusting the weightings to different asset sectors over various market and economic cycles.

We have an Investment Advisory Committee (IAC), whose members have substantial experience, excellent career histories, as well as high technical and professional qualifications. They consider information we gather independently as a company, that we obtain from outside research, and that members obtain on their own. The IAC advises the Chief Investment Officer (CIO) on issues relating to adjusting allocations to different asset segments based on the outlook for the economy and markets. The IAC provides guidance in establishing policies and procedures to ensure proper diversification is achieved in your accounts. The IAC also provides account oversight (See Review of Accounts on Page 11).

OTHER METHODS OF ANALYSIS

We use a number of different investment vehicles in managing your portfolios. We analyze mutual funds and ETFs for their management, performance, and expenses. Manager tenure is important to consider as is fund performance on both a nominal and comparative basis. We compare performance to similar funds, an asset or market sector, and the markets as a whole. We monitor for changes and trends. We also are careful to keep trading costs and fund expenses reasonable.

When using individual securities, we are careful to include best-bid buying of securities, and to employ special orders when buying or selling securities or ETFs on an exchange. For example, limit orders may help secure a security at a marginally lower cost, or secure a minimum price on sale. We may use research from multiple companies such as Bloomberg, Credit Suisse, Morningstar, Charles Schwab and Standard & Poor's, among others, when making our decisions on individual investments and funds.

We also consider the economic and market climate when buying or selling investments. We may also consider the length of time securities are held in your taxable account to reduce the impact of transactions on your income tax. To improve tax efficiency of your account, we may time purchases and sales to match gains with losses, avoid buying capital gains, defer gains to another year, and to avoid wash sales.

RISK OF LOSS

As a firm that manages for the longer term, without frequent trading of securities, there is a material risk that we may hold stocks and bonds in your accounts during a prolonged period of generally suppressed security prices. By allocating assets among a wide variety of asset class, we may mitigate the risks of this strategy. By not attempting to time in and out of market cycles, we believe we are reducing the risk of missing a market turn.

There is a material risk that how we allocate assets among various areas and sectors of markets for any period may produce results below that of the securities markets as a whole. Diversification does not eliminate the potential for loss.

We primarily recommend actively-managed mutual funds and passively-managed ETFs. There is a material risk that we may choose funds that fail to perform as well as their peers, or that we allocate too much or too little to certain funds or market sectors. The types of risks among various types of funds differ substantially. We diversify for the purpose of reducing risk of owning specific companies or styles.

Disciplinary Information

Form ADV Part 2A, Item 9

We are required to disclose all legal and disciplinary events that are 'material' to you in evaluating our advisory business and the integrity of our related persons. The list of events requiring disclosure includes criminal and civil actions in domestic, foreign, and military courts. It covers past convictions and pleas (even those of "no contest"), as well as pending matters. It also covers a host of possible violations (including felony,

misdemeanor and civil), whether of statute or regulation, involving investments or investment-related business. Note that advisors may exclude events they do not consider 'material' under some circumstances.

Neither HKFS nor any of our related persons (including management and IARs) have any legal or disciplinary events to disclose that we believe are 'material' to you.

We must also disclose any administrative proceedings before the SEC, or any other federal or state regulatory agencies. The same is true of proceedings involving us or any of our related persons with any self-regulatory organization, such as the Financial Industry Regulatory Authority (FINRA), and the violation of the rules of these organizations.

Once again, neither HKFS nor any of our related persons have anything to report to you regarding any of these matters.

You can always view the CRD registration records for HKFS or any of our IARs through the SEC's Investment Adviser Public Disclosure (IAPD) website at www.adviserinfo.sec.gov or through FINRA's BrokerCheck database online at www.finra.org/brokercheck if the IAR is also a registered representative with ProEquities. Our IARD/CRD number is 106237 and the CRD numbers for IARs are listed alongside their biographical information in their respective Brochure Supplement document.

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

We want to share some information with you about our financial industry activities and affiliations beyond our primary business as an Investment Advisor. In order to conduct our advisory business, we form relationships or arrangements (and in some cases, our financial professionals form relationships) with a wide variety of organizations and professionals. The SEC requires that we share any such relationship or arrangement that is material to our advisory business. We must also disclose if a material conflict of interest with you results, describe the nature of the conflict, and how we address it.

In the next paragraphs, we discuss some of these relationships or arrangements.

The broker-dealer for our non-advisory brokerage business is ProEquities, Inc. Several of our related persons (including IARs and management) are either registered representatives or non-registered fingerprint persons of ProEquities. (See Advisory Business for the individual profiles of our executive team, which lists registrations, licenses, and other accreditations). Our relationship with ProEquities is material to our clients. ProEquities supervises the advisory business of our related persons associated with them because ProEquities considers it to be an outside business activity. We pay ProEquities a fee for this service. While ProEquities' brokerage operation is not material to the operation of our advisory business, ProEquities expects our related persons who are registered with ProEquities to sell products through ProEquities to you to generate commissions. When our related persons sell a brokerage product and generate a commission, it creates a conflict of interest. (See Fees and Compensation on Page 3, where we discuss our brokerage fee disclosure policy). To address this, we adhere to and monitor our adherence to the FINRA rules relating to client product suitability through our compliance training and review program. We also address this conflict by adopting, monitoring, and enforcing our Code of Ethics. (We encourage you to review our Code of Ethics). We have no material relationships with any government securities dealer or broker.

We have a material relationship with Schwab Advisor Services (Schwab) as the broker-dealer/custodian for our advisory business. We have a similar relationship with SEI Trust Company (SEI) for certain managed accounts, and with Fidelity Investments (Fidelity) for certain retirement plans. As they specialize in providing product and services to independent investment advisers, such as HKFS, we do not believe this creates a conflict of interest between us and you. (See Brokerage Practices on Page 9).

We have sub-management agreements with certain sub-advisors to help us monitor individual stocks and bonds. If you own such securities, you must agree to this monitoring service by signing a limited power of attorney allowing these firms to view your positions. These sub-advisors may also present securities for purchase or sale in your accounts, work for with which the sub-advisor may receive compensation. HKFS does not participate in or benefit from such fees, and conducts due diligence reviews to ensure stock and bond prices remain competitive with those that you could obtain from other sources. We exercise independent judgment that such securities meet your needs. We do not believe this relationship creates a material conflict of interest with you.

HKFS and our management personnel have a relationship or arrangement with Honkamp Krueger and Co., P.C. (CPAs and Business Consultants) (HK&Co.) and some of its shareholders that is material to our advisory business and to you. Partners of HK&Co. collectively own a controlling interest in HKFS. They also provide accounting services to us. Some partners of HK&Co. are also IARs with HKFS. As related parties, we have a conflict of interest because we may refer the services of each other for our collective financial benefit. We've addressed this conflict by adopting a Code of Ethics. (We encourage you to review our Code). We monitor and enforce our Code. We also create with you an IPS for your individual or household accounts to serve your interests. Adherence to your instructions in the IPS is reviewed by the IAC and our CIO.

HKFS, in addition to being an Investment Adviser, also offers insurance as a Managing General Agency/Agent for a number of carriers. We are licensed to do insurance business in most states. Some of our IARs may also be licensed to sell insurance. Many of the cases we handle are significant in size and complexity, and contribute to our profits. We and some of our IARs are appointed as brokers with various insurance carriers and may benefit financially, directly or indirectly, from a transaction in insurance. There is a material conflict with you when we or any of our IARs benefit from an insurance commission. We address this conflict in our Code of Ethics, particularly in the section entitled 'Sales Practices'. (We encourage you to review our Code). Our operating standard requires that we seek the product suitable for you and your financial situation. We conduct comparative quote and cost analysis as a matter of practice when placing a policy for you.

HKFS is also a Pension Consultant. We provide services relating to design, installation, recordkeeping, reporting, participant investment advice and education, asset management, plan level fiduciary services and plan administration on a fee basis. (See Fees and Compensation on Page 3). The plans we service contribute to our profits. The ability to meet your employer-sponsored retirement plan needs, in addition to asset management, may be materially important to you. We generally recommend we provide recordkeeping, investment management, and plan administration as a bundled service offering. This may be a conflict of interest since you could buy these services separately from other providers. We address this conflict by disclosing how our fees are calculated for each level of service we provide for each plan.

To conclude, we have no relationships or arrangements with the following types of organizations or persons, that are material to our advisory business, or material to you in evaluating us:

- Any investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund) - beyond employing such products in a client portfolio.
- Any other investment advisor or financial planner (although we do arrange for money management with select advisors for their expertise in specific market sectors).
- Any futures commission merchant, commodity pool operator, or commodity trading advisor.
- Any banking or thrift institution.
- Any lawyer or law firm.
- Any real estate broker or dealer.
- Any sponsor or syndicator of limited partnerships.

While we may recommend or select other investment advisors for money management for some or all of your assets (because of their expertise in specific market sectors) when we believe that is in your best interest, we do not receive compensation directly or indirectly from those advisors. When recommending other investment advisors, we consider their expertise, overall cost, performance history, and potential for enhanced

performance because of specialization, among other factors. Our fees are in addition to those of such an advisor.

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

CODE OF ETHICS

Form ADV Part 2A, Item 11

Pursuant to SEC Rule 204A-1, HKFS has a Code of Ethics ("Code") that promotes the fiduciary duty HKFS and our related persons (including management and IARs) owe to you. The Code lays out our standards of business conduct, and establishes policies and procedures to ensure our compliance with federal and state laws as well as to reduce or minimize potential conflicts. Our Code encourages us and our related persons to put your interests first, to maintain the confidentiality of your personal and sensitive information, and to prevent abuses of our position of trust at your expense. We provide our Code and related training to all of our employees as a part of new hire orientation, and then annually thereafter. Our related persons are required to attest that they have read and understand our Code, as well as to retain a copy to reference. A copy of our Code is available to you upon request. It is also posted on our website at www.hkfs.com.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

HKFS generally does not buy or sell for your accounts any securities in which we have a material financial interest. That would be a direct conflict of interest. HKFS generally does not invest your assets in securities designated by the SEC as "reportable securities" (for example, exchange-listed stocks), although you may direct us to buy and sell such securities in your IPS.

Our related persons may have an interest in client transactions insofar as they may personally invest in the same securities recommended to you. These transactions involve a conflict of interest as HKFS or our related persons may benefit from an increase in price from subsequent purchases by you. To address this conflict, we have policies placing restrictions on some of the personal trading activity of our related persons, as well as procedures requiring related persons to report their personal holdings annually and their personal securities transactions every quarter, among other requirements. Our Chief Compliance Officer monitors the personal securities activity of our related persons, especially those who recommend or place trades for your accounts. In addition, ProEquities independently supervises the personal trading activity of its registered representatives.

Brokerage Practices

Form ADV Part 2A, Item 12

HKFS does not maintain custody of your assets that we manage. Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We primarily use Schwab, SEI and TD Ameritrade for our advisory accounts, and Fidelity for our retirement plan accounts; we have less significant relationships with other providers. We are independently owned and operated and not affiliated with any qualified custodian. The qualified custodian will hold your assets in a brokerage account, and buy and sell securities when instructed by either us or you. (See Custody on Page 12). HKFS does not direct orders to certain broker-dealers/custodians in return for research or other benefits. Other than trade execution itself, HKFS does not receive research, or other products or services, from a broker-dealer/custodian or a third party in connection with your securities transactions - a practice referred to as "soft-dollar benefits".

HKFS does hold an annual conference for our IARs, Solicitors (see Client Referrals and Other Compensation on Page 12), and other CPAs in order to provide training about our services and programs, and to offer required continuing education credits. Mutual fund companies, insurance carriers, other investment advisors, and broker-dealers with whom we do business and with whom we place your investments provide financial

support for this conference. This financial support may be in the form of cash payments, logo-embroidered merchandise or guest speakers, among others. Cash payments have ranged from \$250-\$10,000. This financial support could present a conflict of interest. For example, Schwab provides competitive institutional rates for securities transactions in your account. You may obtain lower transaction costs from some broker-dealers, especially by using "online" accounts, such as Schwab Retail. (See Fees and Compensation on Page 3, where we discuss our practices for obtaining the best bid on the securities we sell for you and for shopping for competitive bond prices). Additionally, in exchange for agreeing to move our client money market balances over to cash sweep accounts of its banking division, we receive financial support from Schwab to cover any of our technology and marketing invoices through 2018; this support helps us to manage and further develop our advisory business, and might indirectly benefit you.

When investment advisors take advantage of soft-dollar agreements and use brokerage commissions (or security price markups or markdowns) to obtain research or other products or services, such advisors receive a benefit: they do not have to produce or pay for the research, products or services. Such advisors may have an incentive to select or recommend a broker-dealer based on their interest in receiving the research or other products or services, rather than on your interest in receiving most favorable execution. Such practices may cause you to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft-dollar benefits (known as paying-up). This is a potential conflict of interest by an advisor with your interests.

Our policy is not to engage in soft-dollar arrangements. Neither HKFS nor our related persons receive products or services acquired with your brokerage commissions (or markups or markdowns) from transactions on behalf of you. We do not direct your transactions to a particular broker-dealer in return for soft-dollar benefits. If our policy changes, we must disclose this as a material change in the way we do business. When selecting an advisor, you should consider the policy of a potential advisor regarding research and other soft-dollar benefits.

As noted above, Schwab provides financial support for our annual conference. Similarly, HKFS receives investment-related information, and both proprietary and third party research from the mutual fund companies whose funds we utilize, and from some asset managers such as Nuveen and Goldman Sachs, among others. We also receive this type of information from Schwab and SEI. This material is not provided on the basis of your brokerage commissions.

We are required by law to disclose if, in selecting or recommending broker-dealers/custodians, we consider whether HKFS (or a related person) receives client referrals from a broker-dealer or third party. An investment advisor may have an incentive to select or recommend a broker-dealer based on its own interest in receiving client referrals, rather than on client interests in receiving most favorable execution. We do not engage in this practice; it is a conflict of interest with our clients. Instead, we have adopted policies and procedures to ensure our clients receive favorable execution.

HKFS seeks to select a broker-dealer/custodian who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others: the capability to execute, clear and settle trades; breadth of investment products made available (e.g., stocks, bonds mutual funds, ETFs); quality of services; and competitiveness of the price of those services and willingness to negotiate them.

HKFS routinely recommends that clients custody their accounts with Schwab. Schwab is our recommended broker for clients without a bank custodian relationship because of their competitive commission schedule, effective trade execution platform, and the ability to aggregate client trades, which may benefit you. Schwab offers a wide variety of products and services at competitive institutional pricing, the benefits of which we can pass on to you. In that case, we execute transactions through Schwab. We do not receive compensation from Schwab for directed trades. That would create a conflict of interest with you. Not all advisors require you to direct brokerage, though some do. By directing brokerage, an advisor may be unable to achieve the most favorable execution of your transactions, and this may cost you more money. We have adopted policies and procedures to obtain the most favorable execution as often as practicable.

Schwab states on its website:

"Schwab Advisor Services is committed to providing best execution for your trades. Information regarding the routing destination and time of execution of your orders for up to a six-month period is available upon request.

In arranging for the execution of equities and listed options orders, Schwab Advisor Services seeks out industry leading execution services and access to the best performing markets. In this regard, Schwab Advisor Services has contracted with UBS Securities LLC and its affiliates ("UBS") for equity and options order handling and execution services, including access to UBS's state-of-the-art, algorithmic order routing capabilities. UBS manages the execution of most types of orders for which customers have not provided specific instructions (non-directed orders), including through the use of intelligent order routing technology for identifying the best available market. UBS executes Schwab Advisor Services orders on all major market centers, including exchanges, ECNs (electronic trading networks) and dealer markets, and may also execute orders as principal. UBS also provides execution services for most types of directed orders.

UBS routing and execution services are subject to Schwab Advisor Services' execution quality standards for achieving best execution. In certain circumstances, Schwab Advisor Services itself may route orders directly to a market for execution. Schwab Advisor Services considers a number of factors in evaluating execution quality, including execution price and opportunities for price improvement, market depth and order size, the trading characteristics of the security, speed and accuracy of the execution, the availability of efficient and reliable order handling systems, service levels, and the cost of executing orders at a particular market or firm. Schwab Advisor Services regularly monitors the execution quality provided by UBS and the various markets to which UBS and Schwab Advisor Services may route orders, to ensure orders are routed to markets that have provided high-quality executions over time."

HKFS generally aggregates purchases and sales of securities in your affected accounts whenever possible. We do this to secure any potential price benefit equally for you and our other clients. You may be given an opportunity to elect out of such trades when you consider it in your interest for tax or other reasons. Transaction costs are generally the same whether or not we aggregate trades. We aggregate purchases and sales of mutual funds for affected accounts when we choose or replace a mutual fund to represent an asset segment in our portfolio, change our asset class allocation, or when we re-balance accounts. All affected accounts receive the same price. If an aggregated purchase or sale order for such a security executes in pieces at different prices, we apply the average price to each account. A potential cost to you is that a non-aggregated order might provide a better price. It would be a potential conflict of interest to execute individual trades or allocate the results of aggregated trades to specific accounts as we might prefer one client over another.

Review of Accounts

Form ADV Part 2A, Item 13

HKFS reviews your account(s) periodically, and at least annually, to ensure we are managing your assets according to your current financial needs and to the directions laid out in your IPS. We review model accounts, re-balancing them as instructed, once, twice, or four times annually. Our IAC, CIO or staff, in some cases, compares all of our non-modeled accounts annually to an IAC-selected list of criteria. A group of accounts are reviewed each month, and a report of the results is sent to the IAC and CIO. Any discrepancies are reported to the advisor providing service to the account owner. Discrepancies are tracked until corrected, or your direction to maintain the discrepancy is recorded. Additionally, each advisor consults with you regarding each account upon a mutually agreed upon schedule. Your advisor may discuss your financial plans with you. We may also provide a client review as a way to formally structure your review process.

In addition to periodic reviews, we may review accounts annually to help you manage the impact of tax liability. We may also do *ad hoc* reviews of accounts that own a particular security when deemed appropriate. Reasons may, among others, include: unusually positive or negative news or price changes in a security; a merger or other corporate event; or a regulatory or civil action.

You receive reports monthly or quarterly from both us and your qualified custodian. Our reports may include the purchase date, cost, market price, realized gain or loss, unrealized gain or loss of your securities. We also report the change in value over time, including your additions and withdrawals. Please immediately report any difference between our report and that of your qualified custodian. We usually provide a written newsletter from the CIO with your HKFS statement. We also produce periodic client webcasts. These newsletters and webcasts are also posted to our website, www.hkfs.com.

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

The only compensation that HKFS receives is the asset management fee we charge you. HKFS does not receive any economic benefit from anyone who provides investment advice or other advisory services to you.

HKFS compensates other professionals (for example, CPAs, attorneys) to refer their clients to HKFS for advisory services ("Solicitors"). The use of referral compensation may constitute a conflict of interest. For referrals that engage HKFS for advisory services, HKFS will compensate the Solicitors a portion of the ongoing fee we collect from clients in accordance with a written agreement between HKFS and the Solicitor. HKFS will only compensate Solicitors that are licensed as investment advisor representatives, especially in states that require IAR registration and allow that practice.

Custody

Form ADV Part 2A, Item 15

HKFS does not have custody of your assets. We avoid taking custody of your assets as a further protection for you. Qualified custodians have custody of your assets. Your qualified custodian, as well as HKFS, will send account statements, at least quarterly to you. They will be sent to the email or postal mailing address you provided to us and the qualified custodian. We urge you to carefully review the account statements from the qualified custodian promptly and compare them with those you receive from us. If you find a discrepancy, please report it as directed on the face of our account statement.

Investment Discretion

Form ADV Part 2A, Item 16

We accept discretionary authority to manage investment accounts on your behalf. Before we assume such authority, you must execute an IPS detailing instructions for how we are to manage your accounts. You may prohibit any asset or market segment, and may limit the kinds of securities we use in managing you toward your objectives. Clients will also execute a trading authorization form with their broker-dealer/custodian, which defines the discretionary authority clients are giving us over their accounts. When you grant HKFS discretion, we buy and sell securities and change market segment weightings within your IPS guidelines.

We also manage some assets on a non-discretionary basis.

Voting Client Securities

Form ADV Part 2A, Item 17

In line with the fiduciary duty we owe to you and in accordance with SEC Rule 206(4)-6, HKFS maintains policies and procedures for voting security proxies.

You may grant us authority to vote securities in your accounts or else withhold that right for yourself. You may also elect to receive proxies or other solicitations directly. You may revoke that authority at any time. Depending on circumstances, you may receive your proxies or other solicitations directly from your qualified custodian or a transfer agent.

Our IAC monitors the proxy voting function. Our CIO supervises proxy voting by HKFS. As proxy materials are received, they are collected and reviewed for conflict of interest. When no conflict of interest is apparent, the CIO will direct votes to be cast according to the recommendations of the management of the company who issued the securities. If the CIO determines that an actual or potential conflict of interest exists, our CIO will direct that the vote be cast as "abstain". Abstentions are logged and reported to the IAC. Proxy statements and copies of voting cards are filed and maintained for at least 5 years. Our CIO and support staff assumes responsibility for filling your requests for information regarding proxy votes and maintaining records of such requests. Beginning third quarter of 2016, HKFS has engaged the proxy tabulation service, Broadridge's ProxyEdge, to vote and maintain records of all proxies.

For information on how a specific proxy was voted, you may contact our CIO or Chief Executive Officer. To request a copy of our policies and procedures document, contact your Investment Advisor Representative.

You may also direct a request in writing to our corporate office at 3390 Asbury Road, Dubuque, IA 52002, or by phone at 800-791-8994 or 563-582-2855.

In addition, HKFS has also contracted with Broadridge as a service provider to file Class Actions "Proof of Claim" forms. Occasionally, securities held in the accounts of clients will be the subject of class action lawsuits. We have retained the services of Broadridge to provide a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. Broadridge actively seeks out any open and eligible class action lawsuits. Additionally, Broadridge files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of our clients.

For more information, or if you would like to review any of these documents, you may contact our CIO or Chief Compliance Officer.

Financial Information

Form ADV Part 2A, Item 18

Advisors who require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance must provide a balance sheet prepared in accordance with generally accepted accounting principles (GAAP), audited by an independent public accountant with notes stating the principles used in its preparation. As we do not require nor solicit such prepayment, we are not required to provide a balance sheet for our most recent fiscal year.

The SEC requires we report if we have been the subject of a bankruptcy petition during the last 10 years. HKFS has never been the subject of such a proceeding. HKFS is not subject to any financial condition that is reasonably likely to impair our ability to meet our commitments to you.

