



Kelman-Lazarov, Inc.

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Form ADV Part 2A, Appendix 1 Wrap Fee Program Brochure

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This wrap fee program Brochure provides information about the qualifications and business practices of Kelman-Lazarov, Inc. (the "Firm"). If you have any questions about the contents of this Brochure, please contact us at (855) 273-6719 or jessica@kelman-lazarov.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state authority.

Additional information about the Firm is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for the Firm is 107727.

The Firm is an investment adviser registered with the United States Securities and Exchange Commission. Registration does not imply a certain level of skill or training.

Item 2 Material Changes

Below we disclose material changes that have been made to this Brochure since the last annual update of this Brochure filed March 29, 2016.

We have revised Item 9 to reflect that Kelman-Lazarov's investment adviser representatives are no longer associated as registered representatives of Cetera Advisor Networks, LLC ("Cetera"). Effective as of July 22, 2016, the representatives became registered representatives of Mutual Securities, Inc., an introducing broker-dealer, member FINRA/SIPC, headquartered at 807-A Camarillo Springs Road, Camarillo, California 93102. They also became licensed insurance agents of an independent insurance brokerage and are appointed to sell life and other types of insurance by various insurance companies.

FINRA Rules require that a broker-dealer supervise the participation of its registered representatives in securities activities, even when the representative is also acting as an investment adviser representative. For Kelman-Lazarov investment adviser representatives that are also registered representatives of a broker-dealer (referred to as "Dual Representatives"), each broker-dealer with which the Dual Representative is associated (collectively referred to as the "Broker-Dealer") will review the Dual Representative's client accounts, records, transactions, statements, and other items containing client personally identifiable information, and will make and retain books and records containing client personal information, whether or not the Client maintains an account with the Broker-Dealer or its clearing firm.

The Dual Representatives' current broker-dealer is Mutual Securities; however, the Dual Representative may change broker-dealer at any time without prior notice to the Client. Client personal information will be provided to the current Broker-Dealer and each successor Broker-Dealer for supervisory purposes pursuant to FINRA Rules, and the Broker-Dealer may retain the Client's personal information in its books and records, unless the Client exercises the right to "opt-out" of such disclosure as provided in Kelman-Lazarov's Notice of Privacy Policies (or fails to "opt-in," if the Client resides in California or Massachusetts). However, if the Client exercises the opt-out (or fails to opt-in), the Dual Representative may be required to cease providing services to the Client.

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Item 4 Services, Fees and Compensation

Our founders, Ronald J. Lazarov and Martin S. Kelman, have offered customized and confidential financial planning and investment advisory services since 1979 and 1981, respectively. Kelman-Lazarov, Inc. ("Kelman-Lazarov") was registered as an investment adviser with the Securities and Exchange Commission effective December 7, 1993.

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

Kelman-Lazarov Wrap Fee Program

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

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

Tailoring of Advisory Services

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

To implement the client's IPS, Kelman-Lazarov will manage the client's investment portfolio on a discretionary basis. As a discretionary investment adviser, Kelman-Lazarov will have the authority to supervise and direct the portfolio without prior consultation with the client. Kelman-Lazarov may offer non-discretionary asset management services on a limited basis, at the discretion of the firm. Client with non-discretionary arrangements must be contacted prior to the execution of any trade, which may result in a delay in executing recommended trades. Clients with non-discretionary arrangements retain the responsibility for the final decision on all actions taken within the account.

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

Program Fees

In this program, accounts pay one inclusive fee that covers both portfolio management and transaction costs, or costs charged for the execution of client securities transactions. The fee associated with the Wrap Fee Program is higher than the management fee charged by Kelman-Lazarov to clients who participate in Kelman-Lazarov's Traditional Asset Management Program, as those clients are required to pay transaction costs separately, and in addition to, our fee for managing their accounts.

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

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

Kelman-Lazarov manages all assets in the Program and does not compensate any third party portfolio managers. Kelman-Lazarov will pay all transaction charges associated with the client's account from the Program fee paid by the client according to the above schedule, and will retain the remainder of this as compensation for services rendered.

Participation in the Wrap Fee Program may cost the client more or less than participating in Kelman-Lazarov's Traditional Asset Management Program or Kelman-Lazarov's Portfolio Asset Management Program. Kelman-Lazarov's investment philosophy and strategy remains the same in both the Traditional Asset Management Program and Wrap Fee programs; however, due to the different fee structures associated with each program, one program may be more appropriate than the other for a particular client. For example, if the anticipated frequency of trading in a client's account is expected to be high, the client should consider participating in the Wrap Fee Program to avoid paying a large number of transaction charges. Conversely, if the anticipated frequency of trading a client's account is expected to be low, the client should consider participating in the Traditional Asset Management Program to avoid paying potentially higher costs than necessary. For clients with smaller accounts, typically less than \$200,000, they may be placed in our Portfolios Asset Management Program, which follows a different investment strategy, while the investment philosophy remains the same.

In deciding whether to recommend Kelman-Lazarov's Traditional Asset Management Program, the Wrap Fee Program, or the Portfolio Asset Management Program Kelman-Lazarov will consider the anticipated frequency of trading and the types of securities to be traded, and will make a recommendation to the client. Kelman-Lazarov may have an incentive to recommend one program over the other based on the anticipated frequency of trading. Further, inasmuch as Kelman-Lazarov will absorb the transactions costs associated with transactions placed for clients in the Wrap Fee Program, a disincentive to trade securities exists. Accounts in both programs are monitored for consistency with client objectives and the IPS, as well as securities held, trading frequency, and suitability of investments for each client.

Payment of Management Fees

Management fees are payable quarterly in advance, unless otherwise agreed to in writing by Kelman-Lazarov and the client. Deposits to and withdrawals from the account during the quarter are subject to proration over the quarter in determining fee calculation. If management begins after the start of a quarter, fees will be prorated accordingly. Fees are normally debited directly from client account(s),

unless other arrangements are made. If the client has two or more related accounts under management with Kelman-Lazarov, they may be combined for the purpose of qualifying for applicable break points.

Transaction Charges; Additional Fees and Charges

The transaction charges described in this Brochure to be charged to a client's account do not include other charges and fees also to be assessed or charged by a broker, custodian, exchange, fund company, or other financial intermediary to a client's account or transactions, including without limitation, amounts for postage, handling, wire transfer fees, redemption fees, or other fees and expenses. Please see Item 12 - Brokerage Practices for additional information on transaction costs charged for the execution of client securities transactions.

The Management Fee payable to Kelman-Lazarov described in this Brochure are separate and distinct from the internal fees and expenses charged by mutual funds, exchange-traded funds, or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials). Some "no load" mutual fund shares may be required to be held for a minimum time period, generally 90 days or less. If positions in such funds are liquidated or reduced prior to the end of the holding period, early redemption fees will apply. The client should review all fees charged by funds, brokers, Kelman-Lazarov and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

Termination of Agreement

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

Item 5 Account Requirements and Types of Clients

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

Item 6 Portfolio Manager Selection and Evaluation

Selection and Review of Portfolio Managers

Kelman-Lazarov manages all assets in the Program and does not offer the services of any third party portfolio managers through the Program.

Advisory Services Offered

In addition to offering asset management services through the Wrap Fee Program, Kelman-Lazarov also offers asset management services through its Traditional Asset Management Program, as well as retirement plan management and consulting, financial planning, and general consulting services.

As noted in Item 4 above, advisory services are tailored to client's individual needs. Portfolios are managed individually, with the selection and mix of investments dependent on what is suitable for each client. Kelman-Lazarov will honor any written restrictions imposed by the client in the management of their accounts. Please refer to Form ADV, Part 2A, for a complete description of the advisory services offered through Kelman-Lazarov.

Although Kelman-Lazarov manages client accounts through traditional asset management as well as through a wrap fee program, Kelman-Lazarov's investment philosophy and strategy remains the same in the management of such accounts. As noted above, Kelman-Lazarov will pay all transaction charges associated with the client's account and will retain the remainder of the program fee as compensation for services rendered.

Performance-Based Fees & Side-By-Side Management

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

Methods of Analysis, Investment Strategies & Risk of Loss

Methods of Analysis

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

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

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

Investment Strategies & Risks

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

Being a "long-term investor" generally means that securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Risks of Loss

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

Below are descriptions of several of the principal risks that client investment portfolios face.

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

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

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

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

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

Risk of Errors in Investment Decisions. There is a risk that our judgment about the attractiveness, relative value, or potential appreciation of a particular market sector or security, or about the timing of investment purchases or sales, may prove to be incorrect, resulting in losses to the client's account. The success of Kelman-Lazarov's strategy for an account or Portfolio is subject to Kelman-Lazarov's ability to continually analyze and select appropriate mutual fund and ETF investments, and allocate and re-allocate the investments consistent with the intended investment objectives and risk parameters. There is no assurance that Kelman-Lazarov's efforts will be successful.

Reliance on Sources of Information. Our method of analyzing investment opportunities assumes that the information we receive about funds, managers, and companies, the characteristics and ratings of the securities they issue, and other publicly-available sources of information we utilize is accurate and unbiased. While we are alert to indications that data may be incorrect or skewed, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Management of Account Until We Receive Written Notice. Unless and until the client notifies the Representative or Kelman-Lazarov in writing to designate a different portfolio for their account, to notify us of material changes in their Suitability Information, we will continue to manage the account according to the Suitability Information in our records. Clients should inform us promptly of significant changes in their individual or family circumstances or financial situation, or in the investment goals or objectives, investment time horizon, tolerance for risk, or liquidity needs of their account so that appropriate changes can be made.

Voting Client Securities

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

Similarly, Kelman-Lazarov does not advise or exercise rights, make elections, or take other actions with respect to legal proceedings involving companies whose securities are or were held for a client's account, such as asserting claims or voting in bankruptcy or reorganization proceedings, or filing "proofs of claim" in class action litigation. Although we do not advise clients regarding such matters, clients may contact Kelman-Lazarov at (901) 685-8284 with questions or information about forwarding materials to the client or their representative.

Item 7 Client Information Provided to Portfolio Managers

As Kelman-Lazarov manages all assets in the Program and does not offer the services of any third party portfolio managers through the Program, this item is not applicable. The investment adviser representatives of Kelman-Lazarov who render the asset management services provided under the program work directly with the Program clients to obtain and update client investment objectives and suitability information.

Item 8 Client Contact with Portfolio Managers

As Kelman-Lazarov manages all assets in the Program and does not offer the services of any third party portfolio managers through the Program, this item is not applicable. There are no restrictions on the client's ability to contact Kelman-Lazarov regarding the management of the account.

Item 9 Additional Information

Disciplinary Information

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

Other Financial Industry Activities and Affiliations

Certain of Kelman-Lazarov's investment adviser representatives ("Representatives"), including its management employees, are also broker-dealer registered representatives of Mutual Securities, Inc. ("Mutual Securities"), a broker-dealer, member FINRA/SIPC. The Representatives are also insurance agents of an independent insurance brokerage, and are appointed by various life insurance companies and licensed to sell life, health, and annuity products. As a registered representative of Mutual Securities and insurance agent, each Representative will continue to sell separate securities and insurance products to customers of Mutual Securities for which the Representative will receive customary compensation. However, the Representatives will not sell securities or insurance products to an advisory client that will be managed by Kelman-Lazarov in an advisory account.

FINRA Rules require that a broker-dealer supervise the participation of its registered representatives in securities activities, even when the representative is also acting as an investment adviser representative. For Kelman-Lazarov investment adviser representatives that are also registered representatives of a broker-dealer (referred to as "Dual Representatives"), each broker-dealer with which the Dual Representative is associated (collectively referred to as the "Broker-Dealer") will review the Dual Representative's client accounts, records, transactions, statements, and other items containing client personally identifiable information, and will make and retain books and records containing client personal information, whether or not the Client maintains an account with the Broker-Dealer or its clearing firm.

The Dual Representatives' current broker-dealer is Mutual Securities; however, the Dual Representative may change broker-dealer at any time without prior notice to the Client. Client personal information will be provided to the current Broker-Dealer and each successor Broker-Dealer for supervisory purposes pursuant to FINRA Rules, and the Broker-Dealer may retain the Client's personal information in its books and records, unless the Client exercises the right to "opt-out" of such disclosure as provided in Kelman-Lazarov's Notice of Privacy Policies (or fails to "opt-in," if the Client resides in California or Massachusetts). However, if the Client exercises the opt-out (or fails to opt-in), the Dual Representative may be required to cease providing services to the Client.

Representatives may recommend that a Client (in his or her separate capacity as a brokerage or insurance customer) buy or sell securities or insurance products which are entirely separate from investments made for the Client's advisory account. For these separate brokerage or insurance recommendations, Mutual Securities and Representative will receive customary brokerage or insurance compensation. In many cases, the compensation from mutual funds will include an initial commission or sales charge, plus on-going "12b-1 fees" or similar types of compensation that will continue for as long as the customer owns the investment, as described in the prospectuses for those products; not all mutual funds pay 12b-1 fees.

A Representative may recommend the services of himself or herself in an individual capacity as an insurance agent or registered representative of Mutual Securities, or may recommend other professionals with whom the Representative has a personal relationship to implement financial planning, consulting, or other recommendations. Clients are advised that a conflict of interest exists if a Representative recommends himself or herself. Clients are under no obligation to act upon any of the recommendations made by a Representative under a financial planning or consulting engagement or to engage the services of any such recommended professional. Clients retain absolute right to decide whether or not to act on such recommendations, and if they choose to act on such recommendations, whether to purchase any products or services through the Representative or Mutual Securities, or through another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products or services.

The possibility of receiving additional compensation from selling securities or insurance products to a client provides an economic incentive for a Representative to recommend these products based on the compensation to be received rather than on a client's investment needs. This is a conflict of interest that clients should consider.

Kelman-Lazarov has adopted the following steps to address the conflicts of interest in these situations:

- we disclose the existence of the conflict of interest that arises from the incentive Representative has to earn additional compensation from recommending the purchase of securities and insurance products over and above the Advisory Fees Kelman-Lazarov receives;
- we disclose to clients they have the right to decide whether or not to act on such recommendations, and if they choose to act on such recommendations, they have the right to purchase such products through Mutual Securities and the Representative, or through another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products;
- we request clients provide and update material information regarding their personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the advisory account that will be managed by us, and we conduct regular reviews of account investments;
- we require that our Representatives seek prior approval of outside employment activity so that we may detect conflicts of interests and ensure such conflicts are properly addressed;
- we periodically ask Representatives to certify information regarding their disclosed outside employment activities; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

No Reduction or Offset of Advisory Fees

We do not reduce or offset Advisory Fees by any commissions, sales charges, or other sales-related compensation, including any 12b-1 Fees, or any rebates, credits or other compensation we or our Representatives receive from a Custodian, broker, mutual fund company, or insurance company based on or as a result of client purchase or sale of securities, insurance, or other investment products, or based on the value of a client's account, free credit balance, margin account balance, or retirement account balances.

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

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

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

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

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

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

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

Review of Accounts

Kelman-Lazarov continuously monitors the securities held in the Asset Management accounts and performs at least quarterly reviews of account holdings for consistency with the investment objectives, investment strategy, risk tolerance, and guidelines established with the client. More frequent reviews may be triggered by changes in a client's financial circumstances, liquidity needs, tax or financial status, as well as by economic, macroeconomic, political, or market activity or events. The Representative assigned to an Asset Management account regularly evaluates the portfolio, at least quarterly, for consistency with the account's investment objective, investment restrictions.

Client Referrals & Other Compensation

Kelman-Lazarov may receive an economic benefit from the custodian in the form of support products and services it makes available to Kelman-Lazarov and other independent investment advisors that have their clients maintain accounts with the custodian. These products and services may directly benefit Kelman-Lazarov, but may not directly benefit its clients' accounts. These benefits may include national or regional educational events organized and/or sponsored by the custodian. Other potential benefits may include occasional business entertainment of personnel of Kelman-Lazarov by the custodian. Other of these products and services assist Kelman-Lazarov in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of Kelman-Lazarov's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting.

Many of these services generally may be used to service all or some substantial number of Kelman-Lazarov's accounts. The custodian may also make available other services intended to help Kelman-Lazarov manage and further develop its business enterprise. These services may include professional

compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, the custodian may make available, arrange and/or pay vendors for these types of services rendered by independent third parties and may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to Kelman-Lazarov. While, as a fiduciary, Kelman-Lazarov endeavors to act in its clients' best interests, the firm's recommendation that clients maintain their assets with a particular custodian may be based in part on the benefit to Kelman-Lazarov of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest. The availability of Schwab's products and services to Kelman-Lazarov is based solely on our participation in Schwab's institutional adviser programs and not in the provision of any particular investment advice.

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

Financial Information

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