

**Firm Brochure**  
(Part 2A of Form ADV)



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This brochure provides information about the qualifications and business practices of All Star Financial. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 952-896-3820 or by email at [asf@allstarfinancial.com](mailto:asf@allstarfinancial.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 All Star Financial (Firm CRD# 110718) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

June 29, 2017

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

This update is in accordance with the required annual update for Registered Investment Advisors. Since the last filing of this brochure on October 21, 2016, the following have been updated:

- Item 4 - to disclose the most recent client assets under management.
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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at 952-896-3820 or by email at [asf@allstarfinancial.com](mailto:asf@allstarfinancial.com).

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## **Item 4: Advisory Business**

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### **Firm Description**

All Star Financial ("ASF") was approved as an investment advisor in 1992. Robert J. Klefsaas is 100% stockholder. ASF provides service to qualified and non-qualified retirement plans including 401(k) plans, 403(b) plans, pension and profit sharing plans, cash balance plans, and deferred compensation plans. A separate Firm Brochure is available describing the services.

ASF provides personalized confidential financial planning, tax preparation and investment management to individuals, investment companies, qualified retirement plans, trusts, estates, charitable organizations and other business entities. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

ASF is a fee-based financial planning and investment management firm. The firm does not sell annuities, insurance, stocks, bonds, mutual funds, limited partnerships, or other commissioned products.

Investment advice is an integral part of financial planning. In addition, ASF advises clients regarding cash flow, college planning, retirement planning, tax planning and estate planning.

An evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement, risk analysis or similar document. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the event they should occur.

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### **Types of Advisory Services**

ASF provides investment supervisory services, also known as asset management services furnishes investment advice through consultations.

#### **ASSET MANAGEMENT**

ASF offers discretionary and non-discretionary direct asset management services to advisory clients. ASF's investment advisory strategy of asset allocation is tailored to the specific goals and objectives of the client as determined by client meetings and a unique risk tolerance questionnaire developed by ASF.

ASF offers four risk-based, asset allocation portfolios. The following are the basic tenets that guide ASF in the management of the portfolios.

- A. Modern Portfolio Theory, as recognized by the 1990 Nobel Prize, will be the primary influence driving the way a client's assets are intended to be structured and how subsequent decisions will be made. The underlying concepts of Modern Portfolio Theory include:
  - Investors are risk averse. The only acceptable risk is that which is adequately compensated by potential portfolio returns.

- Markets are efficient. It is virtually impossible to know ahead of time the direction of the market as a whole or any individual asset class. It is, therefore, unlikely that any individual asset class will succeed in consistently “beating the market.”
  - The portfolio as a whole is more important than any individual asset class. The appropriate allocation of capital among asset classes (*stocks, bonds, cash, etc.*) will have far more influence on long-term portfolio results than the selection of an individual asset class. Investing for the long-term becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface.
  - For every risk level, there exists an optimal combination of asset classes that will maximize returns. A diverse set of asset classes will be selected to help minimize risk. The proportionality of the mix of asset classes will determine the long-term risk and return characteristics of the portfolio as a whole.
  - Portfolio risk can be decreased by increasing diversification and by lowering the correlation of market behavior among the asset classes selected.
- B. Investing globally helps to minimize overall portfolio risk due to the imperfect correlation between economies of the world. Investing globally has been shown historically to enhance portfolio returns, although there is no guarantee that it will do so in the future.
- C. Stocks offer the potential for higher long-term investment returns than cash or fixed income investments. However, stocks are more volatile in their performance. Investors seeking higher rates of return must increase the proportion of stocks in their portfolio, while at the same time accepting greater variation of results (*including occasional declines in value*).
- D. Picking individual asset classes and timing the purchase or sale of these investments in order to “beat the market” are highly unlikely to increase long-term investment returns and therefore should be avoided.
- E. Lastly, the basic underlying approach to ASF’s investment management is the optimization of the risk-return relationship appropriate to client’s needs and goals. This will be accomplished by using a globally diverse portfolio including a variety of asset classes of mutual funds and/or managed portfolios to “buy and hold” the selected securities and periodically re-optimize (*rebalance*).

Some clients may be placed in a performance-based fee account. More details are described in Item 6 of this Brochure.

#### FINANCIAL PLANNING AND CONSULTING SERVICES

ASF offers two types of Financial Planning and Consulting Services, one-time plans or consultations or ongoing wealth management. One-time plans/consultations are designed to help the client with all aspects of financial planning without ongoing investment management after the plan is completed and delivered to the client. Ongoing wealth management is designed to provide ongoing financial planning and consulting services.

Services include two wealth management meetings per year, which includes qualified plan and other planning considerations. Including, but not limited to retirement, college, estate, and charitable planning review. If financial planning services are applicable, the client will compensate ASF on either an hourly or fixed basis and is described in detail under “Fees and Compensation” section of this brochure. Services include but are not limited to:

- Net worth statement
- Cash flow statement
- Review of investment accounts, including reviewing asset allocation and providing repositioning recommendations
- Strategic tax planning
- Review of retirement accounts and plans including recommendations
- Review of insurance policies and recommendations for changes, if necessary
- One or more retirement scenarios
- Estate planning review and recommendations
- Education planning

If a conflict of interest exists between the interests of the investment advisor and the interests of the client, the client is under no obligation to act upon the investment advisor’s recommendation. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through ASF. Financial plans will be completed and delivered inside of ninety (90) days. Clients may terminate advisory services with thirty (30) days written notice.

#### TAX PREPARATION

Tax preparation work is performed separately from other engagements. Eligible federal and applicable state returns are filed electronically.

#### SEMINARS AND WORKSHOPS

ASF holds seminars and workshops to educate the public on different types of investments and the different services they offer. The seminars are educational in nature and no specific investment or tax advice is given. ASF does not charge a fee for attendance to these seminars.

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#### **Client Tailored Services and Client Imposed Restrictions**

The goals and objectives for each client are documented in our client files. Investment strategies are created that reflect the stated goals and objectives. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without written client consent.

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#### **Wrap Fee Programs**

ASF does not sponsor any wrap fee programs.

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#### **Client Assets Under Management**

As of March 31, 2017, ASF had approximately \$418,447,425 of client assets under management on a discretionary basis and approximately \$1,105,212,940 on a non-discretionary basis for a total of approximately \$1,523,660,365 of client assets.



## **Item 5: Fees and Compensation**

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### **Method of Compensation and Fee Schedule**

ASF bases its fees on a percentage of assets under management, performance based-fees, hourly charges and fixed fees.

#### ASSETS UNDER MANAGEMENT

Fees for these services will be based on a percentage of Assets Under Management. The annual fees are between .5% to 1.6%. The annual fee may be negotiable. Accounts within the same household may be combined for a reduced fee. Fees are billed quarterly in advance based on the amount of assets managed as of the opening of business on the first business day of each quarter. Clients must consent in advance to direct debiting of their investment account for the quarterly asset management fees. Quarterly advisory fees deducted from the clients' account by the custodian will be reflected in the client statements. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five (5) business days of signing the Investment Advisory Agreement for a full refund. Clients may terminate advisory services with ninety (90) days written notice. Client will be entitled to a pro rata refund for the days service was not provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees, and client will acknowledge, in writing, any agreement of increase in said fees.

#### PERFORMANCE-BASED FEES

For more details, see Item 6 of this Brochure.

#### FINANCIAL PLANNING and CONSULTING

Lower fees for these services may be available from other sources. Prior to the planning process the client will be provided an estimated plan fee. Payment for one time plans or consultations is due upon delivery of the plan. Payment for ongoing wealth management services are due in two installments, March 31<sup>st</sup> and September 30<sup>th</sup> of each year. ASF reserves the right to waive the fee for existing clients or for clients who chose to implement the plan with ASF. Client may cancel within five (5) business days of signing Agreement for a full refund. If the client cancels after five (5) business days, any unearned fees will be refunded to the client.

#### HOURLY FEES

Financial Planning Services are offered based on an hourly fee of \$200 per hour.

#### FIXED FEES

Financial Planning Services are offered based on a negotiable fixed fee ranging from \$500 to \$3,000 based on complexity and unique client needs as well as the extent of the asset holdings.

#### TAX PREPARATION

The minimum fee for this service is \$200. Eligible federal and applicable state returns are filed electronically without an additional fee.

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### **Client Payment of Fees**

Asset management fees are billed quarterly in advance, meaning we bill you before each one-month period has started.

Fees for financial plans are due upon delivery of the financial plan.

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**Additional Client Fees Charged**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, equities and exchange-traded funds. These charges may include mutual fund expense ratio (expense ratio - a management fee charged by mutual funds for their services as investment managers), transactions fees, postage and handling and miscellaneous fees (fee levied to recover costs associated with fees assessed by self-regulatory organizations). The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security. These fees are in addition to the fees paid by the client to ASF.

ASF, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

For more details on the brokerage practices, see Item 12 of this brochure.

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**Prepayment of Client Fees**

Asset management fees are billed quarterly in advance, meaning we bill you before each three-month period has started.

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**External Compensation for the Sale of Securities to Clients**

ASF does not receive any external compensation for the sale of securities to clients, nor do any of the investment advisor representatives of ASF.

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**Item 6: Performance-Based Fees and Side-by-Side Management**

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**Sharing of Capital Gains**

ASF does offer a program in which ASF shares in the capital gains or capital appreciation of managed securities. Performance fees are determined as follows:

- A. At the end of each year of this Agreement, the fair market value of Client's account with Advisor shall be determined. Such fair market value shall include realized capital gains, losses and unrealized capital appreciation and depreciation. Added in will be any income taken by the client from the account.
- B. In addition, a determination shall be made as to what the fair market value of Client's account would have been had its performance matched the "investment index".
- C. In the event the amount determined under Subsection 1A exceeds the amount determined under Subsection B, the Advisor shall receive a performance fee equal to 20% of such excess amount.
- D. Any performance fee owed by Client to Advisor for any year of the Agreement shall be offset by a Base Fee previously paid by Client to Advisor for such year. To the extent that any Base Fee is not used to offset a performance fee during any year of this Agreement, such Base Fee, or portion thereof, shall be carried forward and offset against any subsequent performance fee owed by Client to Advisor.
- E. For the purposes of this agreement, the "Investment Index" for any year of this Agreement shall mean any one or combination of the following indices as agreed upon by the Applicant and Client: Yield on 3-month Treasury Bills, yield on 30-

year Treasury note: S&P 500 total return, Russell 3000, BMI International Index, EAFE index and EAFE small cap total return over the same time period.

Additionally, Performance-based Clients are appraised:

- A. That the total fees charged by Advisor for services rendered pursuant to the terms of this Agreement may be higher than the total fees normally charged for similar services, and that such services may be available elsewhere at a lower fee.
- B. That the fee arrangements contained in this Agreement may create an incentive for Advisor to make investments that are riskier or more speculative than would be in the case in the absence of a performance fee.
- C. That Advisor may receive increased compensation with regard to unrealized appreciation as well as realized gains in Client's account.
- D. The periods which will be used to measure investment performance throughout this Agreement and their significance in the computation of the performance fee.
- E. The Nature of any index which will be used as a comparative measure of investment performance, the significance of the index, and the reason Advisor believes the index is appropriate.
- F. How the securities will be valued for the purpose of determining Advisor's compensation, and the extent to which the valuation will be independently determined.
- G. No assignment of Agreement shall be made by Applicant without written consent of Client.

To the extent that ASF charges a performance-based fee, the performance-based fee will comply with the requirements of Section 205 and Rule 205-3 under the Investment Advisers Act of 1940.

This program is only offers to clients meeting the definition of a qualified investor (\$2,100,000 of net worth or \$1,000.000 under management).

Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client. To mitigate the conflict, the client may choice to place their account in the advisory fee only program.

## **Item 7: Types of Clients**

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### **Description**

ASF generally provides investment advice to individuals, international clients, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

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### **Account Minimums**

ASF has a minimum account size of \$500,000 for asset management services. ASF reserves the right to waiver this minimum at its own discretion. Accounts under \$50,000 are included in a Managed Index Portfolio and utilizes a limited set of investments. These accounts are charged a lesser fee.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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### **Methods of Analysis**

ASF uses a variety of broad economic indicators that are used to gauge an overall level and direction of the economy. This macro view, along with more specific micro data, then helps assist in setting an overall asset allocation strategy and more specifically, the risk based strategic allocations of the client.

Examples of analysis used include:

- GDP Level and Growth Rate
- Employment Growth and Unemployment Rate
- Interest Rates-Historical levels, Current Monetary Policy, and Futures Indications
- Corporate Profits-Level and Quarterly/Annual Growth Rates, and consensus IBES/S&P 1-year forward estimates and long-term 3-5 year estimates.
- Yield Spreads- levels and changes across broad bond sectors
- Inflation-Consumer and Producer Price Inflation Indexes as well as the ECRI Future Inflation Gauge (FIG).
- Consumer Spending-current and forecasted growth for forward 1-year
- Business Investment-current and forecasted growth for forward 1-year
- Leading Economic Indicators-The Conference Board, the Economic Cycle Research Institute (ECRI) and Organization for Economic Cooperation and Development (OECD) leading economic indicators will be reviewed to gauge future direction of domestic and global economy
- CBOE Volatility Index - Measures trends of market volatility
- External Risks-Geopolitical and Regulatory risks that could impact markets

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### **Investment Strategy**

The primary investment strategy used on client accounts is strategic asset allocation utilizing a core and satellite approach. Core investments include both actively managed mutual funds and exchange-traded funds diversified across broad asset classes as well as tactical allocations to industry sectors and countries when valuations become favorable. Portfolios are globally diversified and managed to meet each client's desired risk tolerance.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.

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### **Security Specific Material Risks**

All investment programs have certain risks that are borne by the investor. Fundamental analysis may involve interest rate risk, market risk, business risk, and financial risk. Risks involved in technical analysis are inflation risk, reinvestment risk, and market risk. Cyclical analysis involves inflation risk, market risk, and currency risk.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with ASF:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9: Disciplinary Information**

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### **Criminal or Civil Actions**

The firm and its management have not been involved in any criminal or civil action.

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### **Administrative Enforcement Proceedings**

The firm and its management have not been involved in administrative enforcement proceedings.

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### **Self-Regulatory Organization Enforcement Proceedings**

The firm and its management have not been involved in legal or disciplinary events related to past or present investment clients.

## **Item 10: Other Financial Industry Activities and Affiliations**

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### **Broker-Dealer or Representative Registration**

Neither ASF nor any of its employees are registered representatives of a broker-dealer.

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### **Futures or Commodity Registration**

Neither ASF nor its employees are registered or has an application pending to register as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

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### **Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

President Robert J. Klefsaas has a financial industry affiliated business, BankVista for which he is the Chairman of the Board. BankVista is primarily a commercial bank and from time to time, he offers clients advice or products from those activities. Clients are not required to purchase any products.

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### **Recommendations or Selections of Other Investment Advisors and Conflicts of Interest**

ASF does not utilize the services of Third Party Money Managers to manage client accounts.

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## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics Description**

The employees of ASF have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of ASF employees and addresses conflicts that may arise. The Code defines acceptable behavior for employees of ASF. The Code reflects ASF and its supervised persons' responsibility to act in the best interest of their client.

One area which the Code addresses is when employees buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

ASF's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of ASF may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

ASF's Code is based on the guiding principle that the interests of the client are our top priority. ASF's officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When a conflict arises, it is our obligation to put the client's interests over the interests of either employees or the company.

The Code applies to "access" persons. "Access" persons are employees who have access to non-public information regarding any clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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**Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

ASF and its employees do not recommend to clients securities in which we have a material financial interest.

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**Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

ASF and its employees may buy or sell securities that are also held by clients. In order to mitigate conflicts of interest such as front running of client trades, employees are required to disclose all reportable securities transactions as well as provide ASF with copies of their brokerage statements.

The Chief Compliance Officer of ASF is Brian G. Senske. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

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**Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

ASF does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist. However, employees may buy or sell securities at the same time they buy or sell securities for clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide ASF with copies of their brokerage statements.

The Chief Compliance Officer of ASF is Brian G. Senske. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

## **Item 12: Brokerage Practices**

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**Factors Used to Select Broker-Dealers for Client Transactions**

ASF may recommend the use of a particular broker-dealer such as National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") or Charles Schwab & Co. ("Schwab"). ASF will select appropriate brokers based on a number of factors including but not limited to proven integrity, financial responsibility, transaction fees and reporting ability. ASF relies on its broker to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by ASF. While ASF does not receive any fees or commissions from these arrangements, ASF does receive some benefits from Fidelity and Schwab. (Please see the disclosure under Item 14)

- *Directed Brokerage*  
ASF does not allow clients to direct brokerage.

- *Best Execution*

Investment advisors who manage or supervise client portfolios on a discretionary basis have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.

- *Soft Dollar Arrangements*

ASF utilizes the services of custodial broker dealers. Economic benefits are received by ASF which would not be received if ASF did not give investment advice to clients. These benefits include: A dedicated trading desk, a dedicated service group and an account services manager dedicated to ASF's accounts, ability to conduct "block" client trades, electronic download of trades, balances and positions, duplicate and batched client statements, and the ability to have advisory fees directly deducted from client accounts.

A conflict of interest exists when ASF receives soft dollars. This conflict is mitigated by disclosures, procedures, and the firm's Fiduciary obligation to act in the best interest of its clients and the services received are beneficial to all clients.

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### **Aggregating Securities Transactions for Client Accounts**

While most trades utilized by ASF are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit, ASF is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of ASF. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

## **Item 13: Review of Accounts**

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### **Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Account reviews are performed quarterly by Robert J. Klefsaas, President and/or Brian G. Senske, Chief Compliance Officer. Account reviews are performed more frequently when market conditions dictate. One time Financial Plans/Consultations are considered complete when recommendations are delivered to the client and a review is done only upon request of client. Ongoing Wealth Management services are renewed annually on the agreement anniversary date unless terminated by the Client or ASF in writing.

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### **Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.



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## **Content of Client Provided Reports and Frequency**

Clients receive written account statements no less than quarterly for managed accounts. Account statements are issued by the custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs. Clients also receive written quarterly reports prepared by ASF. The written updates include a Portfolio Appraisal, Unrealized Gain/Loss Statement, Purchases and Sales, and Performance reports. A quarterly ASF Newsletter is also included.

## **Item 14: Client Referrals and Other Compensation**

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### **Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

ASF has arrangements with **National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, "Fidelity") and Charles Schwab & Co. (Schwab)** through which they provides ASF with "institution platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity and Schwab's institutional platform services that assist ASF in managing and administering clients' accounts include software and other technology that (i) provide access to client account data(such as trade confirmations and account statement; (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity and Schwab also offer other services intended to help ASF manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom ASF may contract directly.

ASF is independently operated and owned and is not affiliated with Fidelity or Schwab.

Fidelity and Schwab generally do not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or Schwab or that settle into Fidelity or Schwab accounts (i.e. transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity and Schwab provide access to many no-load funds without transaction charges and other no-load funds at nominal transaction charges.

ASF participates in the Fidelity Wealth Advisor Solutions Program (the "WAS Program"), through which ASF receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. ASF is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control ASF, and SAI has no responsibility or oversight for ASF's provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for ASF, and ASF pays referral fees to SAI for

each referral received based on ASF's assets under management attributable to each client referred by SAI or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to ASF does not constitute a recommendation or endorsement by SAI of ASF's particular investment management services or strategies. More specifically, ASF pays the following amounts to SAI for referrals: For a period of 7 years from the date that you or members of your household fund an account or accounts with ASF, ASF shall pay SAI an amount equal to an annual percentage of 0.20% of any and all assets in such accounts. These referral fees are paid by ASF and not the client.

To receive referrals from the WAS Program, ASF must meet certain minimum participation criteria, but Advisor may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, ASF may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and ASF may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to ASF as part of the WAS Program. Under an agreement with SAI, ASF has agreed that ASF will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, ASF has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when ASF's fiduciary duties would so require; therefore, ASF may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit ASF's duty to select brokers on the basis of best execution.

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**Advisory Firm Payments for Client Referrals**

ASF may enter into referral relationships. These individuals offer ASF's services to the public in return ASF pays a referral fee based on its advisory fees and written agreement. The relationship will abide by the securities laws where applicable. Clients will receive all related agreements and disclosures prior to or at the time of entering into an investment advisory agreement.

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**Item 15: Custody**

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**Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. Clients are urged to compare the account statements received directly from their custodians to the performance report statements prepared by ASF.

ASF is deemed to have constructive custody solely because advisory fees are directly deducted from client's account by the custodian on behalf of ASF.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

ASF accepts discretionary authority to manage securities accounts on behalf of clients. A limited power of attorney is a trading authorization for this purpose. ASF has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, ASF consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

The client approves the custodian to be used and the commission rates paid to the custodian. ASF does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

## **Item 17: Voting Client Securities**

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### **Proxy Votes**

ASF does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent.

## **Item 18: Financial Information**

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### **Balance Sheet**

A balance sheet is not required to be provided because ASF does not serve as a custodian for client funds or securities and ASF does not require prepayment of fees of more than \$1,200 per client and six months or more in advance.

### **Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

ASF has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

### **Bankruptcy Petitions during the Past Ten Years**

Neither ASF nor its management has had any bankruptcy petitions in the last ten years.