

# **Legacy Advisors Group**

## **LLC Brochure**

**June 25, 2018**

This brochure provides information about the qualifications and business practices of Legacy Advisors Group, LLC. If you have any questions about the contents of this brochure, please contact us at 913-825-5225 or [jkynioniii@finadv.com](mailto:jkynioniii@finadv.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 Legacy Advisors Group, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

You may contact us as follows: Jack Kynion III, Managing Director, Legacy Advisory Group, LLC, 10561 Barkley, Suite 610, Overland Park, KS 66212; telephone number 913-825- 5225; email, [jkynioniii@finadv.com](mailto:jkynioniii@finadv.com).

## **Item 2            Material Changes**

We have made material changes to our Brochure dated March 31, 2017 regarding disclosures of certain entities previously referenced as private equity funds. Each of these entities holds one business and these entities do not pool funds for investments as private equity funds. Hence, we refer to them as direct investment entities, not private equity funds. Only the characterization of these entities changes. All disclosures regarding these direct investment entities remain the same.

We have also increased our hourly financial planning fee rate to \$200 per hour from the previous amount of \$150 per hour, in alignment with industry standards.

Our billing practices have been updated in Item 5 to reflect that we charge fees on a flat and not on a graduated basis.

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#### **Item 4            Advisory Business Description of Firm**

As Legacy Advisory Group, LLC, a Kansas limited liability company, we commenced rendering advisory services to clients in 2006. Upon the death of Jack Kynion II in September 2016, we continued the existence of Legacy Advisory Group, LLC as a Kansas limited liability company, with Jack Kynion III becoming our Managing Director, responsible for our management and operations. The two Messrs. Kynion's had been working together in our firm from time to time since 2009 and continuously since May 2016. All our investment advisory representatives remain with us to render advice to our clients.

Jack Kynion II's sole ownership of us passed to his wife, Mrs. Jack Kynion II. She maintains no active role with us in our management or operations and holds the ownership interests received from her husband as an investment.

#### **Description of Advisory Services**

We provide investment supervisory services on a discretionary basis for portfolio assets, render advisory services regarding other investment assets, provide selection and monitoring services for pension and profit sharing plans and similar investment vehicles, render financial planning services, and render management services to four direct investment entities.

**Investment Supervisory Services.** We render investment supervisory services by giving continuous advice on portfolio accounts invested in marketable securities and other investment assets directly held as requested. We manage portfolio accounts invested in marketable securities on a discretionary basis and render advisory services on other investment assets directly held on a non-discretionary basis. In rendering these services, we enter into an investment advisory services agreement with you.

**Selection and Monitoring Services.** We provide selection and monitoring services regarding investment assets, primarily for pension and profit sharing plans and other similar investment vehicles. As appropriate, we provide these services to individuals, trusts, estates and charitable organizations.

Our selection and monitoring services comprise four distinct services, which may be rendered in any combination of services desired by you and as set forth in our investment selection and monitoring services agreement, described as follows:

- Investment Policy Statement Preparation. We prepare written Investment Policy Statements (IPS) defining the policies and procedures for investment of the assets based on meetings and discussions with you. The IPS states your investment needs and goals and the policies by which these goals may be achieved. It defines the criteria for the selection of investments, and the procedures and timing intervals for monitoring of the investments.

- Selection of Investment Vehicles. Based on the IPS, we determine the appropriate type and number of investments to implement the IPS, and then designate the exact type and number of investments to be used. In determining the appropriate type of investments, we review mutual funds, closed-end funds, ETF's, stocks, bonds, and investment managers. Within these types of investments determined and based on your desires set forth in the IPS, we assist you in determining the exact investments and number of investments to be used for selection by plan participants in investing their assets.
- Monitoring and Recommending Changes. After designating the investments for selection by plan participants, we monitor the investments and recommend if any investment needs to be reconsidered and replaced with another investment. If we deem a change appropriate, we notify you and recommend the investment be substituted, and assist you to implement any transactions necessary as a result.
- Monitoring of Investment Performance. We monitor investment performance based on the procedures, timing intervals and any other criteria delineated in the IPS.
- Employee Communications. We provide annual educational support and investment workshops designed for the plan participants. The nature of the topics to be covered is determined by us, based on your desires and according to ERISA guidelines as appropriate. In these educational support and investment workshops, we do not provide plan participants with individualized, tailored investment advice or individualized, tailored recommendations.

**Financial Planning.** We render financial planning services, and provide a written financial plan designed to achieve stated financial goals and objectives. In providing financial planning services, we address the following areas as expressed to be of interest and concern by you.

- Personal. We examine family records, budgeting, personal liability, estate information and financial goals designated of importance by you.
- Tax and cash flow. We conduct income tax and spending analysis and planning for past, current, and future years. The impact of various investments on your current income tax and future tax liability are illustrated when appropriate within your investment needs and goals.
- Death and disability. We assess potential cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- Retirement. We evaluate and develop strategies and investment plans to further your retirement goals.
- Investment Analysis. Investment analysis is conducted to assess the consequences of investments and investment alternatives on your portfolio.

- Education funding. We assist you in planning for education and related expenses.

We gather required information through personal interviews and documents delivered to us by you. This information gathered includes your current financial status, future goals and attitudes towards risk. Any additional and related documents supplied by you are carefully reviewed, which may include a questionnaire completed by you.

Based on the information provided and our review and analysis of the information, we prepare a written report or financial plan, delivered to you for your implementation and use as you desire. We may assist you in the implementation of the financial plan pursuant to a separate agreement.

We may also provide annual reviews of the financial plan upon your request. A separate agreement is entered into for annual financial planning reviews.

**Seminar and Educational Events.** We give seminars and provide educational events on general investment and other financial topics. The investment information provided does not purport to address the individual objectives or needs of each individual.

Seminars and educational events address general investment topics. They are available to our clients, corporate entities that wish to provide this service for the benefit of their employees, and the general public depending on the circumstances.

**Direct Investment Entities.** We render advisory services to four limited liability companies regarding the manner in which investors in these companies may realize full value on their investments in these entities. Each company was formed to invest and invested in one separate business entity and has only invested in that business.

We provide advisory services to these direct investment entities in a manner to realize the highest value for investors each entity, commensurate with our assessment of the corresponding risk at any particular time. We recommended certain of our clients invest in these entities based on their expressed interest in these types of investments, meeting certain criteria as qualified investors, having the experience and sophistication to understand the risks involved, and being able to withstand the loss of the entire investment.

Jack Kynion III, our Managing Director, acts as the manager of these entities under their operating agreements. Pursuant to the entities' operating agreements, Mr. Kynion, as the manager, has full authority over the business and affairs of the entities, and the property and business of the entities are controlled and managed by him.

While we do not have any formal agreement to render advice to these entities, we represented to investors that we would do so and will continue to do so in the best interests of the investors in these entities.

### **Meeting Individual Needs of Clients**

**Investment Supervisory Services and Financial Planning.** In rendering investment supervisory

services and financial planning, we base our advice on your individual needs, goals and objectives. Assets are managed according to your individual goals and risks, as well as your current and future needs. Through personal discussions during which goals and objectives based on your particular circumstances are established, we develop your personal investment policy, and create and manage portfolio and other assets based on that policy.

Financial plans are specifically tailored to your individual needs.

We may allow you to impose reasonable restrictions on investing in certain securities and types of securities if the restrictions will not unduly impair our ability to manage your assets in a reasonable manner as determined in our sole discretion and as agreed upon between us.

**Selection and Monitoring Services.** Selection and monitoring services meet the needs of the plan fiduciaries in providing investment vehicles for the plan participants. We do not tailor the investment vehicles and our advice to meet the individual investment needs of the plan participants or the individual investors in any vehicle.

### **Assets Under Management**

As of December 31, 2017, we managed \$26,500,000 of assets on a discretionary basis and \$22,500,000.00 of assets on a non-discretionary basis.

### **Item 5 Fees and Compensation Investment Supervisory Services.**

We base our fees on a percentage of assets under management, based on the following schedule of fees:

<b>Asset Value</b>	<b>Fee Range as Against Asset Value</b>
0 to \$1,000,000	1.35% to 0.81%
\$1,000,001 to \$3,000,000	1.10% to 0.66%
\$3,000,001 to \$5,000,000	0.80% to 0.48%
\$5,000,001 and above	0.60% to 0.25%

Your exact fee schedule is set forth in our agreement with you. In determining fees, we consider the complexity of advisory services to be rendered, assets being managed, frequency and scope



of investment reviews, the complexity of your financial situation, and our relationship with you, among other considerations.

Fees are calculated on a flat basis and are due and payable in arrears as of each calendar quarter-end based on the fair market value as of the valuation dates determined by the custodians for the account. We apply our fee against all assets in your portfolio, including cash balances invested in money market funds and short-term investment funds. Fees may be negotiable in limited circumstances based on the size of the account, investment strategies for the account and other considerations, in our sole and absolute discretion.

We include direct investments in the assets against which we calculate fees based on our agreement with you. The value of the direct investments is based on values reflected in account statements issued by the custodians and as agreed upon you. At times, as we consider it prudent and as agreed with you we will typically assess fees against direct investments at the cost of the original investment, i.e., the amount originally invested.

We deduct our fees directly from your account held at the custodian based on our investment advisory agreement that authorizes us to do so and further according to defined procedures, unless we agree to other arrangements for the payment of our fees. Fees are pro-rated for any period less than a full quarter based on the number of days your assets are under our management. Our agreement with you may be terminated upon 30 days' prior written notice by either of us.

### **Selection and Monitoring.**

Our fees for selection and monitoring are negotiated with you depending on the level and nature of services you require. We consider the complexity of the structure of the entity investing, the level of assets subject to our selection and monitoring services, and the number of plan participants or individual accounts. The fee is set forth in our selection and monitoring services agreement.

### **Financial Planning.**

Planning fees may be on a fixed fee basis or an hourly basis. Fixed fees typically range from \$750 to \$10,000, depending on the nature and complexity of each client's circumstances. The fixed fee may be based on estimated hourly fees and other factors related to the difficulty of services to be rendered. We complete all financial planning engagements within six months of signing the financial planning agreement.

Hourly fees are \$200 per hour, depending on the nature and complexity of each client's circumstances. An estimate for total hours is determined upon execution of the financial. If the final fee is to be 20% or more higher than the estimate, we notify you before presentation of the plan.

Payment of the financial planning fee is due one-half upon execution of the financial planning agreement and one-half upon delivery of the financial plan. If ongoing and substantial services

are required, the fee may be paid in other installments. Fee arrangements are set forth in and agreed upon in the financial planning agreement.

## **Seminars and Educational Events.**

Persons participating in our seminars are charged between \$0 and \$100 for the seminar, as set forth in our agreement to present any such program. Fees are due and payable no later than the completion of the program.

## **Additional Fees, Charges and Expenses**

In addition to our fees, you pay fees and charges associated with the maintenance of your account by the custodians, broker-dealers executing transactions, and any other financial institutions, including without limitation, custodial fees, brokerage commissions, mark-ups and mark-downs on securities transactions, transaction fees, exchange fees, transfer fees, and other account costs and charges incurred. Please refer to **Item 12 – Brokerage Practices** below, for a further discussion of our brokerage practices. Further reference is also made to the agreements and arrangements entered into by you with the custodians, broker-dealers and other financial institutions, and associated disclosures delivered by these entities.

When your assets are placed in mutual funds, ETF's, and money market funds, the funds pay management fees to the investment advisors managing the assets of the funds and other fees, expenses and charges. The management fees and other fees, expenses and charges are paid by the funds to their service providers and are separate and distinct from the fees paid to us and not received by us. Further reference is made to the prospectuses delivered upon acquisition of mutual funds, ETF's and money market funds for a description of these fees, expenses and charges.

## **Compensation from the Sale of Products**

When advising clients, we may recommend the use of insurance products. Certain of our investment advisor representatives may recommend and place insurance products with clients and receive a commission upon the sale of these products.

When we receive a commission from the sale of an insurance product we recommend to you, it presents a conflict of interest because it may give us an incentive to recommend insurance products based on the compensation received rather than on your needs. To avoid and to minimize any potential conflict of interest, we recommend insurance products based on your individual investment needs and objectives. We disclose to you that we will receive a commission and the amount in advance of the transaction and receive your prior consent. Also, you may purchase investment products that we recommend through other brokers or agents unaffiliated with us. At all times, we make recommendations based upon our judgment of your best interest.

## **Direct Investment Entities**

To the extent client assets are invested in the direct investment entities, as of December 31, 2017, Funds, we include the value of an investment in the entity in the assets against which we compute our investment supervisory services. We neither receive advisory fees directly from these entities, and have no agreements to that effect.

The entities operating agreements provide that the manager shall not receive compensation for services rendered in that capacity, and accordingly Jack Kynion III does not receive compensation for acting as the manager to these entities. The limited liability agreements provide that the manager may receive compensation in serving in any other capacity upon approval by holders of a majority in interest of the limited liability interests.

When the entities were formed by Jack Kynion II, he received equity interests in two entities equal to 16% of each and two equity interests equal to 20%, ownership. These interests passed to his wife. Mr. Kynion II made no cash capital contributions to the entities. He contributed his time and effort in forming the entities, sourcing the investments, conducting due diligence, negotiating the investments and making the investments on behalf of the entities. These interests have the same terms and conditions as equity interests issued to other investors in the entities. His wife, Mrs. Jack Kynion II, now holds these equity interests.

The entities bear all organizational and offering expenses incurred in connection with their formations and operations, are also responsible for all other expenses attributable to their activities, whether incurred directly by the entities or by us on behalf of any entity, including without limitation:

- legal, custodial and accounting expenses, including expenses associated with the preparation of the entities' financial statements, tax returns and Schedule K-1's and the representation of the entities or the partners by tax matters partner of the entities;
- auditing, accounting and banking expenses;
- appraisal expenses;
- costs of reporting and distributions to the members;
- expenses incurred in connection with any restructuring of the entities or amendments to the entities' operating agreements and other related agreements;
- costs of winding up and liquidating the entities;
- obligations and liabilities of the entities Funds, including,
  - obligations to indemnify or advance expenses to any indemnitee in respect of a loss pursuant to the partnership agreement; and
  - any reasonable litigation and indemnification costs and expenses, judgments and settlements; and
- reimbursement of reasonable out-of-pocket costs by the manager in rendering services to the entities, such as travel expenses incurred in conducting research and due diligence.

The entities are obligated for these expenses whether paid directly by them or paid indirectly by us for which we are reimbursed. Mr. Kynion III may receive reimbursement of expenses incurred related to his duties solely as manager of the entities.

## **Item 6                      Performance-Based Fees and Side-By-Side Management**

In connection with the formation of the direct investment entities, Jack Kynion II received equity interests in two entities

equal to 16% and two equity interests equal to 20%, ownership of which passed to his wife, without making any cash contributions to the entities. These interests passed to Mr. Kynion II's wife, who is also the mother of our Managing Director, Jack Kynion III. Mrs. Jack Kynion II is our sole owner, and maintains no role in our management, operations or otherwise.

Under the terms of the operating agreements for the entities, these interests are entitled to cash and distributions to be paid in the same manner as paid to other investors in the entities. To the extent available cash exists prior to liquidation, the manager of each limited liability company determines the amount of available cash to be distributed, which is distributed on a pro rata basis to all members. Upon a liquidation and in accordance with satisfaction of liabilities and establishment of reserves, distributions are made on a pro rata basis. Any distributions to Mrs. Kynion II, will be made on the same basis according to her percentage interests as distributions to other members of the entities.

We do not manage any accounts on a side-by-side basis with these direct investment entities.

## **Item 7           Types of Clients**

We provide investment advice to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, endowments, trusts, and private businesses.

### **Minimum Account Size**

For our investment advisory services, we require a minimum portfolio size of \$500,000. Assets held in different vehicles, such as retirement plans, trusts and family accounts, may be aggregated to meet the minimal portfolio size. We may waive our required minimum portfolio size in our sole and absolute discretion. In doing so, we may consider anticipated future additional assets, account composition, your future earning capacity, pre-existing relationships and account retention. Management of a smaller portfolio must also not have the potential to cause an increased investment risk beyond your identified risk tolerance.

For our selection and monitoring services, we require a minimum amount of assets equal to \$250,000. We may waive our required minimum asset size in our sole and absolute discretion based on the nature and extent of services to be provided, the complexity and structure of the vehicle holding the assets, and the number of plan participants.

For financial planning services, we may require a minimum value of assets or sufficient level of income before entering into an agreement with you, to assure you may benefit from the financial planning services we offer.

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

### **Supervisory Services**

**Methods of Analysis.**            We commence any analysis of investments based on your individual needs and limit the range of investments accordingly. Our methods of analysis review investments according to a determined number of asset classes, as determined by us to be sufficient to meet our clients' investment goals with sufficient diversification and return potential within clients' investment objectives. Within these asset classes, we look for individual investments for which active management may add value to your portfolio.

In further analyzing investments in mutual funds and ETF's, we review performance history, management tenure, style and philosophy, and costs associated with holding the investment. We review the underlying investments of the funds according to the referenced sector for the fund, as well as the composition and weightings of the underlying investments. For an ETF that tracks an index or a defined asset class, we analyze the index being tracked, or the defined sector, bonds, region or other asset class the ETF is tracking.

If analyst reports are available, we consider and review them as a basic overview of a fund's characteristics. We subscribe to Morningstar as a source for our analysis, and to track and to receive notifications of financial and fundamental changes occurring to funds held in your portfolio.

For investments in stocks and bonds, we review the issuer's financial performance. An investment's historical and projected prices are reviewed and compared to other similar investments. We review the issuer's cash flow, future growth prospects, management and global market presence.

Other industry related-research, newsletters and publicly-available documents are analyzed to gather information about investments' characteristics and to obtain more generalized knowledge about investments. For all investments, we review the tax efficiencies in context of the placement of an investment and the necessity for tax efficiencies. We also review publications and research on macroeconomic trends to gauge risk levels acceptable within current and potential economic conditions.

In analyzing direct investments in real estate and businesses, we review the underlying project in terms of management experience, competitive market conditions, risk and return ratio, and other characteristics associated with the actual investment itself. We conduct analysis necessary in our view to assess the investment and its ability to meet your goals.

**Investment Strategies.** Our investment strategies center on asset allocation within a set number of pre-determined portfolios, having established allocation of assets according to seven major asset classes, the exact portfolio depending on your investment objectives, needs and desires. For certain of these seven asset classes, we designate sub-asset classes to use in further tailoring a portfolio for your individual needs and goals, and to invest assets according to your relevant time frame for investment and corresponding risk levels. We maintain the investments made without readjusting to the original asset allocation until we determine the percentage allocations have shifted away from the original intent in making the investments, or your investment objectives, needs and goals change.

We invest portfolio assets predominantly in no-load mutual funds, closed-end funds and ETF's. We also invest assets in individual stocks and bonds as indicated by your own individual investment objectives. In limited and unique circumstances for high net worth clients desiring the commensurate level of risk, we use direct investments in real estate and private companies.

## **Risks of Loss**

**General Risk of Loss.** Investing in securities involves the risk of loss that you should be prepared to bear.

**Market Risks.** The success or failure of our recommendations significantly depends upon our assessment of future price movements. A multitude of factors cause price movements, many of which are inherently difficult to assess and to predict.

**Mutual Funds and ETF's.** Investing in mutual funds and ETF's involves risks that vary from risks of investments in individual securities and assets. The success or failure of investments in mutual funds and ETF's is highly dependent on the management and management structure of these funds.

As an investor in these funds, you will be responsible for taxes on capital gains as experienced by the funds. Realization of these capital gains occurs as realized by the funds and passed through to you as an investor. ETF's may have more tax efficiencies in being able to realize capital gains upon a sale of the investment, but capital gains may still be realized from the ETF before a sale.

Although ETF's actively trade on exchanges, any ETF may cease to trade on an exchange or other secondary market, causing the shares to become illiquid. Any value may only be realized until trading recommences, or the ETF chooses to redeem shares.

## **Financial Planning**

Our financial planning advice analyzes your own personal financial situation and objectives. We use proprietary policies and procedure to develop and to prepare your financial plan. Our financial planning analysis is tailored to your goals ascertained during the financial planning process.

Financial planning process requires the gathering of substantial information about your overall financial situation and assessing your needs based on the information gathered by us and provided to us by you. Risk exists in developing a financial plan based on incomplete or inaccurate information that may result in recommendations not meeting your goals. Additional risk exists if we fail to assess your needs in a manner to make appropriate investments. We attempt to minimize these risks in our internal processes intended to gather complete and accurate data from you, which you must be willing to provide, and by educating you about the financial planning and investment processes.

### **Direct Investment Entities Advisory Services**

When forming direct investment entities, we pursue private investments in companies located in the Midwest, with novel or new business concepts we believe have the potential for a higher than average return commensurate with the substantial risks being undertaken. We interview management and conduct such due diligence we believe is necessary to evaluate the investment to be made. The investments are in companies in a formation stage without having realized significant, if any, revenues.

Prior to investing, each entity formed targeted its intended investment in an identified business opportunity. Each direct investment entity has made its investment, and future investments will be limited to additional investments for working capital or similar needs, if any.

In advising the direct investment entity, we work with management to develop the business concept, and assist with operations and achieving a positive cash flow, whether through implementing effective business strategies, developing and marketing products, improving operating efficiencies, or any other avenues deemed appropriate and available. Our strategy is to realize a return on the entities' investments by selling the investments to strategic acquirers or other investors at a market or premium multiple when the businesses may demonstrate such values, or to pursue other exit strategies to realize cash on the investment. In certain instances, if significant cash flow is being realized, we may maintain the investment for any particular entity.

A variety of risks are associated with an investment in the entities. Such risks may adversely affect the performance of such an investment and result in substantial or complete loss of an investment held in any entity.

- **Private Investment Risk.** The direct investment entities invest in unseasoned, early-stage companies with little or no operating history. These early stage companies represent highly speculative investments. Technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital, and they face intense competition from companies with greater resources and better operating histories.
- **Lack of Diversification.** Each Fund is invested in any one business opportunity, and upon the failure of that business opportunity, the entire amount of any investment in that direct investment entity will be lost.



- Illiquid Investments. Investments made by the direct investment entities are illiquid. The return of capital and the realization of gains in any entity will occur only upon the partial or complete disposition of the entity's investment. An entity's ability to dispose of an investment may be limited for several reasons, including the inability to sell the investment and the nature of the investment. It is not generally expected that these investments will be liquidated in a fashion to realize cash and a return, if any, for a number of years after an initial investment has been made.
- Additional Funding. In having made any investment directly in an entity, sufficient capital may or may not have been raised. Additional capital may be required to develop technologies and markets, acquire customers, and achieve or maintain a competitive position beyond amounts originally anticipated. Additional capital may not be available at all, or on acceptable terms, and may cause the investment to realize a substantial or complete loss.
- Management Discretion in Offering. Management is not obligated to offer any particular private investment to any particular client. In making an offer to invest, management will consider a variety of factors including the individual risk tolerance of the client, the ability of the client to sustain a complete loss of capital, and the liquidity required by the client's portfolio, as well as a host of other considerations.

## **Item 9                    Disciplinary Information**

No legal or disciplinary events exist for us to disclose.

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

### **Direct Investment Entities**

We provide advisory services to direct investment entities, and our Managing Director, Jack Kynion III acts as a manager for these entities under their operating agreements. Mrs. Jack Kynion II, who is the mother of Jack Kynion III, received upon the death of her husband and holds two equity interests in investments equal to 16% of the investments' equity and two equity interests equal to 20%.

With respect to these direct investment entities, we have certain material conflicts of interest, and strive to mitigate these material conflicts of interest, as follows:

- We recommended investment in these entities to certain of our advisory clients and had a material conflict of interest in doing so based on our ownership interests at the time in the entities. In mitigating this conflict of interest, we recommended investment in the entities only to individuals who have expressed an interest in these types of investments, meet certain criteria as qualified investors, have the experience and sophistication to understand the risks involved, and may withstand the loss of the entire investment. Additionally, the equity interests held by Mrs. Jack Kynion II have the same terms and conditions as the equity interest issued to investors.

- We do not receive any compensation in advising these entities and are not under a formal written agreement to that effect. Based on our representations to investors that we will advise the entities, we will continue to do so.
- Before investing, each entity formed targeted its intended investment in an identified business opportunity, which investment was disclosed and discussed with potential investors.
- Jack Kynion III will act as a manager for these entities under their operating agreements, and in such capacity, will exercise full control over the operations and property of the entities. He may authorize the reimbursement of expenses that benefit himself and us but will only reimburse those expenses directly related to the management of any entity, not in relation to our advisory services. We may be deemed to have a material conflict of interest to the extent Mr. Kynion III has an incentive to manage the entities in a manner to benefit his mother, whose investment goals and objectives in holding these interests may vary from other clients. To mitigate this conflict of interest, Mr. Kynion III acts under his fiduciary duty to all investors in each entity in managing all these entities.

### **Sale of Insurance Products**

Certain of our investment advisor representatives maintain insurance licenses as an independent brokers and agents, and insurance products may be obtained through them. To avoid and to minimize any potential conflict of interest, insurance products are recommended based on your individual investment needs and objectives. We disclose that we will receive a commission and the amount in advance of the transaction and receive your prior consent. Also, you may purchase insurance products that we recommend through other brokers or agents unaffiliated with us.

### **Item 11 Code of Ethics, Client Transactions and Personal Trading**

We adhere to a Code of Ethics governing our employees' personal securities transactions. Our clients' interests remain paramount, with the intent to avoid even the appearance of a conflict of interest. This Code of Ethics applies to all our employees based on the nature and structure of our firm.

The Code of Ethics requires employees disclose their beneficial ownership of securities initially upon hire and on a quarterly basis thereafter. Prior to certain transactions, employees must preclear a transaction and obtain approval before entering into the transaction. Transactions exempt from preclearance are investments in direct U.S. Government obligations, bank certificates of deposit, shares issued by money market funds, shares issued by open-end mutual funds, and other substantially similar investments.

We prohibit any event, transaction or position that might be deemed to create a potential conflict of interest with any client's interest. Prior written approval must be received from our Chief Compliance Officer before conducting any business with a client, directly or indirectly, or serving on the board of directors of any publicly-traded company. A potential conflict of interest could be deemed to exist in these instances because the relationship with a client has the potential to affect the decision-making process in managing that client's account.

You may request a copy of the Code of Ethics by sending a written request to Jack Kynion III, Managing Director, Legacy Advisory Group, LLC, 10561 Barkley, Suite 610, Overland Park, KS 66212.

### **Participation or Interest in Client Transactions**

In forming the direct investment entities, we recommend certain investment advisory clients invest in the entities, based on the clients' expressed desire for a higher rate of return and understanding of the corresponding higher risk associated with such returns, in addition to their ability to withstand the risk of their investment. We have a material conflict of interest in recommending to our clients that they invest in the direct investment entities in which we have ownership interests. To mitigate this conflict of interest, we disclose to clients our percentage ownership interests, the lack of cash contributed by us, and the terms and conditions of the operating agreements governing the entities. Further reference is made to the disclosures under **Item 10 Other Financial Industry Activities and Affiliations** above.

### **Personal Trading**

Under our Code of Ethics, transactions in the securities by our employees in the same securities to be traded in client accounts are prohibited within five days before and after any such transaction, subject to waiver in limited and defined circumstances deemed not within the intent of the Code of Ethics. Transactions exempt from preclearance are also exempt from these restrictions on personal trading within five days of client transactions, such as transactions in U.S. Government obligations, bank certificates of deposit, shares issued by money market funds, shares issued by open-end mutual funds, and other substantially similar investments. Further prohibitions exist on acquiring securities in an initial public offering and sales and purchases of the same or equivalent securities realizing a profit within 60 calendar days.

We may invest in securities recommended to clients. Client transactions are executed first assuming substantially similar investment objectives existing when the transactions are being executed. If the transactions are exempt from certain restriction in the Code of Ethics, client transactions may be executed at the same time as transactions for our employees, as for example, transaction in U.S. Government obligations, bank certificates of deposit, shares issued by money market funds, shares issued by open-end mutual funds, and other substantially similar investments.

### **Item 12 Brokerage Practices**

In our investment supervisory services, we maintain discretionary authority to invest client assets and to determine the securities and the amount of securities to be bought or sold. You select the custodian broker-dealer, determine the account costs, and enter into an agreement directly with the custodian broker-dealer. We suggest and use TD Ameritrade as the custodian broker-dealer. You may enter into a separate agreement with any custodian broker-dealer and use any entity you desire.

We execute transactions primarily through the custodian for the account who then acts as the

broker-dealer. We strive to execute securities transactions for clients in such a manner that the total account costs are the most favorable under the circumstances.

In suggesting any custodian broker-dealer, we consider the full range and quality of services, including execution compatibility, account access and information, rates, overall fees and account costs, and the prior experience, responsiveness, service, reputation, honesty, integrity and financial stability of the custodian broker-dealer, among other possible factors.

As part of this periodic review of our relationship with any custodian broker-dealer and an ongoing basis in response to certain events, we review all available service providers. Competitive conditions and available services may change, and we review the service and cost of other providers to determine whether any change should be considered in our recommendation.

We review order execution on a systematic basis to assure correct placement of the order and best execution and otherwise to protect your interests. We also review any relationship with a custodian broker-dealer in its entirety on a determined periodic basis. This periodic review covers the same factors considered in initially selecting the custodian broker-dealer, such as the full range and quality of services, execution compatibility, account access and information, rates, overall fees and account costs, and the prior experience, responsiveness, service, reputation, honesty, integrity and financial stability of the custodian broker-dealer, among other possible facts. In particular, we review past experience and the relationship with the custodian broker-dealer.

### **Directed Brokerage**

You may choose any custodian broker-dealer, based on factors other than our suggestion. If you direct that we use a custodian broker-dealer other than one suggested by us, you bear the responsibility to negotiate and to obtain favorable account and transactions costs, including commissions. Our ability to do so may be lessened, and we may be unable to do so. If you direct us to use a custodian broker-dealer other than one suggested by us, it may cost you more money and you may receive inferior service.

### **Other Brokerage Practices**

We refrain from various other brokerage practices, including participating in any soft dollar arrangements and paying brokers' commissions in exchange for client referrals. We do not aggregate trades when placing orders to implement our investment recommendations. Because of the nature and type of our investment recommendations, we execute trades for clients as the need arises.

## **Item 13      Review of Accounts Investment Supervisory Services.**

For investment supervisory services, each investment advisor representative responsible for the client reviews all accounts in their entirety on a quarterly basis according to the financial needs, desires and objectives of the client. On an ongoing basis, we review all investments held by our

clients. We also review client account as market conditions warrant, and in volatile markets, reviews may be made more often.

We provide written reports to clients on a quarterly basis, which reports set forth all holdings and transactions in the portfolio during the prior quarter. The custodians holding the assets also provide account statements on a periodic basis according to your agreement with them.

### **Selection and Monitoring Services**

The nature and frequency of reviews are set forth in the IPS as part of establishing our relationship with you.

### **Financial Planning.**

In rendering financial planning services, again the investment advisor representative responsible for the client and preparing the financial plan reviews the data and information gathered from you upon the initial engagement. Thereafter, as requested by you on an annual basis, we review and update the current status of that information initially gathered from you.

### **Direct Investment Entity Advisory Services.**

We review clients' investments in the direct investment entities on an ongoing basis and receive reports from management of the investments on a periodic basis according to the terms and conditions upon which the direct investment entity invested.

Investors in the direct investment entities receive account statements reflecting their interests in the direct investment entities from a qualified financial institution who acts as the custodian on a periodic basis according to their agreements with the custodian, and quarterly statements from us.

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

We only receive fees from you in rendering our advisory services to you. We do not pay compensation for client referrals.

## **Item 15            Custody**

Our investment advisory agreement with you allows us to deduct advisory fees directly from your account at the custodian upon presentation by us of our invoice to the custody, causing us to be deemed to have custody to this limited degree. You will receive account statements from the qualified custodian holding the assets and you should review those statements, all transactions reflected in the statements, including our fees, and compare these statements sent by the custodian to statements sent by us. Our statements may vary based on different reporting dates, valuation methods and other procedures. We urge you to contact us with any questions on differences you note.

To the extent Jack Kynion III, our Managing Director, acts as the manager for the entities, we may be deemed to have custody. Custody of the entity interests held by clients is maintained by qualified custodians unrelated to us. The custodian delivers accounts statements directly to investors in each entity. Some interests held by clients are not maintained by qualified custodians and clients receive information regarding their interest on a quarterly basis from us

## **Item 16            Investment Discretion**

We manage client accounts holding portfolio securities on a discretionary basis under a grant of discretionary authority in our investment advisor agreement with you. Before exercising discretionary authority, we enter into an investment advisory agreement with you, by which you grant us a limited power of attorney to execute securities transactions on their behalf. You also appoint us as an agent with the custodian to execute transactions on a discretionary basis with the discretion. We do not manage direct investments held by you on a discretionary basis.

## **Item 17            Voting Client Securities**

We have authority to vote proxies of your portfolio securities unless you specifically reserve the right, in writing, to vote your own proxies. We do not maintain authority to vote proxies of other investments directly held by you.

### **Voting Policies and Procedures**

We have established certain policies and procedures for the voting of proxies received by us. When voting proxies, our primary concern is to make decisions in the best interest of our clients, and intended to enhance the economic value of the assets of clients' accounts. A proxy voting committee is responsible for monitoring that all proxies received are voted according to our policies and procedures, in a timely manner and in a manner consistent with our determination of the client's best interests.

We vote all proxies timely, consider each decision individually and base our decisions on general guidelines. We vote against management proposals not in the shareholders' best interests, which include: issues regarding the issuer's Board entrenchment and anti-takeover measures; provisions providing for cumulative voting rights; and election of directors who sit on more than five boards.

We vote in favor of routine proposals which do not change the structure, bylaws, or operations of the corporation to the detriment of the shareholders. Given the routine nature of these proposals, proxies will normally be voted with management. Traditionally, these issues include election of auditors recommended by management, date and place of annual meeting, ratification of directors' actions on routine matters since previous annual meeting, responsible Employee Stock Purchase Plans and establishing reasonable 401(k) plans.

Issues involving director and management mandatory retirement policy, option and stock grants to management and directors, and retirement packages to management and directors will be

reviewed on a case-by-case basis. Voting decisions will be made based on the financial interest of our clients as a whole.

In certain circumstances, in accordance with a client's investment advisory contract, or other written directive, or if we have determined that it is in the client's best interest, we refrain from voting proxies received, such as in the following circumstances: client maintains proxy voting authority; account terminated; limited value to be realized; securities lending programs; and unjustifiable costs in relation to value to be potentially realized.

### **Conflicts**

Where a proxy proposal raises a material conflict between our interests and your interest, to the extent we have little or no discretion to deviate from its guidelines with respect to the proposal in question, we shall vote in accordance with such a pre-determined voting policy.

To the extent that we have discretion to deviate from its guidelines with respect to the proposal in question, we disclose the conflict to you and obtain your consent to the proposed vote prior to voting the securities. If you do not respond to such a conflict and disclosure request or deny the request, we will abstain from voting the securities held by you.

### **Copies**

A copy of our Proxy Voting Policies and Procedures is available upon written request. Requests should be sent to Jack Kynion III, Managing Director, Legacy Advisory Group, LLC, 10561 Barkley, Suite 610, Overland Park, KS 66212.

You may receive copies of voting records by sending a written request to Jack Kynion III, Managing Director, Legacy Advisory Group, LLC, 10561 Barkley, Suite 610, Overland Park, KS 66212.

## **Item 18            Financial Information**

Based on our operations and status, we are not required to provide financial information.