



***Kalos Management, Inc.***

***11525 Park Woods Circle, Suite 250  
Alpharetta, GA 30005***

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***www.kalosmanagement.com***

***Part 2A of Form ADV:  
Firm Brochure***

***March 28, 2019***

This brochure provides information about the qualifications and business practices of Kalos Management, Inc. If you have any questions about the contents of this brochure, please contact us at 678.356.1100. 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.

Kalos Management, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Kalos Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Material Changes

Kalos Management, Inc.’s (“Kalos Management, we, us, our, ours”) last annual amendment was filed on March 30, 2018. Since that date, we made the following material change to this brochure:

- Placemark was purchased by Envestnet, Inc. The services you receive and the fees you pay remain the same.

We send a summary of any material changes to our brochures to our clients (“you, your, yours”) by April 29th of each year.

If you would like a copy of our most current disclosure brochure or a brochure covering any of our other services described under “Advisory Business”, you

may request one by contacting John Williams, Chief Compliance Officer at 678.356.1100 or [jwilliams@kalosfinancial.com](mailto:jwilliams@kalosfinancial.com). We will provide you with a new brochure at any time without charge.

Additional information about us is available via the SEC’s website: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). This website also provides information about any persons affiliated with Kalos Management who are registered as investment adviser representatives (“your Financial Professional” or “advisory representative”) of Kalos Management. Information on your Financial Professional can be found in our brochure supplements.

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## ***Advisory Business***

Kalos is a corporation organized under the laws of the state of Georgia. Daniel and Carol Wildermuth founded the Alpharetta-based investment advisory firm in 2004 and are the principal owners. Kalos is an SEC registered investment advisory firm.

As of December 31, 2018, we managed approximately \$161.2 million in client assets where we made all of the investment decisions (discretionary assets). Approximately \$96.7 million in client assets were managed on a nondiscretionary basis.

We offer investment advisory services to you directly and through the referrals of third parties. We either consult with you directly or through these third parties to obtain detailed financial information and other pertinent data. In providing investment advice to you and all of our clients, we consider:

- your financial situation,
- risk tolerance,
- investment horizon,
- liquidity needs,
- tax considerations,
- financial goals,
- income (current and potential),
- portfolio size,
- net worth,
- investment objectives, and
- any other issues important to your state of affairs.

You should notify us promptly if there are any changes in your financial situation or investment objectives. You should also notify us if you wish to impose any reasonable restrictions upon the management of your account.

## ***Professional Investment Strategies***

Kalos Management offers a variety of investment strategies to diversify your securities portfolios. Daniel Wildermuth, President, acts as portfolio manager for these strategies. More detailed information about his portfolio management and the associated fees are provided in the wrap fee brochure. It is available upon request from your Financial Professional and will be provided to you prior to opening such an account.

## ***Affiliated Advisory Services***

Certain of our Financial Professionals directly manage client portfolios. Assets are allocated within a mix of securities that include all or some of the following:

- equities,
- bonds,
- mutual funds,
- exchange traded funds,
- interval funds, and
- direct participation programs (“DPP”s).

Securities and sector allocations are selected with the aid of fundamental analysis and the review of independent research, news sources and rating

services. Assets are typically managed to an allocation model.

#### *Envestnet Investments Managed Account Wrap Program*

Certain of our Financial Professionals offer their clients discretionary investment management through a wrap program sponsored by Envestnet, Inc. (“Envestnet”) and Kalos Management, Inc. Detailed information about this program can be found in the Envestnet Managed Account Wrap Fee Program Brochure, which is available upon request and will be provided to you prior to opening such an account.

#### *Envestnet Private Wealth Management Wrap Programs*

Certain of our Financial Professionals offer their clients discretionary investment management through wrap programs sponsored by Envestnet Asset Management, Inc. Detailed information about these programs can be found in Envestnet’s Wrap Fee Program Brochure, which is available upon request and will be provided to you prior to opening such an account.

#### *Unaffiliated Investment Advisers*

We have entered into agreements with various unaffiliated investment advisers for the provision of certain investment advisory services. We will provide personal advisory services to you through assisting you in the selection of a

particular adviser. Factors considered in helping you with this selection include:

- your Financial Professional’s preference for a particular unaffiliated investment adviser;
- your risk tolerance, goals and objectives, as well as investment experience; and,
- the amount of assets you have available for investment.

Detailed information about these programs can be found in the individual unaffiliated investment adviser’s disclosure document, which is available upon request and will be provided to you prior to opening such an account.

#### *Financial Planning*

We can prepare and provide you with a written financial plan designed to help you achieve your financial goals and investment objectives. The preparation of such a plan necessitates that you provide us with personal data such as:

- family records,
- budgeting,
- personal liability,
- estate information and
- additional financial goals.

The financial plan will include any or all of the following as requested or directed by you and agreed by contract:

- asset protection,
- tax planning,
- business succession,
- strategies for exercising stock options,
- cash flow,

- education planning,
- estate planning and wealth transfer,
- charitable gifting,
- long-term care and disability planning,
- retirement planning,
- insurance planning, and
- risk management.

We do not provide accounting or legal advice. Should you choose to implement the recommendations contained in the plan, we suggest that you work closely with your attorney, accountant, insurance agent, and stockbroker.

### ***Fees and Compensation***

Broker-dealers and other financial institutions that hold client accounts are referred to as custodians (“custodian/broker-dealer”). Your custodian/broker-dealer determines the values of the assets in your portfolio. Our fee is calculated based upon the market value of the assets in your account on the last day of the previous quarter. Fees for the initial quarter are based on the value of your cash and securities on the date the custodian/broker-dealer receives them and are prorated based upon the number of calendar days in the calendar quarter that our agreement is in effect.

You may choose from wrapped or non-wrapped programs. Wrap pricing structures allow you to pay an all-inclusive fee for management, brokerage, clearance, custody and administrative services. As an alternative to the wrap

pricing structure, or for clients whose trades are not placed through Kalos Capital, the transaction charges are unbundled from the advisory and administrative fees. We may charge accounts that do not meet minimum asset thresholds a nominal fee on a quarterly basis.

The fee that you pay for a wrap fee account includes payment of all brokerage commissions and other trading costs of transactions effected through Kalos Capital. However, the fee would not include mark-ups, markdowns, or payment of brokerage commissions from transactions made by a broker-dealer other than Kalos Capital. Such brokerage commissions, mark-ups or markdowns, and other costs would be charged to you in addition to the advisory fee.

The wrap fees may be higher or lower than if such services were obtained separately. Generally, wrap programs are relatively less expensive for actively traded accounts. However, they often result in higher overall costs to the client in accounts that experience little trading activity.

Daniel Wildermuth, Kalos Management’s President, and certain of our Financial Professionals offer their portfolio management services on a wrap fee basis. If you would like to participate in one of our wrap fee programs, ask your Financial Professional for a copy of the relevant wrap fee brochure.

If you select a non-wrap fee program, you pay separate transaction charges and commissions in addition to the advisory and administrative fees. As a fee-based investment adviser, Kalos generally avoids investments that charge you a commission for their sale or purchase. However, if a commission is charged, this cost will be passed on to you.

Most brokers and custodians charge transaction fees to place trades for your account. These fees are charged by the broker or custodian to cover their costs. Transaction fees vary by broker and custodian. Please ask us for details on transaction fees and commissions specific to your account.

Our fee schedules are as follows:

<b>Affiliated Advisory Services</b> <b>Non-Wrap<sup>1</sup> Fee Schedule</b> <b>Traditional Investments</b>	
<b><u>Account Size</u></b>	<b><u>Maximum Account Fee</u></b>
\$0 – \$999,999	2.75%
\$1,000,000 - \$1,999,999	2.10%
\$2,000,000 - \$4,999,999	1.80%
Above \$5,000,000	1.55%

<sup>1</sup> Certain of our Financial Professionals directly manage client portfolios under a wrapped fee schedule. You may request a copy of Kalos wrap fee brochures from your Financial Professional.

<b>Affiliated Advisory Services</b> <b>Non-Wrap Fee Schedule</b> <b>Alternative Investments</b>	
<b><u>Account Size</u></b>	<b><u>Account Fee<sup>2</sup></u></b>
\$0 – \$999,999	1.0 – 1.5%
\$1,000,000 - \$1,999,999	1.0 – 1.5%
\$2,000,000 - \$4,999,999	1.0 – 1.5%
Above \$5,000,000	1.0 – 1.5%

<sup>2</sup> Does not include internal fees as explained on page 5. Includes DPPs and Interval Funds.

The fees to participate in an Envestnet Private Wealth Management Program are as follows:

<b>Envestnet Private Wealth Management Programs</b> <b>Wrap Fee Schedule</b>	
<b><u>Account Size</u></b>	<b><u>Account Fee<sup>3</sup></u></b>
\$0 – \$99,999	1.10 - 2.80%
\$100,000 - \$249,999	1.05 - 2.75%
\$250,000 - \$499,999	1.00 - 2.50%
Above \$500,000	negotiable

<sup>3</sup> Includes Envestnet/manager's fee as well as Kalos Financial Professional's fee. Please refer to Envestnet's Wrap Fee Program Brochure for more information about these programs and the associated fees.

If you select an unaffiliated manager through Kalos management, fees will be disclosed in the unaffiliated investment adviser's disclosure brochure which will be provided by your Financial Professional.

Account Fees are negotiable. Some deciding factors can include the size of the account, the complexity of your financial situation or investment strategy,

and your choice of Investment Professional.

You must authorize us in writing to have the custodian/broker-dealer pay us directly by charging your account. One-fourth of the annual fee is charged each calendar quarter. Your custodian/broker-dealer will provide you with statements that show the amount paid directly to us. You should review and verify the calculation of our fees. Your custodian/broker-dealer does not verify the accuracy of fee calculations.

In addition to our fee and where applicable, you are required to pay other charges such as:

- custodial fees;
- brokerage commissions;
- transaction fees;
- SEC fees;
- internal fees and expenses charged by mutual funds; variable annuities; interval funds, DPPs, and exchange traded funds (“ETFs”);
- brokerage account maintenance fees; and
- other fees and taxes on brokerage accounts and securities transactions.

Mutual fund companies, ETFs, DPPs, and variable annuity issuers charge internal fees and expenses for their products. These fees and expenses are in addition to any advisory fees charged by us. Complete details of these internal fees and expenses are explained in the prospectuses for each investment. You are strongly encouraged to read these explanations before investing any money.

You may ask us any questions you have about fees and expenses.

If you purchase mutual funds through the custodian/broker-dealer, you pay a transaction fee that would not be charged if the transactions were made directly through the mutual fund company. Also, mutual funds held in accounts at brokerage firms may pay internal fees that are different from funds held at the mutual fund company.

While you may purchase shares of mutual funds directly from the mutual fund company without a transaction fee, those investments would not be part of our advisory relationship with you. This means that they would not be included in our investment strategies, investment performance monitoring, or portfolio reallocations.

In certain situations, we recommend on a nondiscretionary or discretionary basis that you invest some or all of your assets under our management in the Wildermuth Endowment Strategy Fund (the “Fund”), for which an affiliate serves as investment adviser. A description of the investment objective for the affiliated Fund, together with a corresponding discussion of the terms and conditions for investment therein, including, but not limited to, risk factors and fees, is set forth in the affiliated Fund’s prospectus. You will be charged no sales fee or load; any purchase will be made at Net Asset Value. When the Fund is held in your advisory account, you will pay a fee from your advisory

account based on the market value of assets which include the fair market value of the Fund shares held in your account. We provide no financial or other incentive for your Financial Professional to favor the Fund over other unaffiliated funds.

The Fund's internal investment management fees are paid to our affiliate, Wildermuth Advisory. Wildermuth Advisory and Kalos Management have common beneficial owners. Consequently, we have a conflict of interest when we use our authority to recommend and invest client assets in the Wildermuth Endowment Strategy Fund because we receive an investment advisory fee at the advisory account level and our affiliate receives an investment advisory fee at the mutual fund level on the same assets. You are strongly encouraged to read the prospectus and to discuss any questions or concerns you have about this arrangement with us. You are under absolutely no obligation to either consider or make an investment in the affiliated Fund.

In some instances, advisory fees are paid to Kalos Capital as paying agent for Kalos Management. Kalos Capital retains a portion of the advisory fee to cover the cost of supervising their registered representatives who are also advisory representatives of Kalos Management. However, the custodian of the account holds all customer assets. Kalos Management and Kalos Capital do not hold customer funds or securities.

Please be sure to read the section entitled "Brokerage Practices," which follows later in this brochure.

Typically, you must pay our advisory fees in advance of receiving our services. Should you terminate the advisory agreement we have entered into within five (5) business days from the date the agreement is executed, you will receive a full refund of any fees paid.

Should either one of us terminate the advisory agreement we have entered into before the end of a billing period, any unearned fees that were deducted from your account will be returned to you by us. The amount refunded to you is calculated by dividing the most recent advisory fee you paid by the total number of days in the quarter. This daily fee is then multiplied by the number of calendar days in the quarter that our agreement was in effect. This amount, which equals the amount we earned for the partial quarter, is subtracted from the total fee you paid in advance to determine your refund.

In some instances, you may arrange with your Financial Professional to pay your fees after we have provided you investment services. If you pay your fees in arrears and either one of us terminates the advisory agreement, any earned but unpaid fees become immediately due and payable.

Your Financial Professional is also a registered representative of Kalos Capital, a registered broker-dealer,



member FINRA/SIPC. If you choose to implement your financial plan through Kalos Capital rather than Kalos Management, commissions are earned by your Financial Professional in addition to any fees paid for your financial plan. In addition, your Financial Professional is entitled to a portion of some internal expense fees (such as 12b-1 fees) charged by mutual funds.

Your Financial Professional may also be licensed with various insurance companies. If you purchase insurance products from these companies through your Financial Professional, they will earn a commission. You may check your particular Financial Professional's brochure supplement to determine which licenses and registrations they hold.

In addition, we receive compensation from unaffiliated investment advisers for referring clients. Our compensation differs depending on the individual agreement with each unaffiliated investment adviser.

The above arrangements present a conflict of interest because they create an incentive to make recommendations based upon the amount of compensation we receive rather than based upon your needs. We will explain the specific costs associated with any recommended investments with you upon request. We also recommend no-load and load-waived mutual funds to further reduce conflicts of interest. Additionally, you have the option to purchase investment and insurance products through other

brokers or agents who are not affiliated with us.

Financial planning fees are based on an hourly charge ranging from \$150 - \$500 per hour with fixed fees ranging from \$500 - \$10,000 per plan. Fees are negotiable and will vary depending upon the complexity of the client situation and services to be provided. Clients who choose to become a client of Kalos may be provided financial plans at no charge. An estimate for total hours will be determined at the start of the advisory relationship. Similar financial planning services may be available elsewhere for a lower cost to the client.

### ***Performance-Based Fees***

Performance-based fees are designed to give a portion of the returns of an investment to the investment adviser as a reward for positive performance. The fee is generally a percentage of the profits made on the investments. We do not charge performance-based fees on any of our client accounts.

### ***Types of Clients***

We provide advisory services primarily to individuals. We also provide services to high net worth individuals, pension and profit sharing plans, and charitable organizations.

We generally require a minimum account value of \$50,000 as a condition for starting and maintaining an advisory relationship. We, at our sole discretion,

may accept clients with smaller portfolios based upon certain factors including:

- anticipated future earning capacity,
- anticipated future additional assets,
- account composition,
- related accounts, and
- pre-existing client relationships.

We may consider the portfolios of your family members to determine if your portfolio meets the minimum size requirement. If the minimum investment is not made and an exception is allowed for a non-wrapped account, there may be an additional \$6 fee per quarter.

We do require differing minimums for participation in our wrap fee programs. Information regarding these minimums and any additional fees associated with them can be obtained by requesting a copy of our wrap fee brochures from your Financial Professional.

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

Individual securities are selected with the aid of fundamental analysis and the review of independent research, news sources and rating services. Fundamental analysis is a method of evaluating a company that has issued a security by attempting to measure the value of its underlying assets. It entails studying overall economic and industry conditions as well as the financial condition and the quality of the company's management. Earnings, expenses, assets, and liabilities

are all important in determining the value of a company. The value is then compared to the current price of the issuing company's security to determine whether to purchase, sell or hold the security.

Our investment strategies may include long-term and short-term purchases and sales. You may place reasonable restrictions on the strategies to be employed in your portfolio and the types of investments to be held in your portfolio.

All investments involve risks that can result in loss:

- loss of principal,
- a reduction in earnings (including interest, dividends and other distributions), and
- the loss of future earnings.

Additionally, these risks include:

- market risk,
- interest rate risk,
- issuer risk, and
- general economic risk.

There are also risks specific to value investing. Although these investments may appear undervalued at one time, their prices can still drop along with the market. On the other hand, it can be difficult to find enough undervalued securities in a rising market to fully diversify portfolios, because prices can still rise along with the market.

The exposure to the commodities and stock markets that the Equity

Commodity Strategy seeks to obtain creates inherent risks and limitations. Commodities price changes and expected volatility is likely to affect the prices of stocks operating in these markets both negatively and positively and create substantial volatility. The focus of this strategy in narrower sectors of the stock market is likely to experience price movements very different from the general stock market and could result in substantial under-performance relative to the broader stock market. In addition, investing in equities carries both security selection and market risk which can cause substantial losses in individual holdings or across the entire portfolio.

There are several risks associated with alternative investments above and beyond the typical risks associated with traditional investments.

- Higher fees. Alternative investments can have higher fees. For example, fees can include an annual management fee (1–2%) and an additional incentive fee (10–20%). Fund of funds may also charge yet another management fee. While higher than traditional investments, these fees may or may not be justified when comparing returns net of fees.
- More complicated. Alternative managers may invest in a wide variety of investments, including derivatives, and utilize short selling. Understanding complicated investment strategies requires more upfront and ongoing due diligence.
- Less transparent. There can be limited transparency into the underlying

holdings of these investments.

Additionally, many manager evaluation tools are not as well suited for alternative investments, making a manager's investment ability more difficult to assess. Also, some alternative investments are largely unregulated.

- Less liquid. Limited partnerships may hold illiquid investments and as such restrict an investor's ability to redeem money. The underlying investments used in an alternative investment strategy may also be exposed to a significant lack of liquidity in stressful trading environments.
- Less tax-friendly. Most alternative investment strategies have little to no focus on minimizing taxes. Also, those whose legal structure is a partnership issue a K-1 statement rather than a 1099.
- May disappoint in strong up markets. Investments that seek to generate an absolute return often use short selling strategies, and as such tend to lag long only strategies in strong up markets, which may discourage some investors.
- May not diversify risk in extreme down markets. In periods of dislocation, the correlations of many types of investments, including alternatives, may increase significantly, as was the case in the extreme down market of 2008.

Often clients and their Financial Professionals come to the conclusion that the benefits of alternatives warrant the added risk.

Although we manage your portfolio in a manner consistent with your risk tolerances, we cannot guarantee that our efforts will be successful. You should be prepared to bear the risk of loss.

### ***Disciplinary Information***

We have not been the subject of any legal or disciplinary events that would be material to your evaluation of our business or the integrity of our management.

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

Daniel Wildermuth and Carol Wildermuth are also principals and beneficial owners of:

- Kalos Financial, Inc.,
- Kalos Capital, Inc.,
- Wildermuth Asset Management, LLC,
- Wildermuth Advisory, Inc., and
- Wildermuth Securities, LLC.

Kalos Financial is a state licensed insurance agency. The agency sells fixed annuities, life and health products.

Kalos Capital, Inc. is a state licensed insurance agency and general securities broker-dealer registered with the SEC, and FINRA, as well as, various state regulatory agencies. In this capacity, Kalos Capital executes trades (as agent) for a commission in investment products on behalf of clients, who may or may not have an advisory fee agreement with Kalos Management, Inc.

Wildermuth Asset Management, LLC is an SEC registered investment advisory firm. Wildermuth Asset Management provides discretionary investment management through wrap programs sponsored by Envestnet Asset Management, Inc. and by Wildermuth Asset Management, LLC.

Wildermuth Advisory, Inc. is an SEC registered investment advisory firm. Wildermuth Advisory, Inc. serves as investment adviser to The Wildermuth Endowment Strategy Fund (WESFX).

Wildermuth Securities, LLC is broker-dealer registered with the SEC and FINRA, as well as, various state regulatory agencies. In this capacity Wildermuth Securities serves as the underwriter/sponsor of The Wildermuth Endowment Strategy Fund (WESFX).

As explained under “Fees and Conditions” above, our Financial Professionals are also licensed as registered representatives with Kalos Capital. They may also be licensed as insurance agents with various insurance companies. These arrangements present a conflict of interest because they create an incentive to make recommendations based upon the amount of compensation your Financial Professional can receive rather than based upon your needs. Selection of specific programs, products, or investments may also result in an increase in the total fees and commissions received by the related entities.

As previously noted, we will explain the specific costs associated with any recommended investments with you upon request. We also recommend no-load and load-waived mutual funds to further reduce conflicts of interest. You have the option to purchase investment and insurance products through other brokers or agents who are not affiliated with us.

Many of our Financial Professionals also recommend on a nondiscretionary or discretionary basis that clients invest some or all of their assets under our management in the Wildermuth Endowment Strategy Fund, for which an affiliate serves as investment adviser. The internal investment management fees of this fund are paid to our affiliate, Wildermuth Advisory. Wildermuth Advisory and Kalos Management have common beneficial owners. Consequently, we have a conflict of interest when we use our authority to recommend and invest client assets in the Wildermuth Endowment Strategy Fund because we receive an investment advisory fee at the advisory account level and our affiliate receives an investment advisory fee at the mutual fund level on the same assets. You are strongly encouraged to read the prospectus and discuss any questions or concerns you have about this arrangement with us. You are under absolutely no obligation to either consider or make an investment in the affiliated fund.

Your Financial Professional may also recommend various unaffiliated

investment advisers to manage your assets. If you establish an investment advisory relationship with one of these firms, your Financial Professional will share in the advisory fees you pay to these unaffiliated investment advisers.

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

We have adopted a Code of Ethics (“Code”) to address the securities-related conduct of our Financial Professionals and employees. The Code includes our policies and procedures developed to protect your interests in relation to the following:

- the duty at all times to place your interests ahead of ours;
- that all personal securities transactions of our Financial Professionals and employees be conducted in a manner consistent with the Code and avoid any actual or potential conflict of interest, or any abuse of a Financial Professional’s or employee’s position of trust and responsibility;
- that Financial Professionals may not take inappropriate advantage of their positions;
- that information concerning the identity of your security holdings and financial circumstances are confidential; and
- that independence in the investment decision-making process is paramount.

We will provide a copy of the Code to you or any prospective client upon request.

We, and our affiliates, may buy or sell securities for our firms that we also recommend to clients. Your Financial Professional and our employees are also permitted to buy or sell the same securities for their personal and family accounts that are bought or sold for your account(s). The personal securities transactions by us, your Financial Professional, and our employees may raise potential conflicts of interest when they trade in a security that is:

- owned by you or
- considered for purchase or sale for you.

We have adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our firm, Financial Professionals and employees to act in your best interest,
- prohibit favoring one client over another, and
- provide for the review of transactions to discover and correct any same-day trades that result in Kalos Management, our affiliates, a Financial Professional or employee receiving a better price than a client.

Kalos Management, our affiliates, Financial Professionals and employees must follow our procedures when

purchasing or selling the same securities purchased or sold for you.

## ***Brokerage Practices***

If you are referred to Kalos through a third party, you will typically custody your assets at the broker-dealer recommended by the third party. If you come to Kalos directly, we generally recommend that the broker-dealer for your account be Kalos Capital and the custodian be Kalos' clearing agent, National Financial Services LLC ("NFS"), member NYSE/SIPC. Kalos also uses Equity Trust Company as a custodian for retirement plan and other account types. Securities executed through Equity Trust Company's broker-dealer affiliate, ETC Brokerage Services (Member FINRA and SIPC), are cleared through and held in custody by an unaffiliated, third-party clearing firm (COR Clearing LLC). Depending upon your Financial Professional and the program you choose, we also recommend that the broker-dealer for your account be RBC Correspondent Services and the custodian be RBC Capital Markets, LLC, both member FINRA/SIPC.

If you participate in certain wrapped or unwrapped programs, you may also custody your assets at Envestnet, TD Ameritrade, Charles Schwab & Co., Inc. or NFS, depending upon your Financial Professional and the program you choose. Trades in these programs are effected through your custodian or an affiliate of your custodian.

In recommending a custodian/broker-dealer to execute transactions for your portfolios, we consider at a minimum the custodian/broker-dealer's:

- relationship with us,
- financial strength,
- reputation,
- reporting capabilities,
- execution capabilities,
- pricing, and
- types and quality of research.

The determining factor in the selection of a custodian/broker-dealer to execute transactions for your accounts is not the lowest possible transaction cost, but whether the custodian/broker-dealer can provide what is in our view the best qualitative execution for your account.

The custodian/broker-dealers provide us with access to its institutional trading and custody services, which includes:

- brokerage,
- custody,
- research, and
- access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

We are not required to place a minimum volume of transactions or maintain a minimum dollar amount of client assets to receive these services. The custodian/broker-dealer does not charge separately for holding our clients'

accounts, but may be compensated by you through other transaction-related fees associated with the securities transactions it executes for your accounts.

The custodian/broker-dealer makes available to us other products and services that benefit us but do not benefit you directly. Some of these products and services assist us in managing and administering our client accounts, such as software and other technology that:

- provide access to account data such as:
  - duplicate trade confirmations,
  - bundled duplicate account statements, and
  - access to an electronic communication network for client order entry and account information;
- facilitate trade execution, including:
  - access to a trading desk serving advisory participants exclusively and
  - access to block trading which provides the ability to combine securities transactions and then allocate the appropriate number of shares to each individual account;
- provide research, pricing information and other market data;
- facilitate payment of our fees from client accounts; and
- assist with back-office functions, record keeping and client reporting; and

- receipt of compliance publications.
- The custodian/broker-dealer also makes available to us other services intended to help us manage and further develop our business. These services may include:
- consulting,
  - publications and conferences on practice management,
  - information technology,
  - business succession,
  - regulatory compliance, and
  - marketing.

The custodian/broker-dealer may also make available or arrange for these types of services to be provided to us by independent third parties. The custodian/broker-dealer may discount or waive the fees it would otherwise charge for some of the services it makes available to us. It may also pay all or a part of the fees of a third party providing these services to us. Thus, we receive economic benefits as a result of our relationship with the custodian/broker-dealer, because we do not have to produce or purchase the products and services listed above.

Because the amount of our compensation or the products or services we receive may vary depending on the custodian/broker-dealer we recommend to be used by our clients, we have a conflict of interest in making that recommendation. Our recommendation of specific custodian/broker-dealers may be based in part on the economic benefit to us and not solely on the nature, cost or quality of custody and brokerage

services provided to you and our other clients. We nonetheless strive to act in your best interests at all times. Commissions and other fees for transactions executed through the custodian/broker dealer may be higher than commissions and other fees available if you use another custodian/broker-dealer firm to execute transactions and maintain custody of your account. We believe, however, that the overall level of services and support provided to our clients by the custodian/broker-dealer outweighs the benefit of possibly lower transactions cost which may be available under other brokerage arrangements.

Many of the services described above are used to benefit all or a substantial number of our accounts, including accounts not maintained at the particular custodian/broker-dealer. We do not attempt to allocate these benefits to specific clients.

You may direct us in writing to use a particular broker-dealer to execute some or all of the transactions for your account. If you do so, you are responsible for negotiating the terms and arrangements for the account with that broker-dealer. We may not be able to negotiate commissions, obtain volume discounts, or best execution. In addition, under these circumstances a difference in commission charges may exist between the commissions charged to clients who direct us to use a particular broker or dealer and other clients who do not



direct us to use a particular broker or dealer.

We engage in bunched trading, which is the purchase or sale of a security for the accounts of multiple clients in a single transaction. If a bunched trade is executed, each participating client receives a price that represents the average of the prices at which all of the transactions in a given bunch were executed. Executing a bunched trade allows transaction costs to be shared equally and on a pro rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

Bunched trades are placed only when we reasonably believe that the combination of the transactions provides better prices for clients than had individual transactions been placed for clients. Transactions for nondiscretionary client accounts are not bunched with transactions for discretionary client accounts. Transactions for the accounts of our employees and Financial Professionals are allowed to be included in bunched trades. They receive the same average price and pay the same commissions and other transaction costs, as clients. Transactions for the accounts of our Financial Professionals or employees will not be favored over transactions for client accounts.

We are not obligated to include any client account in a bunched trade.

Bunched trades will not be placed for any client's account if doing so is prohibited or otherwise inconsistent with that client's investment advisory agreement. No client will be favored over any other client.

## ***Review of Accounts***

All portfolio positions are reviewed at least bi-weekly by the portfolio managers. Transactions are reviewed on a daily basis by a Kalos Compliance Manager. Further account reviews may be triggered by potential change including analyst reports, company news, fund management change and interest rate movement.

You have 24/7 access to online account information that includes current positions, unrealized gains and losses, realized gains and losses, allocation information, transaction history, and other additional account data. You may also elect to receive your account statements quarterly in paper form for a nominal fee.

Your Financial Professional will periodically review reports provided by the unaffiliated investment advisers. Your Financial Professional will contact you periodically to:

- review your financial situation and objectives,
- communicate information to the unaffiliated investment adviser managing the account as warranted, and
- to assist you in understanding and

evaluating the services provided by the unaffiliated investment adviser.

You are expected to notify us of any changes in your financial situation, investment objectives, or account restrictions. You may also directly contact the unaffiliated investment adviser managing the account or sponsoring the program.

### ***Client Referrals and Other Compensation***

We have entered into written compensation agreements with unaffiliated investment advisers. They pay us a percentage of the fee that you pay to them as a result of our referral. These payments are a portion of the fee that the other adviser typically charges and do not result in an increase in the amount of the fee that you pay. Any solicitation or referral arrangements comply with applicable laws that govern:

- the nature of the service,
- fees to be paid,
- disclosures to clients, and
- any necessary client consents.

Arrangements of this nature are considered to present a conflict of interest because it creates an incentive to make recommendations based upon the amount of compensation an adviser receives rather than based upon a client's needs. We explain the specific costs associated with any recommended investments or unaffiliated advisers, and

believe we make these recommendations in your best interest.

We receive certain economic benefits as a result of our affiliation with Kalos Capital and our business arrangement with NFS. Those benefits are described in detail in the preceding section entitled "Brokerage Practices."

We directly compensate persons or firms for client referrals, provided that those persons are qualified and have entered a written agreement with us. If you have been referred to us, you will be provided full disclosure of the compensation paid to the solicitor. These payments will be a portion of the fee charged by us and will not result in an increase in the amount of the fee paid by you. Any referral arrangement will comply with applicable laws and regulations that govern the nature of the service provided.

### ***Custody***

We do not act as the custodian for your investment accounts. You have 24/7 access to online account information that includes:

- current positions,
- unrealized gains and losses,
- realized gains and losses,
- allocation information,
- transaction history, and
- other additional account data.

You may also elect to receive this information quarterly in paper form for a nominal fee.

We urge you to carefully review these statements. You should verify that the transactions in your account are consistent with your investment goals and the objectives for your account. We also encourage you to contact your Financial Professional or our Chief Compliance Officer should you have any questions or concerns regarding your account.

### ***Investment Discretion***

We offer our advisory services on a discretionary basis. This means that we do not need advance approval from you to determine the type and amount of securities to be bought and sold for your accounts. We also have the ability to choose the broker-dealer through which transactions will be executed and negotiate the commissions you pay. However, we do not have the ability to withdraw funds from your account (other than to withdraw our advisory fees which, may only be done with your prior written authorization.)

This discretion is used in a manner consistent with the stated investment objectives for your account, if you have given us written authorization to do so. We only exercise discretion in accounts where we have been authorized by you. This authorization is typically included in the investment advisory agreement you enter into with us.

We also offer our advisory services on a non-discretionary basis. This means that we need advance approval from you to

determine the type and amount of securities to be bought and sold for your accounts.

### ***Voting Proxies for Client Securities***

Other than the Professional Investment Strategies wrap program, Kalos Management does not take any action or render any advice with respect to voting of proxies solicited by or with respect to the issuers of securities in which assets of the account may be invested under this program. Information regarding proxies of securities managed in the Professional Investment strategies can be found in the related wrap brochure. Your Financial Professional will provide a copy of this brochure upon request.

In addition, we do not render any advice or take any action on your behalf with respect to securities or other investments held in the account, or the issuers thereof, which become the subject of any legal proceedings, including those under the Federal bankruptcy laws. We arrange with your custodian for you to receive proxy materials and other notices concerning securities in your account.

### ***Financial Information***

We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to you and we have not been the subject of a bankruptcy proceeding.