



## **FIRM BROCHURE**

### **Part 2A of Form ADV**

**September 24, 2013**

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**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Ken Stern & Associates, Inc. If you have any questions about the contents of this Brochure, please contact us at (800) 529-2884. 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.**

**Ken Stern & Associates, Inc. is registered as an investment adviser with Securities and Exchange Commission; however, such registration does not imply a certain level of skill or training and no inference to the contrary should be made.**

**Additional information about Ken Stern & Associates, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 1: COVER PAGE**

Please refer to previous page.

## **ITEM 2: MATERIAL CHANGES**

Ken Stern & Associates, Inc. (“KS&A” or the Firm”) is amending this Brochure dated September 24, 2013 with an update to Item 12. Brokerage Practices which discusses the soft dollar benefits KS&A receives from its custodian. Also amended is Item 15. Custody which adds KS&A’s other two custodians. The previous Brochure was dated March 31, 2012.

Pursuant to new SEC Rules, KS&A will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of KS&A’s fiscal year-end. Additionally, as the Firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover.

Additional information about KS&A and its investment adviser representatives is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 4: Advisory Business

### A. Description of Firm

Ken Stern & Associates, Inc. ("KS&A" or the "Firm") is a San Diego, California-based investment management firm founded in 1998. As further detailed in Item 4.B., below, KS&A offers services covering the areas of financial planning, portfolio construction and asset management. The Firm typically provides its services to individuals, including high net worth individuals, corporations, and pension and profit sharing plans. Some of the investment instruments KS&A advises its clientele on include, among other things, mutual funds, exchange traded funds ("ETFs"), equities, bonds, treasuries, certificates of deposit and private placements. KS&A is currently registered with the Securities and Exchange Commission ("SEC") as an investment adviser and with the State of California as a corporation. The Firm is headquartered in California and conducts business in several jurisdictions.

KS&A's principal owner is APS Holdings, Inc. ("APSH"). Kenneth Stern is the majority shareholder of APSH, and also serves as KS&A's Chief Executive Officer and Managing Director. For information on his and other KS&A investment adviser representatives' qualifications and business backgrounds, please refer to their respective Form ADV Part 2B Brochure Supplements.

### B. Types of Advisory Services Offered

KS&A primarily provides two types of advisory services: Investment Management Services and Financial Planning Services both of which are more fully described below.

#### 1. Investment Management Services

KS&A provides clients with ongoing Investment Management Services. KS&A offers strategies that seek aggressive growth, growth, growth and income and balanced strategies. Account portfolios will generally consist of equity securities, ETFs, bonds, mutual funds, and other permitted securities. Custom weighted portfolios are also available upon request.

In the scope of the Firm's Investment Management Services, the Firm may include:

- Establishing an Investor Profile – KS&A and the client will generally complete documentation to provide for the client's investment goals and objectives, including the strategies to be used to meet these objectives. The client usually provides KS&A specific information on investment time frame, risk tolerance and asset allocation strategies that will be used and monitored based on changing economic climates and investor objectives.
- Determining Asset Allocation – KS&A will formulate an asset allocation strategy that specifies the percentage of assets to be invested between equity and fixed-income oriented securities, money market funds, tangible assets and other securities.

- Establishing New Accounts – KS&A will assist clients in opening accounts by preparing initial applications and transfer forms, as well as help coordinate the transfer of cash and securities to the new accounts.
- Reporting by KS&A – KS&A may provide periodic investment reviews detailing the client's portfolio activities and tracking client holdings and investment returns.

Investment Management Services clients are allowed to impose reasonable restrictions on the types of securities and/or industries they do not want to be included in their portfolio. Once this information is gathered, each client is responsible for informing KS&A in writing of any changes to these restrictions or to their overall investment objectives.

## 2. Financial Planning Services

KS&A may also provide its clients with customizable Financial Planning Services, although this is not standard. A financial plan may include a review of a client's net worth (including assets and liabilities), objectives, risk tolerance, cash flow and expenses, income tax projection, cash management, employer sponsored retirement planning, estate planning, insurance options, investment asset allocation and multigenerational and philanthropic planning. For this service, KS&A may also hold periodic meetings with the client's relatives or with a client's board of directors, and render non-discretionary investment advice. KS&A's approach to providing this service typically starts with gathering information regarding the client's current and anticipated income and income tax levels, current investment and non-investment assets, current and anticipated cash flow, investment risk tolerance, family situation, fringe benefits, business interests, and other necessary financial and personal information. KS&A assesses the client's goals, objectives, time horizon, and risk tolerance to compare where the client is today in relation to the attainment of his/her stated goals. A comprehensive financial plan is then prepared to address the individual's situation, along with various alternatives for consideration. At the end of the processes, the client will receive education about the alternatives recommended and will have the option of utilizing KS&A to implement those plan recommendations through the Firm's Investment Management Services, described above.

Prior to engaging KS&A to provide financial planning and/or consulting services, with the exception of KS&A Investment Management Services clients for whom service is included under the Investment Management Agreement, the client is required to enter into an Financial Planning Agreement with the Firm setting forth the terms and conditions of the engagement, the scope of the services to be provided and associated fees that are due from the client prior to KS&A commencing services. In performing its services, the Firm entrusts that the client will provide accurate information and KS&A is not obligated to verify any information received from the client or from the client's other professionals. If requested by the client, KS&A may recommend the services of other professionals for purposes of implementing the plan. The client is under no obligation to engage the services of any such recommended professional. The financial planning client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation made by KS&A. Moreover, clients are advised that it remains their responsibility to promptly notify the Firm if there is ever any change in their financial situation during the financial planning process.

### 3. Other Financial Services

From time to time, KS&A publishes an investment report that reviews investment and financial planning related themes. Typically, there is no charge for this type of report.

KS&A may hold seminars or make radio and television appearances that include presentations on various securities and insurance products or financial strategies. Admission fees may be charged. Seminar attendees are not viewed as advisory clients of KS&A, unless a client agreement is executed for specific services.

### C. Wrap-Fee Programs

KS&A does not provide its services to any wrap fee programs, as that term is defined the instructions to Form ADV Part 2.

### D. General Information About KS&A's Services

#### 1. Gathering Individual Client Information

As indicated above, advisory services provided by KS&A are customizable based upon the individual needs, objectives, and other financial goals of the client. Early on in the relationship, KS&A will typically memorialize each client's investment objectives, risk tolerance, time horizons and other important and necessary information, including any investment guidelines, in an Investor Profile. This information, together with any other information relating to the client's overall financial circumstances, will be used by the Firm to determine an appropriate asset allocation and investment strategy to help meet the client's financial goals. The Firm's clients are permitted to place reasonable restrictions on the types of securities they do not want included in their account or financial plan. There may be times when certain restrictions are placed by a client which prevent the Firm from accepting or continuing to service the client's account. KS&A reserves the right to not accept and/or terminate a client's account if it feels that the client imposed restrictions would limit or prevent the Firm and/or the client from meeting or maintaining its objectives.

KS&A will not assume any responsibility for the accuracy of the information provided by the client. The Firm is not obligated to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying the Firm of any material changes to the client's financial situation, investment objectives, time horizon, tax status, risk tolerance or other material information that KS&A may have relied upon in rendering its services. In the event that a client notifies the Firm of such changes, KS&A will review the changes and may recommend revisions to the client's financial plan and/or portfolio.

### E. Amount of Client Assets Managed

As of December 31, 2012, the following represents the amount of client assets under management by KS&A on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$226,465,986.13
Non-Discretionary	\$7,022,438.54
Total:	<b>\$233,488,424.67</b>

## ITEM 5: FEES AND COMPENSATION

### A. Compensation for Financial Planning Services

KS&A provides Financial Planning Services based on a fixed fee. KS&A's fixed fees for Financial Planning Services vary depending on the scope of the services to be provided and will be clearly indicated on the client's Financial Planning Agreement. KS&A's fees for Financial Planning Services are negotiable in the Firm's discretion.

All fees paid to KS&A for Financial Planning Services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders or by other investments. These fees and expenses are described in each investment's prospectus and will generally include a management fee, other fund expenses, and possibly a distribution fee. Certain investments may also be subject to sales charges. If so, the client may pay an initial or deferred sales charge. Should a client elect to implement the recommendations contained in their financial plan, the client will also be subject to brokerage and other transaction costs. Please refer to Item 12, below, for more information on KS&A's brokerage practices.

Clients should review the fees charged by the investments (*e.g.* mutual funds) and the fees charged by KS&A and any other third-parties helping to service the client's account, in order to fully understand the total amount of fees that will be paid by the client. Only then will a client be able to fully evaluate the advisory services being provided and the fees being paid.

When clients engage KS&A for Investment Management Services, Financial Planning Services may be provided as a complimentary service dependent upon the type of account, client objectives and asset size. In these circumstances, KS&A will earn advisory fees when all or a portion of the plan is implemented through KS&A, or a KS&A investment adviser representative may earn commissions and/or other fees should a client choose to implement all or a portion of the plan through First Allied Securities, Inc. ("FAS") (an unaffiliated broker/dealer). Clients are under no obligation to enact the recommendations contained in their financial plans. For more information on KS&A's relationship with FAS, please refer to Item 10, below. Please see Item 5.B., below, for a full description of the Firm's fees for Investment Management Services.

### B. Compensation for Investment Management Services

For Investment Management Services, including implementation of a client's financial plan, KS&A will charge an annual investment management fee, paid quarterly in arrears, based upon a percentage of the assets under management with the Firm. Fees are generally calculated as follows:

<b>Assets Under Management</b>	<b>Advisory Fee (% AUM)</b>
\$100,000 - \$250,000	2.00%
\$250,001 - \$1,000,000	1.50%
\$1,000,001 - \$2,000,000	1.25%
\$2,000,001 - \$3,000,000	1.00%
\$3,000,001 - 5,000,000	0.75%
\$5,000,001 and above	0.50%
Non-Supervised Asset Fee	0.25%

For clients with over \$250,000 in assets under management with KS&A, the above fee schedule is tiered at a beginning fee level of 1.5%. For example, a client with \$2.5 Million in assets under management will be charged 1.50% for the first \$1,000,000 under management, 1.25% for the next \$1,000,000, and 1.00% for the final \$500,000. Clients with assets under management of \$250,000 and less will be charged a non-tiered, flat 2.00% fee.

In some cases, “non-supervised” assets (“Non-Supervised Assets”) may be held in the client’s account. KS&A generally receives a commission, sales load or other similar fee for transactions involving Non-Supervised Assets. A Non-Supervised Assets will generally be excluded from the standard account fees outlined above, but may be charged a separate, quarterly asset value-based fee for inclusion in consolidated reports, which is generally 0.25%, as indicated above. Non-Supervised Assets will not be included in the “Assets Under Management” total used in the calculation of fees for the above fee schedule.

As stated above, Investment Management Services fees are billed quarterly in arrears. By signing the Firm’s Investment Management Agreement, the client authorizes KS&A to request that the custodian remit payment for Investment Management Services fees from the client’s account(s). The amount due is calculated the first day of each calendar quarter based on the client’s account(s) value at the close of business on the last business day of the preceding quarter. Based on specific client circumstances, certain exceptions may apply.

Should a client open an account during the quarter, Investment Management Service fees will be prorated for assets held for a partial quarter based on the number of days that the account was open during the quarter. In the event that KS&A’s services are terminated mid-quarter, the Firm’s fee shall be prorated through the date of termination and any earned, unpaid balance will be immediately due and payable by the client. In the Firm’s discretion, KS&A’s Investment Management Service fees may be subject to negotiation.

### **C. General Information on KS&A’s Compensation and Fees**

Several of KS&A’s investment adviser representatives, including the Firm’s Managing Director, Kenneth Stern, are also registered representatives of First Allied Securities, Inc. (“FAS”). FAS is a registered broker/dealer with the Financial Industry National Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC) and various states and a member of the Securities Investor Protection Corporation (SIPC). In that capacity, investment adviser representatives of KS&A may place clients in investment products sold through FAS and receive a usual and customary commission for doing so. Many of such products have fixed commissions as they are sold through a prospectus. KS&A and FAS are unaffiliated companies.



As registered representatives of FAS, investment adviser representatives of KS&A may be eligible to receive incentive prizes or awards offered by product promoters. These products may include investment products purchased by KS&A for its clients. The policy of KS&A and FAS is to permit all representatives to accept such awards and prizes to the extent that they are usual and customary within the industry, and in compliance with SEC, FINRA, or state rules, regulations or guidelines concerning receipt of such awards or incentives. FAS, in accordance with FINRA regulations, must recognize compensations, awards, and prizes as commissions, and report them to the Internal Revenue Service as revenues.

Several of KS&A's investment adviser representatives are also licensed insurance agents of various insurance companies. In the course of providing investment advisory services, these individuals may recommend that clients purchase products or policies underwritten by certain insurance carriers. Please note that a conflict of interest exists to the extent that certain recommendations may result in a commission being paid to these individuals by the insurance company should a client purchase that company's insurance products or policies. The amount paid is the normal commission paid for services rendered as an insurance representative. To mitigate this potential conflict of interest, commissions that may be paid to these individuals in their capacity as licensed insurance agents will be disclosed to the client at the time such insurance product or policy is recommended. Furthermore, clients should be aware that they are under no obligation to purchase insurance products or policies recommended by KS&A or any of the Firm's investment adviser representatives. For more information on the compensation KS&A's investment adviser representatives may receive in their capacities as registered representatives or licensed insurance agents, please refer to Item 10, below.

The advisory fees charged for KS&A's Investment Management Services and Financial Planning Services are calculated as described above and are not charged on the basis of a share of capital gains or the performance of the client's account.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

KS&A does not charge performance-based fees (*i.e.*, fees calculated based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client). Consequently, the Firm does not engage in side-by-side management of accounts that are charged a performance-based fee with accounts that are charged another type of fee (such as assets under management). As described in Item 5, above, KS&A provides its investment advisory services for a fixed fee, hourly charges and/or based upon a percentage of assets under management.

## **ITEM 7: TYPES OF CLIENTS**

### **A. Description**

KS&A provides its services to individuals, including high net worth individuals, corporations, and pension and profit sharing plans.

**B. Conditions for Managing Accounts**

For the Firm's Investment Management Services, KS&A typically requires a minimum balance of \$250,000 to open an account. This minimum may be waived or varied in the Firm's discretion. KS&A also reserves the right to accept or decline a potential client for any reason. Prior to engaging KS&A to provide Investment Management Services and/or Financial Planning Services described in this Brochure, the client will be required to enter into one or more written agreements with KS&A setting forth the terms and conditions under which the Firm will render its services.

**ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

**A. Methods of Analysis and Investment Strategies**

KS&A generally uses a variety of analytical information to assist with its security analysis. However, the primary types of methods of analysis used by KS&A are charting, fundamental and technical analysis, and from time to time cyclical analysis. The sources of information used by KS&A include, but are not limited to, market news reports, financial publications, outside research reports, annual reports, prospectuses, SEC filings and company press releases.

KS&A provides clients with ongoing Investment Management Services. KS&A offers strategies that seek aggressive growth, growth, growth and income and/or balanced allocations. Account portfolios will generally consist of equity securities, ETFs, bonds, mutual funds, and other permitted securities. Custom weighted portfolios are also available upon request.

Unless otherwise limited by a specific client, KS&A will manage each of these accounts on a discretionary basis. The investment strategies KS&A may pursue on behalf of clients may include long- and short-term purchases, short-term trading and, although discouraged, trading on margin. The Firm may, on occasion, reallocate portfolios to help ensure that they remain aligned with target weighting and stated objectives. KS&A may also recommend specific securities to increase sector weighting and/or dividend potential, or may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. Additionally, KS&A may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in the risk tolerance of the client, or any risk deemed unacceptable for the client's risk tolerance.

KS&A typically structures its portfolios using an investment methodology that aims for diversification so that investors may benefit from having a portfolio of holdings invested in a variety of assets classes. To the extent that these asset classes are non-correlated, the constructed portfolio will aim to experience investment returns with mitigated risk. KS&A constructs client investment portfolios based upon the premise that asset allocation models can be developed, using historical performance data and academically tested assumptions about the future, for optimizing the risk-adjusted expected rate of return of a given portfolio. KS&A offers a selection of modeled portfolios which offer a range of equity and fixed income exposure levels. KS&A assists clients in selecting a modeled portfolio based upon the client's Investor Profile.

## **B. Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Prior to entering into an Investment Management Agreement with KS&A, a client should carefully consider: 1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of three to five years, 2) that volatility from investing in the stock and bond markets can occur, and 3) that over time the client's assets may fluctuate and at anytime be worth more or less than the amount invested. KS&A cannot make any guarantee that a client's investment objectives will be achieved.

Some of risks of loss a client should be aware of include, but are not limited, to the following:

- Interest-Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a stock, bond, mutual fund or other security may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances.
- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Political and Legislative Risks: Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly, without warning and with significant impact. This is especially true for companies operating outside of the United States or that conduct a portion of their business outside of the United States.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (*i.e.* interest rate). This primarily relates to fixed income securities.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. Generally, business risk is that a company will go bankrupt or perform below expectations. Every company carries the business risk that it will produce insufficient cash flow in order to maintain operations. Business risk can come from a variety of sources, some systemic and others unsystemic. That is, every company has the business risk that the broader economy will perform poorly and therefore that sales will be poor, and also the risk that the market simply will not like its products.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if there is an active market for the asset. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and

bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Although strongly discouraged, KS&A clients may also elect to open margin accounts. Clients should be aware that there are a number of additional risks that all investors need to consider in deciding to trade securities on margin. The risks associated with margin include, but are not limited to, the following:

- Clients can lose more funds than they deposit in the margin account. A decline in the value of securities that are purchased on margin may require the client to provide additional funds to the firm that has made the loan to avoid the forced sale of those securities or other securities in the account.
- The lending firm may be able to force the sale of securities in a margin account. If the equity in margin account falls below the maintenance requirements under the law—or the lending firm’s higher "house" requirements—the firm may be able to sell the securities in the margin account to cover the margin deficiency. Clients using margin may also be responsible for any short fall in the account after such a sale.

It is important that investors take time to learn about the risks involved in trading securities on margin, and investors should consult KS&A’s advisers regarding any questions or concerns they may have with their margin accounts.

Depending on the sophistication and risk tolerances of its clients, KS&A may also recommend, as part of a client’s overall investment strategy, that a portion of such client’s assets be invested in private placements or other alternative investments. Such investments may present special risks for the Firm’s clients, including without limitation, limited liquidity, higher fees, volatile performance, heightened risk of loss, limited transparency, special tax considerations, subjective valuations and limited regulatory oversight. Therefore, private placements may not be suitable for all KS&A clients and will be offered only to those accredited investors for whom an investment is believed to be suitable. Generally, such investments are available for investment only to a limited number of sophisticated investors who meet the definition of “accredited investor” under Regulation D of the Securities Act of 1933. Private placements also often impose performance-based fees or incentive allocations payable to the fund manager or general partner. Such performance-based fee/incentive allocation structures may create an incentive for the managers of the private placement to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee/incentive allocation structure. It is important that each potential qualified investor fully read each offering or private placement memorandum prior to investing to better understand the risks associated with the investment.

KS&A typically invests for the long-term and does not engage in short-term trading. Nevertheless, the Firm may occasionally employ such strategies, and as a result, such frequent trading may result in increased brokerage and other transaction costs. Such increased brokerage and other transaction costs generally reduce investment returns over time.

## ITEM 9: DISCIPLINARY INFORMATION

Registered investment advisers such as KS&A are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of the Firm or the integrity of its management. KS&A has not been subject to any civil or criminal actions, regulatory administrative proceedings, or self-regulatory organization proceedings in which the firm or its management persons were found to have been involved with a violation of any investment-related statutes or regulations or otherwise sanctioned. We encourage our clients to carefully review each of our individual registered investment adviser's Form ADV Part 2B for important additional information.

## ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### A. Financial Industry Activities and Affiliations

Several of KS&A's investment adviser representatives, including the Firm's Managing Director, Kenneth Stern, are also registered representatives of First Allied Securities, Inc. ("FAS"). FAS is a registered broker/dealer with the Financial Industry National Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC) and various states and a member of the Securities Investor Protection Corporation (SIPC). In that capacity, investment adviser representatives of KS&A may place clients in investment products sold through FAS and receive a usual and customary commission for doing so. Many of such products have fixed commissions as they are sold through a prospectus. KS&A and FAS are unaffiliated companies.

As registered representatives of FAS, investment adviser representatives of KS&A may be eligible to receive incentive prizes or awards offered by product promoters. These products may include investment products purchased by KS&A for its clients. FAS may also offer KS&A's investment adviser representatives the opportunity to attend industry conferences or seminars at a reduced rate or free of charge. It is the policy of KS&A and FAS is to permit all representatives to accept such awards and prizes to the extent that they are usual and customary within the industry, and in compliance with SEC, FINRA, or state rules, regulations or guidelines concerning receipt of such awards or incentives. FAS, in accordance with FINRA regulations, must recognize compensations, awards, and prizes as commissions, and report them to the Internal Revenue Service as revenues.

Several of KS&A's investment adviser representatives are also licensed insurance agents of various independent insurance companies. In the course of providing investment advisory services, these individuals may recommend that clients purchase products or policies underwritten by certain insurance carriers. Please note that a conflict of interest exists to the extent that certain recommendations may result in a commission being paid to these individuals by the insurance company should a client purchase that company's insurance products or policies. The amount paid is the normal commission paid for services rendered as an insurance representative. To mitigate this potential conflict of interest, commissions that may be paid to these individuals in their capacity as licensed insurance agents will be disclosed to the client at the time such insurance product or policy is recommended. Furthermore, clients should be aware that they are under no obligation to purchase insurance products or policies recommended by KS&A or any of the Firm's investment adviser representatives.

As indicated above, these industry affiliations cause an inherent conflict of interest due to the fact that KS&A's investment adviser representatives, as registered representatives and/or insurance agents, may earn reasonable and customary commissions and/or 12(b)(1) fees on the sale of insurance, advisory or security products sold to clients. The commissions will be outlined in the product's prospectus (if sold by prospectus) or described to you before the product is sold. It is possible that both administrative service fees and 12(b)(1) fees will be received from the same mutual fund sponsor on the same account. These fees are not additional fees that must be paid directly by clients to KS&A's investment adviser representative; rather they are derived from the current total operating expenses for each mutual fund, details of which will be fully described in the mutual fund's prospectus.

To the extent that KS&A's investment adviser representatives recommend the purchase of securities, insurance or other investment products where they may receive commissions for doing so, a conflict of interest exists because they will receive additional compensation should the clients elect to follow their recommendations, even if such recommendation is based on the best interest of the clients and their needs. KS&A has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of KS&A's fiduciary duty to clients, the Firm and its investment adviser representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client. Additionally, material conflicts presented by these practices are disclosed to clients at the time of entering into any new advisory, brokerage or consultative arrangement.

In addition, KS&A maintains a direct relationship with Asset Planning Solutions, Inc. (Licensed Insurance Agency #0B95262) ("APS"), an licensed insurance agency and marketing company that specializes in marketing for FINRA registered representatives, processing insurance products and is a branch office of FAS. APS is also owned by APSH, KS&A's principal owner. All of KS&A's investment adviser representatives are compensated through APS.

KS&A also maintains referral relationships with the law offices of various attorneys who prepare estate planning documents. KS&A clients establish independent attorney-client relationships with the attorneys. The attorneys may refer their estate planning clients to KS&A for advisory services. KS&A receives no fees through the referral relationships. Similarly, KS&A also has referral arrangements with various accountants, but receives no fees through these relationships. However, from time to time these accountants and attorneys may provide temporary accommodations within their offices for KS&A to meet with clients. For more information on KS&A's arrangements for client referrals, please refer to Item 14.A. and B., below.

#### **B. Recommendation of Other Advisers**

KS&A does not recommend or refer clients to third-party advisers for investment advisory services.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. Description of Code of Ethics**

The Investment Advisers Act of 1940 imposes a fiduciary duty on all investment advisers to act in the best interest of their clients. To that end, KS&A has adopted a Code of Ethics (the “Code”) for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions. The Firm’s Code confirms that KS&A and its personnel owe a duty of loyalty, fairness and good faith towards their clients, and the obligation to adhere not only to the specific provisions of the Code, but to the general principles that guide the Code. The Code covers a range of topics that include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code of Ethics, review and enforcement processes, amendments to Form ADV and supervisory procedures. KS&A will provide a copy of the Code to any client or prospective client upon request. To obtain a copy of the Firm’s Code, please contact us at (858) 485-0404.

KS&A obtains information from a wide variety of publicly available resources. The Firm and its personnel do not have, nor claim to have, insider or private knowledge.

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

From time to time, KS&A and its associated persons may invest in the same securities recommended to clients by the Firm or purchased or sold by KS&A for client accounts. KS&A also permits its associated persons to participate along with clients’ transactions. In order to mitigate the conflicts of interest associated with these practices and to help ensure that the Firm’s clients’ interests are placed ahead of its own, it is KS&A’s policy to either place block trades or require that client trades be placed prior to allowing personal trades of its associated persons to be placed. In all situations, client trades are given priority. KS&A has personal trading policies that require reporting by its associated persons and monitoring of their personal trades. Additionally, First Allied Securities, Inc. (“FAS”) conducts computerized surveillances and periodic on-site interviews and file reviews designed to detect insider trading and to mitigate conflicts of interest.

## **ITEM 12: BROKERAGE PRACTICES**

### **A. Selection Criteria**

KS&A does not maintain custody of your assets although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 Custody below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. The custodians that KS&A recommends that clients use are Charles Schwab & Co., Inc. (“Schwab”), JP Morgan Chase & Co. (“JP Morgan”) (no longer accepting new clients), and Pershing LLC (“Pershing”) all of which are FINRA registered broker-dealers and members of SIPC. We are independently owned and operated and not affiliated with

Schwab, JP Morgan or Pershing. Schwab, JP Morgan or Pershing will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While KS&A recommends that clients use a custodian, the client will decide whether to do so and open an account with that custodian by entering into an account agreement directly with them. KS&A does not open the account for you. Even though client accounts are maintained at Schwab, JP Morgan or Pershing, KS&A can still use other brokers to execute trades for client accounts, as described in the next paragraph.

When performing Investment Management Services, KS&A generally effects transactions for client accounts through Charles Schwab & Co., Inc. ("Schwab"), JP Morgan Chase & Co. ("JP Morgan"), and Pershing LLC ("Pershing") all of which are FINRA registered broker-dealers and members of SIPC, or another broker-dealer custodian that the Firm believes may be able to offer best execution for the transaction. KS&A periodically evaluates the commissions charged and the service provided by these broker-dealer custodians and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative custodians. KS&A considers a wide range of factors. Other factors KS&A may consider when evaluating its choice of custodian include:

- Ability to trade mutual funds and other investments that KS&A determines suitable for a client's portfolio(s);
- Combination of transaction execution services along with asset custody services
- Availability of investment research and tools that assist us in making investment decisions
- Availability of other products and services that benefit KS&A
- Any custodial relationship between the client and the broker-dealer;
- Quality of customer service and interaction with KS&A;
- Discounted transaction rates; and
- Reliability and financial stability.

For those clients who are permitted to direct brokerage and select broker-dealers not recommended by KS&A, clients should be aware that KS&A may not be able to negotiate specific brokerage commission rates with the broker on the client's behalf, or seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case and KS&A will have limited ability to ensure that the broker-dealer selected by the client will provide best possible execution. Please refer to Item 12.C. below, for more information on directed brokerage.

## **B. Soft Dollar Considerations**

As part of a "bundled package" provided from the custodial broker-dealers, KS&A may receive certain benefits, such as interface software, investment research or invitations to attend seminars and conferences. These benefits are paid for with clients' commissions/transaction fees or assets known as "soft dollars." The use of soft dollar arrangements, which is governed by §28(e) of the Securities Exchange Act of 1934, presents a potential conflict of interest by reason of the fact that the KS&A could potentially select a particular broker-dealer custodian that charges higher



commission/transaction fees than what may be available elsewhere. Section 28(e) provides a safe harbor for some soft dollar arrangements so long as certain conditions and requirements are met. For example, the benefits which the Firm receives must be eligible research or brokerage products and services. For these purposes, “research” means services or products used to provide lawful and appropriate assistance to KS&A in making investment decisions for its clients. “Brokerage” services and products are those used to effect securities transactions for the KS&A’s clients or to assist in effecting those transactions. Furthermore, in accordance with §28(e), KS&A must, among other things, determine that commissions/transaction fees paid are reasonable in light of the qualitative execution received and value of the brokerage and research services and products acquired. Clients should be aware that the research and services acquired with soft dollars may or may not be utilized across KS&A’s entire client base and client accounts may not benefit equally from research derived from soft dollars. KS&A believes that the selections of these custodians are in the best interest of our clients.

### **Your Custody and Brokerage Costs**

For KS&A clients’ accounts Schwab maintains, Schwab is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab’s commission rates applicable to KS&A client accounts were negotiated based on our commitment to maintain \$10 million of clients’ assets at Schwab. This commitment benefits KS&A clients because the overall commission rates you pay may be lower than they would be if we had not made the commitment. In addition to commissions Schwab charges KS&A clients a flat dollar amount as a “prime broker” or “trade away” fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation a client may pay the executing broker-dealer. Because of this, in order to minimize your trading costs, KS&A has Schwab execute most trades for client accounts.

### **Products and Services Available to KS&A from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab’s business serving independent investment advisory firm. They provide KS&A and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help KS&A manage or administer our clients’ accounts while others help us manage and grow our business. Schwab’s support services are generally available on an unsolicited basis and at no charge to KS&A as long as we keep a total of at least \$10 million of our clients’ assets in accounts at Schwab. Here is a more detailed description of Schwab’s support services:

Services that Benefit KS&A’s Client. Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which KS&A might not otherwise have access or that would require a significantly higher minimum initial investment by KS&A clients. Schwab’s services described in this paragraph generally benefit KS&A client accounts.

Services that May Not Directly Benefit KS&A's Client... Schwab also makes available to us other products and services that benefit KS&A but may not directly benefit KS&A's clients. These products and services assist KS&A in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. KS&A may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- o provide access to client account data (such as duplicate trade confirmations and account statements);
- o facilitates trade execution and allocates aggregated trade orders for multiple client accounts;
- o provides pricing and other market data;
- o facilitate payment of our fees from our clients' accounts; and
- o assists with back-office functions, recordkeeping and client reporting.

Services that Generally Benefit Only KS&A. Schwab also offers other services intended to help KS&A manage and further develop our business enterprise. These services include:

- o educational conferences and events
- o technology, compliance, legal, and business consulting;
- o publications and conferences on practice management and business succession; and
- o access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

### **KS&A's Interest in Schwab's Services**

The availability of these services from Schwab benefits us because KS&A does not have to produce or purchase them. We don't have to pay for Schwab's services so long as we keep a total of at least \$10 million of client assets in accounts at Schwab. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. KS&A believes, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services and not Schwab's services that benefit only KS&A. KS&A does not believe that maintaining at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

### **C. Directed Brokerage**

Although client account transactions will almost exclusively be placed through, Charles Schwab, J.P. Morgan or Pershing, under certain circumstances, KS&A may allow a client to direct the Firm to execute all or a portion of client transactions through another broker-dealer ("Directed

Brokerage”). If that is the case, the client should understand that: (1) KS&A does not negotiate specific brokerage commission rates with that broker on client’s behalf, or seek better execution services or prices from other broker-dealers and, as a result, the client may pay higher commissions and/or receive less favorable net prices on transactions for their account than might otherwise be the case; and (2) transactions for that account generally will be effected independently unless KS&A is able to purchase or sell the same security for several clients at approximately the same time (“block trade”), in which case the Firm may include such client’s transaction with that of other clients for execution by the same broker. If transactions are not able to be traded as a block, KS&A may have to enter the transactions for the client’s account after orders for other clients, with the result that market movements may work against the client. Therefore, prior to directing the Firm to use a specific broker-dealer, a client should consider whether, under that restriction, execution, clearance and settlement capabilities, commission expenses and whatever amount is allocated to custodian fees, if applicable, would be comparable to those otherwise obtainable. Clients should understand that he/she might not obtain commissions rates as low as it might otherwise obtain if KS&A had discretion to select other broker-dealers. Consequently, Directed Brokerage may result in the client paying more money for brokerage services.

Subject to its objective to achieve best execution, KS&A may decline a client’s request to engage in Directed Brokerage if, in Firm’s sole discretion, such Directed Brokerage arrangements would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

#### **D. Order Aggregation**

In placing its orders to purchase or sell securities for client accounts, KS&A may elect to aggregate orders when able to do so. This practice is also referred to as “block trading.” KS&A will only be able to aggregate orders for those accounts maintained at the same broker-dealer custodian. Clients should be aware of the following with regard to order aggregation:

- KS&A will not aggregate transactions unless aggregation is consistent with its duty to seek best execution and the terms of adviser’s Investment Management Agreement with each client for which trades are being aggregated;
- No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all adviser’s transactions in that security at that custodian on a given business day;
- Transaction costs are assigned to each client individually at the rate indicated in each client’s Investment Management Agreement. This may result in clients being charged different transaction fees for the same trade. In some circumstances, and at KSA’s sole discretion, transaction fees may be discounted or not charged at all.
- Aggregation of orders in no way alters the existing Investment Management Agreement in place between the Firm and the client;
- KS&A will prepare, before entering an aggregated order, a written statement (“Allocation Statement”) specifying the participating client accounts and how it intends to allocate the order among those clients;

- If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement;
- Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved in writing by adviser's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed;
- Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the client's cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement;
- Because KS&A's Investment Management Services utilize various types of investments, it may not be possible to bunch orders. Alternatively, even when possible, KS&A may not be able to execute all shares of an aggregated trade because of prevailing market conditions and other variables;
- KS&A will receive no additional compensation of any kind as a result of the proposed aggregation;
- Individual investment advice and treatment will be accorded to each advisory client; and
- For clients requiring Directed Brokerage, the Firm may not be able to effectively aggregate orders on the client's behalf, which could impact the possible advantage clients derive from the aggregation of orders.

#### **E. Brokerage for Client Referrals**

In selecting or recommending broker-dealers, KS&A may receive client referrals from a broker-dealer, which creates a potential conflict of interest. This is because KS&A may have an incentive to select or recommend a broker-dealer based on its interest in receiving future client referrals rather than on the client's interest in receiving most favorable execution. To mitigate this potential conflict of interest, KS&A strives at all times to put the interests of its clients ahead of its own. The Firm also reviews its brokerage arrangements and practices periodically to help ensure that its clients have the opportunity to receive best execution for their transactions.

### **ITEM 13: REVIEW OF ACCOUNTS**

#### **A. Periodic Reviews**

While client accounts are monitored on an ongoing basis, KS&A's investment adviser representatives assigned to specific accounts undertake reviews of client's Investment Management Services account(s) no less than annually. In the absence of an investment adviser representative assigned to an account, account reviews are conducted by employees of KS&A who meet the requirements for being an investment adviser representative. Accounts are reviewed for consistency with the investment strategy and other parameters set forth for the client's Investment Management Services account(s), and to determine if any adjustments need

to be made. Unless the client engages KS&A for periodic reviews of his/her financial plan, financial plans are typically not reviewed by the Firm after they are presented to the client

Financial plans and client accounts are also reviewed upon request by the client.

## **B. Other Reviews and Triggering Factors**

In addition to the periodic reviews described above, reviews of Investment Management Services account(s) may be triggered by changes in an account holder's personal, tax or financial status. Other events that may trigger a review of an account are material changes in market conditions as well as macroeconomic and company-specific events. Clients are encouraged to notify KS&A and its representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, risk tolerance, tax status, time horizon or other material information KS&A may have relied upon during the course of providing its services.

## **C. Regular Reports**

Written brokerage statements are generated no less than quarterly and are sent directly from the account custodian. Custodians of the client's account(s) may send these reports more frequently if there was activity in the account during the reporting period. These reports list the account positions, activity in the account over the covered period, and other related information. In addition to the regular statements clients receive from their custodian, KS&A may send clients detailed reports on a periodic basis concerning relevant account and/or market-related information as well as an inventory of account holdings and account performance, as agreed to with the client. Clients are urged to compare the statements received from KS&A to those sent by the account custodian and other third parties.

# **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

## **A. Incoming Referrals**

KS&A receives an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit KS&A and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to KS&A of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

KS&A has been fortunate to receive many client referrals over the years. The referrals came from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. While the Firm does not pay a fee to referring parties for these referrals, clients who engage KS&A as a result of these referrals provide the Firm with an economic benefit.

## **B. Referring Clients to Third Parties**

KS&A does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them by the Firm.

## **C. Other Compensation**

Several of KS&A's investment adviser representatives, including the Firm's Managing Director, Kenneth Stern, are also registered representatives of First Allied Securities, Inc. ("FAS"). FAS is a registered broker/dealer with the Financial Industry National Regulatory Authority (FINRA), the Securities and Exchange Commission (SEC) and various states and a member of the Securities Investor Protection Corporation (SIPC). In that capacity, investment adviser representatives of KS&A may place clients in investment products sold through FAS and receive a usual and customary commission for doing so. Many of such products have fixed commissions as they are sold through a prospectus. KS&A and FAS are unaffiliated companies.

As registered representatives of FAS, investment adviser representatives of KS&A may be eligible to receive incentive prizes or awards offered by product promoters. These products may include investment products purchased by KS&A for its clients. FAS may also offer KS&A's investment adviser representatives the opportunity to attend industry conferences or seminars at a reduced rate or free of charge. The policy of KS&A and FAS is to permit all representatives to accept such awards and prizes to the extent that they are usual and customary within the industry, and in compliance with SEC, FINRA, or state rules, regulations or guidelines concerning receipt of such awards or incentives. FAS, in accordance with FINRA regulations, must recognize compensations, awards, and prizes as commissions, and report them to the Internal Revenue Service as revenues.

Several of KS&A's investment adviser representatives are also licensed insurance agents of various independent insurance companies. In the course of providing investment advisory services, these individuals may recommend that clients purchase products or policies underwritten by certain insurance carriers. Please note that a conflict of interest exists to the extent that certain recommendations may result in a commission being paid to these individuals by the insurance company should a client purchase that company's insurance products or policies. The amount paid is the normal commission paid for services rendered as an insurance representative. To mitigate this potential conflict of interest, commissions that may be paid to these individuals in their capacity as licensed insurance agents will be disclosed to the client at the time such insurance product or policy is recommended. Furthermore, clients should be aware that they are under no obligation to purchase insurance products or policies recommended by KS&A or any of the Firm's investment adviser representatives.

As indicated above, these industry affiliations cause an inherent conflict of interest due to the fact that KS&A's investment adviser representatives, as registered representatives and/or insurance agents, may earn reasonable and customary commissions and/or 12(b)(1) fees on the sale of insurance, advisory or security products sold to clients. The commissions will be outlined in the product's prospectus (if sold by prospectus) or described to you before the product is sold. It is possible that both administrative service fees and 12(b)(1) fees will be received from the same mutual fund sponsor on the same account. These fees are not additional fees that must be

paid directly by clients to KS&A's investment adviser representative; rather they are derived from the current total operating expenses for each mutual fund, details of which will be fully described in the mutual fund's prospectus.

To the extent that KS&A's investment adviser representatives recommend the purchase of securities, insurance or other investment products where they may receive commissions for doing so, a conflict of interest exists because they will receive additional compensation should the clients elect to follow their recommendations, even if such recommendation is based on the best interest of the clients and their needs. KS&A has adopted certain procedures designed to mitigate the effects of these conflicts. For example, as part of KS&A's fiduciary duty to clients, the Firm and its investment adviser representatives will endeavor at all times to put the interests of the clients first, and recommendations will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client. Additionally, material conflicts presented by these practices are disclosed to clients at the time of entering into any new advisory, brokerage or consultative arrangement.

## **ITEM 15: CUSTODY**

Under government regulations, KS&A is deemed to have custody of your assets if you authorize us to instruct Schwab, J.P. Morgan or Pershing to deduct our advisory fees directly from your account. Schwab, J.P. Morgan or Pershing maintains actual custody of your assets. You will receive account statements directly from Schwab, J.P. Morgan or Pershing at least quarterly. They will be sent to the email or postal mailing address you provided to the custodian. You should carefully review those statements promptly when you receive them. Please contact KS&A if you have any questions.

When exercising its discretionary authority, KS&A may only implement its investment management recommendations after the client has arranged for and furnished the Firm with all information and authorization regarding its accounts held at the designated qualified custodian.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to the statements provided by KS&A and other third parties. KS&A's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Item 12 for additional important disclosure information relating to KS&A's relationship with broker-dealer custodians.

## **ITEM 16: INVESTMENT DISCRETION**

For KS&A's Investment Management Services, the Firm has discretionary authority to determine, without first obtaining client's permission for each transaction: 1) the type of securities to be bought and sold, 2) the dollar amounts of the securities to be bought and sold, 3) whether a client's transaction should be combined with those of other clients and traded as a "block", and 4) in some cases the brokers to use and the commission rates and/or transactions costs paid to effect the transactions. The Firm's clients grant KS&A this discretionary authority by signing the Firm's Investment Management Agreement.

For clients that are receiving Financial Planning Services on a non-discretionary basis, KS&A will make recommendations to the client regarding the purchase or sale of securities or other assets that they consider to be in the best interest of the client. The client has full discretion to accept or reject KS&A's recommendations and is responsible for implementing any accepted recommendations with any broker-dealer the client chooses. However, if the client wishes to implement any recommendations contained in the financial plan(s) through KS&A, it may do so by appointing KS&A to provide discretionary Investment Management Services.

As noted in Item 4.D, above, Investment Management Services clients are allowed to impose reasonable restrictions on the types of securities, companies and/or industries they do not want to be included in their account. Once this information is gathered, each client is responsible for informing KS&A in writing of any changes to these restrictions or to their overall investment objectives. KS&A does not assume any responsibility for the accuracy of the information provided by its clients or their representatives.

### **ITEM 17: VOTING CLIENT SECURITIES**

KS&A's policy and practice is to not vote proxies on behalf of its clients and therefore, shall have no obligation or authority to take any action or render any advice with respect to the voting of proxies solicited by or with respect to issuers of securities held in a client's account, unless the account is an ERISA account and such authority has not been delegated to another named fiduciary in the plan's written documents. Consequently, the Firm's clients retain the responsibility for receiving and voting all proxies for securities held within the client's account. KS&A shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

KS&A does not advise or act for clients with respect to any legal matters, including bankruptcies and class actions, for the securities held in clients' accounts.

### **ITEM 18: FINANCIAL INFORMATION**

KS&A does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. KS&A does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients, and has not been the subject of a bankruptcy proceeding.