



FIRM BROCHURE

Part 2A of Form ADV

March 31, 2014

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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.

ITEM 1: COVER PAGE

Please refer to previous page.

ITEM 2: MATERIAL CHANGES

This Brochure is being revised to reflect the following changes:

Item 4: *Advisory Services*: updated to provide information regarding the Alpha Investment Management, that KS&A may utilize third party advisers to manage a portion or all of a client's assets, and to update the firm's assets under management.

Item 5: *Fees and Compensation*: updated to reflect that certain KS&A investment adviser representatives (IARs) also are registered as investment adviser representatives with Lido Advisors, Inc., an unaffiliated SEC registered investment adviser and receive certain compensation for the advisory services provided. The activity and compensation create a conflict of interest, which is fully disclosed in this Brochure, including the steps that KS&A takes to address such conflict. Additional updates were made to more clearly outline the activities and compensation of the KS&A IARs that create conflicts of interest, including activity and compensation as registered representatives of First Allied Securities. This item also was updated to reflect that KS&A may invest certain KS&A clients in non-publicly traded investments, including real estate investment trusts (REITs) issued by American Realty Capital, which is affiliated with FAS This could be deemed a conflict and is fully discussed in Item 5 of this Brochure.

Item 8: *Methods of Analysis, Investment Strategies and Risk of Loss*: updated to add information on the investment strategies for the Alpha Investment Management program portfolios.

Item 10: *Other Financial Industry Activities and Affiliations*: updated to reflect the arrangement the IARs have with Lido and the business affiliations of Mr. Ken Stern.

Item 12: *Brokerage Practices*: updated to reflect that KS&A also recommends TD Ameritrade, Inc. and Fidelity Investments to serve as custodians for its clients and provides a description of the services provided and benefits received by both the client and KS&A. Also expanded the disclosures regarding the arrangement with Charles Schwab and the benefits received by both KS&A and clients.

Item 14: *Client Referrals and Other Compensation*: updated to reflect that the IARs receive certain compensation for serving as an IAR of Lido and that Mr. Stern receives compensation for certain business affiliations and outside activities.

Item 15: *Custody*: updated to reflect that KS&A has included TD Ameritrade and Fidelity Investments as recommended custodians.

The previous Brochure was dated September 24, 2013.

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.

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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, non-profit organizations, 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, mainly through its proprietary "Alpha Investment Management (AIM)", which is a proactive three pronged approach to investment strategy and wealth management. The three components are "Core", "Tactical" and "Uncorrelated/Hedge/Alternative". Account portfolios will generally consist of equity securities, ETFs, bonds, and mutual funds. Custom weighted portfolios are also available upon request. Please refer to Item 8 for further details on the components and investment strategies of this program.

KS&A generally manages all client assets on a fully discretionary basis, but for certain clients, may provide non-discretionary management upon request and at the sole discretion of KS&A. Please refer to Item 16 for further details.

KS&A's advisory services are designed to provide clients with customized asset allocation within their account(s) based on each client's specific investment objectives, goals, risk tolerance, and other relevant considerations, which are gathered and memorialized Client's Confidential Investor Profile ("Profile").

KS&A shall provide each client with certain services attendant to their account(s), including, but not limited to, assisting with the selection of brokerage, reporting, custodial and/or clearing services.

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 account(s). 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.

Third-Party Advisers

Depending on a client's needs, KS&A may delegate the active discretionary management of all or part of the assets in a client's account(s) to one or more independent third party investment managers ("TPA") based on the client's stated investment objectives, guidelines, and restrictions. Access to TPAs may be provided by KS&A through a third party platform of approved investment managers that is made available by agreement between KS&A and the platform provider, through a sub-advisory relationship between KS&A and the TPA, and/or KS&A may recommend a TPS to be appointed through direct advisory contracts with client.

The TPAs will have discretionary authority over those assets allocated to them for management and they will be authorized to buy, sell, and trade in securities in accordance with the client's investment objectives. KS&A's fees will differ, if and when it allocates a client's assets to a TPA and such clients may be required to enter into a separate investment management agreement directly with the TPA selected in addition to the agreement entered into with KS&A.

KS&A will monitor the TPAs, and has the authority to add, replace or change any TPA on behalf of client, should KS&A determine such to be in the best interests of the client.

2. Financial Planning Services

KS&A may also provide its clients with Financial Planning Services customizable or otherwise, although this is not standard. Financial Planning Services will only be provided by KS&A under a separate written agreement. A financial plan may include a review of a client's net worth (including assets and liabilities), objectives, risk tolerance, cash flow and expenses, tax planning, 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, 2013, 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	\$264,164,424.51
Non-Discretionary	\$9,433,088.13
Total:	\$271,597,512.64

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.

In certain 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 registered 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:

Assets Under Management	Advisory Fee (% AUM)
\$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 may, on occasion, have received a commission, sales load or other similar fee for transactions involving Non-Supervised Assets. 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. KS&A is not responsible for Non-Supervised Assets.

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 ("IARs"), including the Firm's CEO & Managing Director, Kenneth Stern, are also registered representatives ("RR") of First Allied Securities, Inc. ("FAS"). FAS is a registered broker/dealer with the Financial Industry National Regulatory Authority (FINRA), and an investment adviser registered with the Securities and Exchange Commission (SEC), and approved to do business in various states. FAS also is a member of the Securities Investor Protection Corporation (SIPC). FAS's parent company, First Allied Holdings Inc., is owned by RCAP Holdings, LLC, a member of the American Realty Capital group of companies. Please refer to Item 10 for further information regarding KS&A financial industry affiliations. KS&A and FAS are unaffiliated companies.

In their capacity as RRs of FAS, the IARs of KS&A may recommend to advisory clients certain investment products sold through FAS, as a broker-dealer. One of the investment products that is recommended from time to time is the Churchill Realty Fund, LLC (Series A and B), which is a private fund managed by APS/Hill Street Partners, LLC, ("APS/HSR"), a real estate syndication firm owned by Ken Stern, the Chief Executive Officer and Managing Director of KS&A. Should a client decide to invest in one or more of the recommended investment products, the client would be required to open a brokerage account with FAS and the RR would receive a usual and customary commission for the purchase. . When a client purchases shares in the Churchill Realty Fund, Mr. Stern may receive a commission if he is the one making the recommendation, and also receives an indirect benefit as an owner of APS/HSR. Many of the recommended investment products have fixed commissions as they are sold through a prospectus.

Additionally, as RRs of FAS, the IARs 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.

The IARs activities as RRs of FAS create a conflict of interest because they will receive additional compensation should clients elect to follow their investment recommendations, even if such recommendations are based on the best interests of the clients and their needs. Clients are not obligated to purchase any investment products or services through FAS.

There may be times when KS&A invests certain KS&A clients in non publicly traded investments, which are offered through the Charles Schwab OneSource platform. These may include non-publicly traded real estate investment trusts (“REITs”) and business development companies (“BDCs”), along with various private pooled investment vehicles (private funds) (collectively referred to as “Private Investments”). Some of these products may be issued by American Realty Capital, which is affiliated with FAS, (Please refer to Item 10 for additional information regarding firm affiliations and the conflicts surrounding these affiliations.)

The IARs of KS&A do not receive any type of commission on client transactions in the Private Investments obtained through the Schwab OneSource platform because KS&A receives ongoing management fees for managing these investments since they are purchased in clients’ managed accounts. This could be deemed a conflict since some of these products are available for purchase through a brokerage account with FAS and a client would only pay a commission for the transaction and not an ongoing management fee. However, KS&A only makes these investments when they believe it is in the best interest of clients to do so.

Three KS&A IARs, including the CEO and Managing Director also are registered IARs of Lido Advisors, Inc. (“LAI”), an SEC registered investment advisory firm. KS&A and LAI are not affiliated companies and each provides different types of advisory services. When the IARs conduct advisory business through LAI, they will receive separate and typical compensation for doing so.

While the IARs devote as much time to the business and affairs of KS&A as is necessary to perform their duties, they do devote a portion of their time performing services as an IAR of LAI, an RR for FAS, and as a licensed insurance agent (as applicable). These multiple roles and additional compensation create conflicts of interest. For example, in addition to the conflicts outlined in the paragraphs above regarding receipt of additional compensation, performing their outside business activities takes time away from their day to day duties performed for KS&A.

The conflicts surrounding these outside business activities are disclosed to clients at the time of entering into an advisory agreement with KS&A, mainly through the delivery of this Brochure and the Supplemental Brochures (ADV Part 2Bs). Additionally, KS&A has implemented certain controls to help mitigate these conflicts, including having supervisory procedures to oversee and monitor the outside business activities of the IARs. Importantly, as part of KS&A’s fiduciary duty to clients, the Firm and its IARs endeavor at all times to put the interests of the clients first, and recommendations and investments will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client.

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.

As indicated above, these industry affiliations cause conflicts of interest, including the fact that KS&A's IARs, as registered representatives of FAS 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.

For more information on the compensation KS&A's investment adviser representatives may receive in their capacities as registered representatives or licensed insurance agents and the conflicts surrounding these arrangements, including how KS&A addresses such conflicts, 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.

Importantly, some of the Private Investments that KS&A clients invest in do charge performance or incentive fees, which are outlined in the respective product's offering documents and should be reviewed by investors. KS&A does not receive any portion of these fees. However, Mr. Stern, as owner of APS/HSR does indirectly participate in the compensation received by APS/HSR, including manager compensation paid by the Churchill Fund. Please refer to Item 5 above for additional information regarding compensation received by KS&A and our IARs, and Item 8 below regarding risks surrounding these products and other investments made by KS&A.

ITEM 7: TYPES OF CLIENTS

A. Description

KS&A provides its services to individuals, including high net worth individuals, corporations, non-profit organizations, 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 \$500,000 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 quantitative, fundamental and technical analysis. The sources of information used by KS&A include, but are not limited to, software, 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. Using analytics, including, but not limited to correlation, deviation and beta, KS&A seeks to provide long-term investments in line with stated risk tolerances and objectives. 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.

Under Alpha Investment Management, we apply Core, Tactical and Uncorrelated/Hedge/Alternative strategies for each portfolio.

Core seeks to capitalize on both macro trends and value strategies. Both are aimed at long term growth with a goal of similar performance to a broad market index such as Standard and Poor's 1500 Index with similar volatility ratios. We use macro portfolio analytics to accomplish these objectives.

Tactical seeks opportunities which are shorter in term. Market cycles tend to create situations where the foolishness of the "herd" causes specific asset classes to bubble or create what we believe to be, substantial shorter interim, mispriced (either upside or downside) opportunities. Panic trades often cause assets to bid up to potentially unsustainable levels, and/or companies and sectors to trade at discounts to what we perceive to be fair value. These windows of opportunity are usually shorter interim and often less than 2 years. We look to capitalize on these opportunities.

Uncorrelated/Hedge/Alternative - Not all asset classes move in the same direction at the same time. If two types of assets move in tandem, they are highly correlated. If they move independently of one another, then they are uncorrelated. In this portion of the portfolio, we look to invest in asset classes that have low, negative or no correlation to the stock market, depending on market trends and investment objectives. This could include real estate, market neutral strategies, fixed income, or even private equity. The goal of the uncorrelated allocation is to provide a lower correlation to the rest of the portfolio and add Alpha during times of stock market declines.

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.

As outlined in Item 5 above, KS&A may recommend, as part of a client's overall investment strategy, that a portion of such client's assets be invested in Private 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 Investments 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 Investments 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 product 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

As outlined in Item 5C above, KS&A IARs have outside business activities with FAS, an unaffiliated broker-dealer and LAI, an unaffiliated investment adviser, for which they perform

services and receive additional compensation. These outside business activities and additional compensation create conflicts of interest. For example, from time to time, KS&A IARs may recommend or invest on behalf of clients, investment products sold through FAS and by doing so receive usual and customary commissions and/or other compensation. Additionally, a conflict exists when IARs conduct advisory business through LAI, as it takes time away from their duties performed for KS&A.

The conflicts surrounding these outside business activities are disclosed to clients at the time of entering into an advisory agreement with KS&A, mainly through the delivery of this Brochure and the Supplemental Brochures (ADV Part 2Bs). Additionally, KS&A has implemented certain policies, procedures and internal controls to help mitigate the conflicts. Importantly, as part of KS&A's fiduciary duty to clients, the Firm and its IARs endeavor at all times to put the interests of the clients first, and recommendations and investments will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client.

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 paid to these individuals in their capacity as licensed insurance agents are disclosed to the client. . 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.

In addition, KS&A is affiliated with Asset Planning Solutions, Inc. (Licensed Insurance Agency #0B95262) ("APS"), a 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 and Mr. Stern serves in executive positions for APS and APSH

Mr. Stern also is the founder and President of 5X International, LLC, and serves as a consultant/business manager and has authored and published several books and DVDs on money management. From time to time, he hosts various personal finance and financial planning television and radio shows and also periodically serves as a consultant for other firms, clients of KS&A or otherwise, through 5X International.

Mr. Stern also is an owner, Managing Member and Managing Director of APS/HSR which is a real estate syndication firm. APS/HSR serves as managing member of the Churchill Fund. Please refer to Item 5 above for further information regarding the Churchill Fund and compensation on Alternative Investments.

For further information on the compensation Mr. Stern receives for performing these outside business activities, along with information on how KS&A addresses the conflicts surrounding these activities, please refer to Mr. Stern Form ADV Part 2B – Disclosure Supplement.

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. 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), TD Ameritrade, Inc. ("TD Ameritrade"), Fidelity Investments ("Fidelity"), 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, TD Ameritrade, Fidelity, or Pershing. Schwab, JP Morgan, TD Ameritrade, Fidelity 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, TD Ameritrade, Fidelity, 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 the client's appointed custodian, but may place a transaction with a different broker-dealer at the Firm's discretion. KS&A periodically evaluates the commissions charged and the service provided by these recommended 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, which may include, but not be limited to:

- 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;
- Reliability and financial stability ; and
- Client preference.

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 by Schwab, JP Morgan, TD Ameritrade, Fidelity, and Pershing, KS&A may receive certain benefits including, but not limited to: interface software, transition costs, 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 a 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 a recommended 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.

Fidelity Custodian Arrangement

KS&A has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides KS&A with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like KS&A in conducting business and in serving the best interests of their clients but that may benefit KS&A. KS&A is not affiliated with Fidelity.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables KS&A to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to KS&A, at no additional charge to us, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by KS&A (within specified parameters). These research and brokerage services are used by KS&A to manage accounts for which we have investment discretion.

KS&A may also receive additional services, which may include services that do not directly benefit KS&A clients. As a result of receiving these services for no additional cost, KS&A may have an incentive to continue to use or expand the use of Fidelity's services, which creates a potential conflict of interest. KS&A examined this potential conflict when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of clients. As part of the custodian arrangement, a client may pay a commission/transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where KS&A determines in good faith that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received.

TD Ameritrade Custodian Arrangement

KS&A participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC/NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisers certain services which include custody of securities, trade execution, clearance and settlement of transactions. KS&A receives some benefits from TD Ameritrade through its participation in the program, which are similar to the Schwab custodian arrangement outline above.

For further information regarding the services and benefits received by KS&A under these custodian arrangements, please refer to Item 14 below.

C. Directed Brokerage

Although client account transactions will almost exclusively be placed through, Schwab, J.P. Morgan, TD Ameritrade, Fidelity, 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 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

As outlined in Item 5.C and Item 10.A above, the KS&A IARs have outside business activities with FAS, an unaffiliated registered broker-dealer, and LAI, an unaffiliated SEC registered investment adviser, and also are licensed insurance agents, for which they receive additional compensation. Additionally, Ken Stern, as an owner and Managing Member of APS/HSR, receives indirect compensation from the Churchill Fund, which is a private fund that certain KS&A clients have invested in. These activities and additional compensation arrangements create conflicts of interest, which are fully disclosed in Item 5.C and Item 10.A above, along with information on how KS&A addresses such conflicts. Additionally, please refer to each IAR's Form ADV Part 2B – Disclosure Brochure Supplement.

Additionally, KS&A receives an economic benefit from Schwab, TD Ameritrade and Fidelity in the form of the support products and services they make available to us and other independent investment advisers that have their clients maintain accounts at Schwab, TD Ameritrade or Fidelity. These products and services, how they benefit us, and the related conflicts of interest are fully described in Item 12 above. The availability to KS&A of Schwab's, TD Ameritrade's or Fidelity's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

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, TD Ameritrade, Fidelity, or Pershing to deduct our advisory fees directly from your account. Schwab, J.P. Morgan, TD Ameritrade, Fidelity, or Pershing maintains actual custody of your assets. You will receive account statements directly from Schwab, J.P. Morgan, TD Ameritrade, Fidelity, or Pershing at least quarterly. They will be sent to the email or postal mailing address you provided to your custodian. You should carefully review those statements promptly when you receive them. Please contact KS&A or your custodian 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 their 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.