

Item 1 – Cover Page

KC Investment Advisors, LLC

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This brochure provides information about the qualifications and business practices of KC Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (316) 682-8344. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about KC Investment Advisors, LLC is also available on the Internet at www.adviserinfo.sec.gov. You can view information on this website by searching for KC Investment Advisors, LLC's name or by using its CRD number: 114556.

*Registration as an investment advisor does not imply a certain level of skill or training.

Item 2 – Material Changes

Since our last annual amendment was filed in May 2012, the following material changes have been made:

Beginning in November 2012, KC Investment Advisors, LLC began referring clients to third party money managers approved for use through Securities America Advisors, Inc.'s Independent Managed Assets Program.

We have had an increase in our assets under management. Please see Item 4 – Advisory Business for further details.

We will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after our fiscal year ends. Our fiscal year ends on March 31 so you will receive the summary of material changes no later than July 31 each year. At that time we will also offer a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Ownership

KC Investment Advisors, LLC (“KCIA” or “we”) is an investment advisor registered with the Securities and Exchange Commission since July 2004. We are a limited liability company formed under the laws of the State of Kansas. Our direct owner is Kennedy and Coe Wealth Management, LLC which is owned in turn by Kennedy and Coe, LLC, a certified public accounting firm.

General Description of Primary Advisory Services

We offer personalized investment advisory services including consultations, investment policy preparation and monitoring, asset management and referrals to third party money managers. The following are brief descriptions of our primary services. A detailed description is provided in **Item 5, Fees and Compensation**, so that clients and prospective clients (“clients” or “you”) can review the services and description of fees more thoroughly.

Consultations

We offer consultations on any topic(s) of interest or concern to clients. These consultations are usually generic in nature and do not involve any specific investment product recommendations. We also offer consultations to corporate clients on existing benefit plans (i.e., pension, profit sharing, 401(k), etc.) These services do not involve actively managing your accounts.

Investment Policy Preparation and Monitoring

We also assist individuals, trusts, estates and charitable organizations to determine investment goals and needs and prepare a written Investment Policy Statement describing those goals and needs and a policy under which they can be pursued.

Asset Management Services

We offer asset management services providing you with continuous and on-going supervision over your accounts. This means that we continuously monitor your account and make trades in that account when necessary.

Retirement Plan Services

We offer consulting and management services to retirement plan sponsors and to individual participants in retirement plans. These services can be both fiduciary and non-fiduciary.

Referrals to Third Party Money Managers

We offer advisory services by referring clients to outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money managers are responsible for continuously monitoring client accounts and making trades in client accounts when necessary.

Limits Advice to Certain Types of Investments

We provide advice to the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial debt)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- Interests in partnerships investing in real estate, equipment leasing, cable television, fast food franchising, agriculture, raw land, alternative energy, research and development, venture capital and leveraged buy-outs

We may also provide advice on exchange traded index products such as SPIDERS, DIAMONDS, WEBS, as well as “baskets” and similar grouped securities investments. When managing assets, we may also introduce clients to investment managers who provide discretionary management of individual portfolios of equity and/or fixed income securities.

Investment advice may be offered on any investments held by the client at the start of the advisory relationship. Although we generally limit our advice to the investment products listed previously, we reserve the right to offer advice on any product that may be suitable for each client’s specific circumstances, needs, goals and objectives. Please refer to **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss** for more information.

Tailor Advisor Services to Individual Needs of Clients

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Wrap Fee Program versus Portfolio Management Program

We offer services through both traditional and wrap-fee management programs. In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap fee programs, advisory services (including portfolio management or advice regarding selecting other investment advisors) and transaction services are provided for one fee. The Financial Advisors Program, Managed Opportunities Program and Kennedy and Coe Wealth Management Program (described in **Item 5, Fees and Compensation**) are wrap fee

programs. Whenever a fee is charged to a client for services described in this Disclosure Brochure (whether wrap fee or non-wrap fee), we receive all or a portion of the fee charged.

Client Assets Managed by Advisor

The amount of clients assets managed by us totaled \$121,566,851 as of March 31, 2013, with \$83,291,491 managed on a discretionary basis and \$38,275,360 managed on a non-discretionary basis.

Item 5 – Fees and Compensation

In addition to the information provide in **Item 4, Advisory Business**, this section provides additional details regarding our services along with descriptions of each service's fees and compensation arrangements.

Financial Consulting

Consultations

You may contract with us for consultation services on any topic(s) of interest or concern to you. These consultations may be generic in nature and may not involve our investment advisor representative ("representative") recommending specific investment products to you. You and our representative jointly determine how many meetings are required to complete the requested consultations.

Fees for these services can be charged as a percentage of assets under advisement or as a fixed fee. Percentage fees range from 0.0% to 2.25% and are negotiable based upon the complexity of the client's situation, the actual services requested, the representative providing the services and expenses likely to be incurred. Fees are calculated based on the balance of the assets as of the date services commence and payable upon completion of the consultations.

Fixed fees for consultation services range from \$500 to \$10,000 and are negotiable based upon the complexity of the client's situation, the actual services requested, the representative providing the services and expenses likely to be incurred. A retainer of up to 50% of the fee may be required at the time the client agreement is signed with the remainder due and payable upon completion of the requested services. Our representative discloses the fixed fee charge to clients prior to any services being provided.

Clients can elect to have the fee deducted from their account or billed directly. If clients elect to have the fee automatically deducted from an existing account, they are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Advisor. We provide the custodian with a fee notification statement. If clients elect to be billed directly, fees are due upon receipt of our billing notice.

Services terminate upon completion of the requested consultations. Either party can terminate the services at any time by providing written notice to the other which is effective upon receiving such notice. If services are terminated within five business days of signing the agreement for services, services are terminated without penalty. Upon termination, clients are responsible for the time expended to the date termination is received. Any unearned prepaid fees are refunded on a prorated basis based on the time expended to the date of termination. If the prorated fee is in excess of the paid retainer, the amount

remaining due is payable immediately. We provide you with a billing statement detailing the prorated fee, the unearned prepaid fees refunded or the charge remaining due.

Investment Policy Preparation and Monitoring

We also assist individuals, trusts, estates and charitable organizations to determine investment needs and goals. Our representative prepares a written Investment Policy Statement describing those needs and goals and also describing a policy under which the goals might be pursued. The Investment Policy Statement also lists the criteria for selecting investment vehicles and the procedures and timing interval for monitoring investment performance.

We review various investments to determine which ones may be appropriate to implement on your behalf. The investments reviewed consist exclusively of mutual funds, both index and actively managed. The number of investments recommended is determined by you and based on your Investment Policy Statement.

We monitor your investments based on the procedures and timing intervals described in the Investment Policy Statement and make recommendations to you concerning the account. Our recommendations are based on market condition, your needs and other factors. You have sole discretion whether to follow all, any or none of the recommendations. You are also solely responsible for implementing transactions in the account. Neither we nor our representative implement any purchases or sales in your accounts.

Fees for these services can be charged as a percentage of assets under advisement or as a fixed fee. Percentage fees range from 0.0% to 2.25% and are negotiable based upon the complexity of the client's situation, the actual services requested, the representative providing the services and expenses likely to be incurred. Fees are calculated based on the balance of the assets as of the date services commence and are payable upon completion of the requested services.

Fixed fees for these services range from \$500 to \$10,000 and are negotiable based upon the complexity of the client's situation, the actual services requested, the representative providing the services and expenses likely to be incurred. A retainer of up to 50% of the fee may be required at the time the client agreement is signed with the remainder due and payable upon completion of the requested services. Our representative discloses the fixed fee charge to clients prior to any services being provided.

Clients can elect to have the fee deducted from their account or billed directly. If clients elect to have the fee automatically deducted from an existing account, they are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Advisor. We provide the custodian with a fee notification statement. If clients elect to be billed directly, fees are due upon receipt of our billing notice.

Either party can terminate the services at any time by providing written notice to the other which is effective upon receiving such notice. If services are terminated within five business days of signing the agreement for services, services are terminated without penalty. Upon termination, clients are responsible for the time expended to the date termination is received. Any unearned prepaid fees are refunded on a prorated basis based on the time expended to the date of termination. If the prorated fee is in excess of the paid retainer, the amount remaining due is payable immediately. We provide you with a billing statement detailing the prorated fee, the unearned prepaid fees refunded or the charge remaining due.

Commission and Fee Offset

In addition to providing advisory services, our representatives are registered representatives and may also be insurance agents. Therefore, they can earn fees when providing advisory services and also earn commissions when selling securities and/or insurance products.

You can select any broker/dealer or insurance agent you wish to implement transactions. If you elect to have our representatives implement transactions, they may waive or reduce the amount of the financial consulting fee charged by the amount of the commissions received. Any reduction is at the discretion of the representatives and does not exceed 100% of the commission received. Any reduction is disclosed to you prior to services being provided.

You may also elect to implement the advice of our representatives through one or more of the other advisory programs disclosed in this Disclosure Brochure. In this case, the representatives may waive or reduce the amount of the financial consulting fee as a result of additional on-going fees being earned. Any reduction is at the discretion of the representatives and is disclosed to you prior to services being provided.

General Seminars

We provide seminars to the public on various topics related to securities products, insurance products or financial consulting topics. These are general, informational and educational seminars and do not address the individualized investment needs of attendees. For seminars of a more technical nature, a fee of up to \$250 per individual/couple per day is due at the time reservations are made. Attendees can cancel their reservation and receive a full refund of the advance fee. Or, if persons have reserved a spot and have not canceled but do not actually attend the seminar, we provide a full refund of the fees paid by that person or persons in advance.

Asset Management

Some of our clients elect to engage us to provide fee-based asset management services where we are solely responsible for making all investment recommendations and also for making changes to the managed account. If you elect to engage us for this service, we develop an individualized investment program for your account(s). We provide various investment strategies through our management services; a specific investment strategy and investment policy is crafted for you and focuses on your specific goals and objectives. When managing assets, we may also utilize model portfolios provided by institutional investment strategists and/or introduce you to investment managers who provide discretionary management of individual portfolios. Asset management services are separate from and in addition to the consultation and monitoring services previously discussed.

To provide these services, we need to obtain certain information from you to determine your financial situation and investment objectives. You are requested to notify us whether your financial situation or investment objectives have changed or if you want to impose and/or modify any reasonable restrictions on management of your accounts. At least annually, we contact you to determine whether your financial situation or investment objectives have changed, or if you want to impose and/or modify any reasonable restrictions on your managed accounts. We are always reasonably available to consult with you relative to the status of your accounts. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities. Your beneficial

interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account. A separate account is maintained for you with the custodian and you retain right of ownership of the account (e.g., the right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations).

It is important that you understand we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in allocating investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed appropriate for your account(s) and other accounts advised by us among equitably and consistent with the best interests of all accounts involved. However, there is no assurance that a particular investment opportunity that comes to our attention is allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to you or any other client or use it for any client's benefit.

Financial Advisors Program

We provide asset management services through the Financial Advisors Program ("FAP") offered and sponsored by Securities America Advisors, Inc. ("SAA"), an investment advisor registered with the Securities and Exchange Commission. FAP is a wrap-fee program providing investment advisory services and execution of client transactions and the specified fees are not based directly on transactions in your account. Under FAP, we assist you in establishing one or more FAP accounts with SAA. We require a minimum of \$25,000 to establish and maintain an FAP account, although exceptions may be granted to this minimum upon request. When granting exceptions, we consider your current and historical relationship with us, other assets you may have with us and the probability of additional deposits to reach the minimum. All brokerage transactions are processed by Securities America, Inc. ("SAI"), the affiliated broker/dealer of SAA, and cleared through National Financial Services, LLC ("NFS") pursuant to a clearing arrangement established by SAI with NFS. Neither we nor our representatives act as custodian of your account or have direct access to your funds and/or securities.

SAA has also entered into agreements with various insurance companies that allow for the management and valuation of client variable annuity accounts within SAA's FAP. NFS, insurance companies or other custodians maintain physical custody of all funds and securities. Please see **Item 15, Custody**, for additional information. Our representatives implement securities transactions for FAP accounts in their separate capacities as registered representatives of SAI. See, **Additional Compensation**, below.

The annual management fee is negotiable, with 3% being the maximum charged. However, if your account only has mutual funds, then the maximum fee is 2.25% per year. SAA retains up to 20 basis points (0.20%) of the annual management fee for FAP accounts with the remainder paid to us. SAA is responsible for collecting all fees paid by you through FAP and will journal our portion of the advisory fee to us. Please note that our fees may be higher than fees charged by other financial professionals providing similar services.

We may invest a portion of your assets in mutual funds, exchange traded funds (ETFs) or variable annuities and charge an investment management fee on your assets invested in these securities.

Therefore, you may pay two levels of fees for management of your assets: one directly to us or SAA and one indirectly to the managers of the mutual funds, ETFs or variable annuities held in your portfolios.

A complete description of FAP related fees, charges, when due and termination procedures are described in the FAP Disclosure Brochure Appendix (Wrap Fee Program Brochure) prepared by SAA and which is given to you prior to or at the time an FAP account is established.

Kennedy and Coe Wealth Management Program

When contracting with us for asset management services, we may recommend that you open an account through The Kennedy and Coe Wealth Management Program (KCWM Program). The KCWM Program is sponsored by Genworth Financial Wealth Management, Inc. ("Genworth"), an investment advisor registered with the Securities and Exchange Commission. The KCWM Program has two components. The first is an Asset Allocation System that allows us to manage accounts made up of model portfolios provided by a number of institutional investment strategists. These model portfolios are based on the information, research, asset allocation methodology and investment strategies of the investment strategists. If you decide to hire us for this service, we develop an individualized investment program for your account(s). Various investment strategies are provided through this service; however, a specific investment strategy and investment policy is crafted for you focusing on your specific goals and objectives.

The second component is the Private Managed Account Program through which we introduce you to third party investment managers who provide discretionary management of individual portfolios of equity and/or fixed income securities. In this situation, we are not responsible for making specific decisions regarding the investments held in your account and are not responsible for making trades in your account. The independent investment strategists selected have no direct relationship with our representatives or you, make no analysis of your circumstances or objectives and do not tailor their model portfolios to your specific needs.

We are always responsible for assisting you with identifying your risk tolerance and investment objectives. We recommend managers and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance. You specifically direct the account to be invested in accordance with the chosen model portfolio. When you select a model portfolio, you also need to direct the account to be automatically adjusted to reflect any adjustment in the model portfolio by the investment strategist. This results in the purchase and sale of certain mutual funds or transfers between variable annuity sub-accounts without further authorization by you at such time as the investment strategist changes the composition of the selected model portfolio.

Although the third-party investment managers are responsible for making all investment decisions, we are available to answer questions you may have regarding your account and we act as the communication conduit between you and the investment manager.

While we review the performance of numerous third-party investment managers, we are only able to select the investment managers approved by Genworth and thus available on the KCWM Program platform. Therefore, we have a conflict of interest because we do not recommend third-party investment managers to you if the investment manager is not available through the KCWM Program. The minimum investment required for KCWM Program Asset Allocation System accounts is generally \$50,000 and \$250,000 for Private Managed accounts. Exceptions may be granted to the minimums at our discretion and at the discretion of Genworth. When granting exceptions, we consider your current and historical

relationship with us, other assets you may have with us and the probability of additional deposits to reach the minimum.

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees are made that your financial goals or objectives are achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance are offered by us.

Your maximum advisory fee does not exceed 2.25% per year. Fees are paid quarterly in advance and based on average assets under management during the previous quarter. Genworth is responsible for collecting all fees paid by you through these programs and journaling our portion of the Advisory fee. The fee paid to us includes an amount re-allowed to Genworth, investment strategists and others as the KCWM Program fee. Custodial fees may be charged separately from the Genworth fees you are charged.

A complete description of the KCWM Program and related fees, charges, when due and termination procedures are described in the Genworth Disclosure Brochure Appendix (Wrap Fee Program Brochure) which is given to you at or prior to the time an account is established.

Managed Opportunities Program

We have established a relationship with SAA to participate in its Managed Opportunities Program ("Managed Opportunities"). Managed Opportunities is a wrap fee program developed by SAA that provides clients with the opportunity to establish mutual fund portfolios, separate account portfolios and unified managed account portfolios developed by third party money managers who are registered as investment advisors (collectively referred to as sub-advisors).

Through Managed Opportunities, we act as a referral party when referring you into the mutual fund portfolios, separate account portfolios and unified managed account portfolios options in Managed Opportunities. One or more of the sub-advisor may be an affiliate of SAA. In addition, SAA's Managed Opportunities receives administrative, web site, transaction order entry services and other services from Envestnet, Inc. ("Envestnet"), a registered investment advisor, and other sub-advisors.

Managed Opportunities offers us directed portfolios through which we can work and advise you in selecting investments constituting a portion of Managed Opportunities. Your portfolio may also be managed by SAA or other sub-advisors that SAA has established relationships with. You grant SAA and the sub-advisors limited discretionary authority with respect to the purchase and sale of securities in mutual fund portfolios, separate account portfolios and unified managed account portfolios and also grant us discretionary authority with respect to the initial Managed Opportunities master account and advisor directed portfolios. This discretionary authority allows us to trade, rebalance, reallocate and replace funds within the guidelines of your suitability and risk tolerance.

We do not refer you to SAA unless SAA and the sub-advisors are registered or are exempt from registration as investment advisors in your state of residence. You grant SAA the discretionary authority to select one or more sub-advisors to provide administrative, web site, performance reporting, transaction order entry and other services to SAA and clients. SAA currently has a relationship with Envestnet to provide these services. Clients establishing Managed Opportunities accounts receive Envestnet's Disclosure Brochure in addition to SAA's Disclosure Brochure.

We are always responsible for assisting you with identifying your risk tolerance and investment objectives and are available to meet with you on a continuous basis. We recommend managers and help determine appropriate investment strategies in relation to your stated investment objectives and risk tolerance. Although the third-party investment managers are responsible for making all investment decisions, we are available to answer questions you may have regarding your account and act as the communication conduit between you and the investment manager.

Although we review the performance of numerous third-party investment managers, we are only able to select the investment managers approved by SAA and thus available on the Managed Opportunities platform. Therefore, we have a conflict of interest because we do not recommend third-party investment managers to you if the investment manager is not available through Managed Opportunities.

The annual management fee is negotiable, with 3.00% being the maximum charged. If the account has only mutual funds, then the maximum fee is 2.25%. Fees are billed monthly. SAA is responsible for collecting all fees paid by you through these programs and then journaling our portion of the advisory fees to us.

You should be aware that we are paid solicitor/referral fees by SAA for recommending mutual fund portfolios, separate account portfolios and unified managed account portfolios. SAA also shares fees with the sub-Advisors. The amount of compensation we receive for recommending one Managed Opportunities portfolio over another portfolio may vary. Therefore, a potential conflict of interest may exist because these circumstances may result in us having a financial incentive to recommend one portfolio over another. However, portfolios are selected and recommended based on each individual client's needs, goals and objectives.

Trading by Managed Opportunities money managers may trigger wash sale rule implications. SAA does not manage accounts in Managed Opportunities in a way to avoid wash sale implications. You are encouraged to consult with a tax advisor to discuss any tax implications involving your portfolios in Managed Opportunities.

A complete description of Managed Opportunities and related fees, charges, when due and termination procedures are described in SAA's Managed Opportunities Disclosure Brochure Appendices (Wrap Fee Program Brochure) which you receive at or prior to the time a Managed Opportunities account is established.

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees can be made that your financial goals or objectives will be achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance can ever be offered by us.

Retirement Plan Services

Advisor offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. Our services can include, but are not limited to, the following services:

Non-Discretionary Advisory Services

- **Assessment of Investments.** Conduct an initial and/or periodic review of plan investments and investment options including, without limitation, investment performance, fund expenses and style drift for investments offered by the plan to participants; provide suggestions to the plan fiduciary from time to time as deemed warranted by the Advisor's representative for other investment options for the plan to make available to its participants (which decision remains the sole and exclusive decision of the plan fiduciary and/or their delegate).
- **Participant Investment Advice.** Meet at least annually with plan participants to deliver investment advice based upon the plan participant's individual financial situation, investment objectives and tax status pursuant to the terms set forth in an *Eligible Investment Advice Arrangement* Advisor and the plan fiduciary which will qualify for exemptive relief from the prohibited transaction rules provided under ERISA Section 408(b)(14) and (g). Advisor's representative prepares recommendations regarding the appropriate amount of contributions and choice of investments, which plan participants may implement at their sole discretion.

Advisor acknowledges that in performing the non-discretionary services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of the *Employee Retirement Income Security Act of 1974* ("ERISA") for purposes of providing non-discretionary investment advice only. Advisor acts in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Advisor to be a fiduciary as a matter of law. However, in providing the non-discretionary advisory services, Advisor (a) has no responsibility and does not (i) exercise any discretionary authority or discretionary control respecting management of the client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of the client's retirement plan or (iii) have any discretionary authority or discretionary responsibility in the administration of the client's retirement plan or the interpretation of retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets and (c) is not the "administrator" of the client's retirement plan as defined in ERISA.

Discretionary Advisory Services

- **Default Investment Alternative Management.** Develop and actively manage qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), to allocate the assets of plan participant accounts to achieve varying degrees of long term appreciation and capital preservation through a mix of equity and fixed income exposures, offered through investment alternatives available under the plan, based upon the plan participants' age, target retirement date or life expectancy.
- **Investment Manager to Plan.** Meet with the plan fiduciary and/or their delegate to select approved asset classes, and maintain model portfolios on a discretionary basis, including the investing, rebalancing of assets, changing of the asset allocations, or changing the underlying model portfolios. Recommend, maintain and periodically update the list of mutual funds to the plan for inclusion as investment options available to plan participants. The plan fiduciary appoints Advisor as an "investment manager." Advisor will exercise this authority in accordance with objectives set forth by the plan fiduciary as may be amended from time to time and in accordance with additional written guidelines and/or investment policies provided by the plan fiduciary.

Otherwise, the plan fiduciary must only approve changes to the asset classes. Unless otherwise directed by the plan fiduciary, Advisor will arrange for the execution of securities transactions for the Plan through brokers or dealers that Advisor reasonably believes will provide the best execution.

If you elect to utilize any of Advisor's discretionary advisory services, then Advisor is acting as an investment manager to the plan, as defined by ERISA Section 3(38), with respect to our discretionary advisory services, and Advisor hereby acknowledges that it is a fiduciary with respect to its discretionary advisory services.

Non-Fiduciary Services

- **Participant Education and Communication.** Advisor conducts initial and/or periodic enrollment and informational meetings with plan participants and provides investment education. In accordance with the Department of Labor's Interpretative Bulletin 96-1, Advisor may provide plan participants with information about the plan, general financial and investment information and information and materials relating to asset allocation models available through the plan. Advisor may also provide plan participants with interactive investment materials to assist plan participants in assessing their future retirement income needs and the impact of different asset allocations on retirement income. Advisor does not render individualized investment advice to plan participants and will not be held to a fiduciary standard for these services.
- **Strategic Planning and Investment Policy Services.** Advisor meets with the plan fiduciary to gather information regarding the plan's investment policies and objectives and assist the plan fiduciary in developing a written Investment Policy Statement ("IPS"). This assistance may include using a template developed by a third-party. Alternatively, if the plan has an existing IPS, Advisor reviews the existing IPS and assists the plan fiduciary in determining whether the plan is performing consistent with the IPS and/or whether the IPS needs to be revised, based on an analysis of the plan's asset class and risk tolerance guidelines, liquidity requirements, and performance goals of the plan, using information provided by the plan fiduciary. Advisor does not render individualized investment advice to the plan for these services and, thus, will not be held to a fiduciary standard with respect to such services. The plan fiduciary retains sole discretion to implement the objectives of the Investment Policy Statement, and neither Advisor nor its representative can guarantee that the plan will achieve its investment objectives.
- **Plan Establishment/Conversion.** Advisor assists the plan fiduciary in researching and evaluating the plan sponsor's needs to facilitate the plan fiduciary's selection of a well-suited plan. Advisor's primary role is to present retirement plan providers ("RPP"), which make the investment options available to the plan or deliver the investments on a platform and which can address services separately or which may offer bundled and integrated delivery of retirement plan support. Advisor assists the plan sponsor and/or plan fiduciary in identifying different types of retirement plans, plan documents, and other materials and services necessary to establish, maintain or convert a retirement plan. Advisor does not render individualized investment advice to the plan when providing these services and, thus, will not be held to a fiduciary standard with respect to any services rendered. Advisor meets with the plan fiduciary to assist with plan conversion to alternate vendors. Advisor may also assist in the preparation of Request for Proposals ("RFPs") from prospective new vendors and may assist the plan fiduciary in reviewing and comparing responses to RFPs. Advisor does not render individualized investment advice to the plan for

services rendered hereunder and, thus, will not be held to a fiduciary standard with respect to such services. The plan fiduciary retains sole discretion as to whether to replace existing vendors and/or contract with new vendors.

- **Plan Review.** Advisor meets with the plan fiduciary and conducts a review of the IPS and plan design and offers recommendations to the plan fiduciary regarding plan operation and documentation. Advisor does not provide legal advice to the plan fiduciary and the plan fiduciary is encouraged to have legal counsel review all plan documentation. Advisor does not render individualized investment advice to the plan for services rendered hereunder and, thus, will not be held to a fiduciary standard with respect to such services.
- **Plan Fee and Cost Review.** Advisor meets with the plan fiduciary and conducts a periodic review, using a third-party tool, of fees and costs charged to plan by other service providers to assist the plan fiduciary in discharging its duty to monitoring the reasonableness of fees and costs paid by the plan. Advisor does not render individualized investment advice to the plan for services rendered hereunder and, thus, will not be held to a fiduciary standard with respect to such services.
- **Third Party Service Provider Liaison.** Advisor and its representative act as liaison for the plan and the plan fiduciary, on an as needed basis, when dealing with the trustee, custodian, plan actuary, tax, legal, accounting or other third-party service providers to plan. Advisor does not render individualized investment advice to the plan for services rendered hereunder and, thus, will not be held to a fiduciary standard with respect to such services. The plan fiduciary retains sole discretion as to whether to hire and/or terminate such third-party providers.

Although an investment adviser is considered a fiduciary under the *Investment Advisers Act of 1940* and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since Advisor is not acting as a fiduciary to the plan as the term "fiduciary" is defined in Section 3(21)(A)(ii) of ERISA.

Either party can terminate the services at any time by providing written notice to the other which is effective upon receiving such notice. If services are terminated within five business days of signing the agreement for services, services are terminated without penalty. Upon termination, clients are responsible for the time expended to the date termination is received. Any unearned prepaid fees are refunded on a prorated basis based on the time expended to the date of termination. If the prorated fee is in excess of the paid retainer, the amount remaining due is payable immediately. We provide you with a billing statement detailing the prorated fee, the unearned prepaid fees refunded or the charge remaining due. Upon termination of the agreement for services, Advisor has no further obligation to recommend or take any action with regard to the plan.

Compensation

Fees for these services can be charged as a percentage of benefit plan assets or as a fixed fee. Percentage fees range from 0.0% to 2.25% annually and are negotiable based upon the complexity of the client's situation, the actual services requested, the representative providing the services and expenses likely to be incurred. We also take into consideration special situations or conflicts of interest where charging a fee is prohibited under ERISA laws. Clients are billed quarterly in advance and fees are calculated based on the value of the plan assets on the first day of the billing quarter. Accounts

established mid-quarter are pro-rated based on the number of days services are provided during the initial billing period.

Fixed fees range from \$500 to \$10,000 and are negotiable based upon the complexity of the client's situation, the actual services requested, the representative providing the services and expenses likely to be incurred. A retainer of up to 50% of the fee may be required at the time the client agreement is signed with the remainder due and payable upon completion of the requested services. Our representative discloses the fixed fee charge to clients prior to any services being provided.

Clients can elect to have the fee deducted from their account or billed directly. If clients elect to have the fee automatically deducted from an existing account, they are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Advisor. We provide the custodian with a fee notification statement. If clients elect to be billed directly, fees are due upon receipt of our billing notice.

Brokerage commissions and/or transaction ticket fees charged by the custodian are billed directly to clients by the custodian. We do not receive any portion of such brokerage commissions or transaction fees from the custodian or clients. In addition, clients may incur certain charges imposed by third parties other than Advisor in connection with investments made through the plan including, but not limited to, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and qualified retirement plan fees. Service fees charged by Advisor are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

Advisor believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisors offering similar services/programs. However, our fee may be higher or lower than that charged by other investment advisors offering similar services and programs. In addition to our compensation, client also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses) and charges imposed by the plan custodian and third-party administrator (if applicable).

Advisor does not reasonably expect to receive any other compensation, direct or indirect, for its services. If we receive any other compensation for such services, we (i) offset that compensation against our stated fees and (ii) disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

Additional Information

Advisor discloses to you, to the extent required by ERISA Regulation Section 2550.408b-2(c), any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclose as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or plan administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is

required for the plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

Referrals to Third Party Money Managers

We have established a relationship with SAA to participate in its Independent Managed Assets Program ("IMAP"). IMAP is a wrap fee program of SAA approved money managers that are registered as investment advisors and who sponsor turn-key wrap programs offering advisory services including asset allocation, market timing and portfolio management. One or more of these money managers may be affiliated entities of SAA. Through IMAP, we act as a referral party when referring you into the mutual fund portfolio, separate account portfolio and unified managed account portfolio options in IMAP. You must enter into an agreement directly with the unaffiliated third-party investment advisor. The third-party investment manager assumes discretionary authority over your account. Neither we nor our representatives have any trading authority with respect to your managed account(s) with the third-party investment advisor(s).

Through this service, we assist you to identify your risk tolerance and investment objectives and then recommend money managers relative to those objectives and tolerances. You select a recommended third party investment advisor based on your needs and enter into an agreement directly with the selected advisor, who provides the asset management services. Although the third-party investment managers are responsible for making all investment decisions, our representatives are available to answer client questions regarding your account. Our representatives also act as the communication conduit between you and the third-party investment advisors.

While we review the performance of numerous third-party investment managers, we are only able to select the investment managers approved by SAA and thus available in the IMAP program. Therefore, we have a conflict of interest because we do not recommend third-party investment managers to you if the investment manager is not available through the IMAP program.

When you agree to engage a third-party investment advisor that we recommend, we are considered a solicitor to the third-party investment advisor. As a result, we are paid a portion of the fee charged and collected by the third-party investment advisor in the form of solicitor fees or consulting fees. You do not directly pay us for this referral service and our solicitor/referral fee does not appear as a direct cost to you. However, the third party money manager takes our solicitor/referral fee into consideration when determining the total fee charged to you. The third party money manager also considers other factors when determining the fee, such as the amount of assets under management and the number of client accounts. The actual fee charged to you varies depending on the third party investment advisor selected. Each solicitation arrangement is performed pursuant to a written solicitation agreement and is in compliance with SEC Rule 206(4)-3 and applicable state securities rules and regulations.

SAA also receives a portion of the solicitor fee, a marketing override or an administrative fee for providing administrative and marketing services. You may incur additional charges including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, and IRA and qualified retirement plan fees. We will never receive any portion of such commissions or fees. We are only compensated by the

consulting fee described above. We receive no other compensation in connection with your account managed by a third-party investment advisor.

Each third-party investment manager may have different minimum account requirements and a variety of fee ranges. Your maximum advisory fee does not exceed 2.25% per year. Fees are paid quarterly in arrears and based on average assets under management during the previous quarter. The third-party investment managers are responsible for collecting all fees paid by you through these programs and journaling our portion of the Advisory fee. Each third-party investment advisor maintains its own separate execution, clearing and custodial relationships.

You are advised that there may be other third-party managed programs, not recommended by us, that are suitable for you and that may be more or less costly than arrangements recommended by us. No guarantees are made that your financial goals or objectives are achieved by a third-party investment advisor recommended by us. Further, no guarantees of performance are offered by us. See **Item 8, Methods of Analysis, Investment Strategies and Risk of Loss**, for more details.

If we recommend a third-party investment advisor to you, a complete description of that advisor's services, fee schedules and account minimums is provided in the advisor's Form ADV Disclosure Brochure or Wrap Fee Program Brochure. These brochures are provided to you when we initially recommend the third-party investment advisor. The third-party investment advisor manages your accounts in accordance with the disclosures in their own disclosure documents.

Additional Compensation

You have sole discretion about whether or not to contract for our services. In addition, you have sole discretion about whether or not to implement any recommendations made by our representatives. If you do decide to implement recommendations, you are responsible for taking any actions or implementing any transactions required. You are free to select any broker/dealer and/or insurance agent to implement our recommendations.

You should be aware that our representatives are also registered representatives of Securities America, Inc., a registered broker/dealer and member of FINRA/SIPC. In this separate capacity, they can receive a commission for selling securities products. This is a potential conflict of interest. As a registered representative, they may sell mutual funds and receive 12(b)-1 fees in addition to commissions. The 12(b)-1 fees, named after a section of the *Investment Company Act of 1940*, are annual marketing or distribution fees and considered an operational or administrative expense. The fees are included as a part of the mutual fund's total expense ratio and paid from fund assets. Therefore, the fees come indirectly from your account. Every mutual fund prospectus includes a description of the fund's fees and expenses. Receiving 12(b)-1 fees represents an incentive for a registered representative to recommend funds with 12(b)-1 fees or with higher 12(b)-1 fees than funds with no fees or lower fees. This is also a potential conflict of interest. Our representatives will only recommend mutual funds to clients if those funds are suitable for you and appropriate to help fulfill your objectives.

In addition, our representatives may also be independently licensed as insurance agents and sell insurance products to any client. They can earn commissions when selling insurance products in this separate capacity. This is a potential conflict of interest, since any commissions earned could be in addition to advisory fees earned in their capacity as an investment advisor representative.

Please see **Item 10, Other Financial Activities and Affiliations**, and **Item 12, Brokerage Practices**, for additional discussion on these conflicts of interest.

From time to time, we may receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. Both we and our representatives endeavor at all times to put your interests first as a part of our fiduciary duty. However, you should be aware that receiving additional compensation through nominal sales awards, expense reimbursements, etc. creates a conflict of interest that may impact the judgment of our representatives when making advisory recommendations.

Comparable Services

We believe our fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

Item 6 – Performance-Based Fees and Side-By-Side Management

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. We do not receive performance-based fees.

Item 7 – Types of Clients

We provide investment advice to:

- Individuals (including high-net worth individuals)
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

Minimum Investment Amounts Required

SAA's recommended minimum investment amount for establishing and maintaining an FAP Account is \$25,000. Exceptions may be granted to this minimum upon request.

In the KCWM Program, the minimum investment required for Asset Allocation System accounts is generally \$50,000 and \$250,000 for Private Managed Accounts. Exceptions may be granted to these minimums at our discretion as well as the discretion of Genworth.

As a general rule, SAA requires a minimum of \$50,000 to establish and maintain Managed Opportunities mutual fund portfolios, \$100,000 for separate account portfolios, \$250,000 for unified managed account portfolios and \$50,000 for advisor directed portfolios. All minimums are negotiable at our discretion as well as the discretion of SAA.

When granting an exception to any program minimum requirement, we consider your current and historical relationship with us, other assets you may have with us and the probability of additional deposits to reach the minimum.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

We use fundamental, technical, charting and cyclical analysis when considering investment strategies and recommendations for clients.

Fundamental

Fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. In other words, fundamental analysts try to determine its true value by looking at all aspects of the business, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, “brand” names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g., company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Technical

This method of evaluating securities analyzes statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Charting

Charting is a technical analysis that charts the patterns of stocks, bonds and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs in order to predict future price movements. A graphical historical record assists the analyst in

spotting the effect of key events on a security's price, its performance over a period of time and whether it is trading near its high, near its low or in between. Chartists believe that recurring patterns of trading, commonly referred to as indicators, can help them forecast future price movements.

Cyclical

Cyclical analysis looks at recurring periods of expansion and contraction that can impact a company's profitability and cash flow. Cyclical stocks tend to rise quickly when the economy turns up and fall quickly when the economy turns down (i.e., housing, automobiles, telecommunications, paper, etc.). Non-cyclical industries (i.e., food, insurance, drugs, health care, etc.) are not as directly impacted by economic changes.

Analysis Risks

There are risks in using any kind of analysis. Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Technical analysis uses a shorter timeframe—often weeks or days. The price and volume data reviewed is released on a daily basis. Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its "correct" value over the long run—perhaps several years.

As a general statement, technical analysis is used for a trade while fundamental analysis is used for an investment. It could also be said that traders buy assets they believe they can sell to someone else at a greater price while investors buy assets they believe will increase in value. The frequency of trading securities using technical analysis could have both a positive or negative impact and could also lead to increased brokerage and transaction costs, thus lowering performance. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

Cyclical and charting analysts look for patterns to help identify the direction the market is going at any given time. However, patterns and expected ranges or time frames may not occur as anticipated due to any number of factors (i.e., natural disasters, political upheaval, etc.).

Investment Strategies

When implementing investment advice, our investment strategies include:

- Long term purchases (securities held at least a year)
- Short term purchases (securities sold within a year)
- Trading (securities sold within 30 days)
- Margin transactions (Investor pays for part of the purchase and borrows the rest from a brokerage firm; e.g., investor buys \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from KCIA.)
- Option writing (Including covered options, uncovered options or spreading strategies.) (Note: options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.)

We also use model asset allocation portfolio programs provided by a number of institutional investment managers and strategists.

We gather information from financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectus and other filings with the Securities and Exchange Commission and company press releases.

Risk of Loss

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

- **Market Risk.** Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- **Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Company Risk.** There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- **Options Risk.** Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- **Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.

- **Management Risk.** Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

Recommended Securities

We do not recommend any specific security to clients. Instead, we recommend any product that may be suitable for each client relative to their specific circumstances and needs

Item 9 – Disciplinary Information

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our Disclosure Brochure.

Item 10 – Other Financial Industry Activities and Affiliations

We do not have a related person that is:

- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
- An investment adviser or financial planner
- A futures commission merchant, commodity pool operator or commodity trading advisor

- A banking or thrift institution
- A lawyer or law firm
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships

We are an independent registered investment advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, we do have affiliated entities involved in various activities. In addition, our representatives may sell other products or provide services outside of their role as investment advisor representatives with us.

Broker/Dealer

KC Brokerage Services, LLC is a limited use broker/dealer registered with FINRA and is under common ownership with KCIA. Some of our representatives and/or management personnel may also be registered representatives with KC Brokerage Services, LLC in order to provide limited securities services through this entity. No new brokerage accounts are established with KC Brokerage Services, LLC.

Securities Sales

Our advisory representatives are also registered representatives of SAI, a full service broker/dealer and member of FINRA/SIPC. When placing securities transactions through SAI in their capacities as registered representatives, they may earn sales commissions. SAI is not affiliated with KC Brokerage Services, LLC or KCIA. You can engage our representatives in this separate capacity to render securities brokerage services under a commission arrangement. Our representatives may have a financial incentive to recommend that a financial recommendation be implemented using a certain product or service. This is a conflict of interest because they could receive commissions in their capacity as a registered representative and could also receive advisory fees in their capacity as an investment advisor representative.

You are under no obligation to use the services of our representatives in this separate capacity or to use SAI and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use SAI. Prior to effecting any transactions, you are required to enter into a new account agreement with SAI. The commissions charged by SAI may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12(b)-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

Accounting Business

Kennedy & Coe, LLC, a certified public accounting firm, is an indirect owner of KCIA. Some of our representatives are also members (owners) and/or consultants with Kennedy & Coe, LLC. As such, they spend some of their workweek on consulting activities. Clients needing accounting services may be referred to Kennedy & Coe, LLC, but are under no obligation to utilize the services of the firm. If the client elects to use Kennedy & Coe, LLC for accounting and/or consulting services, the fees charged for accounting and/or consulting work will be separate from the fees charged for advisory services provided by KCIA.

Pension Consultant

Kennedy & Coe, LLC is a regional certified public accounting firm and an indirect owner of KCIA. Part of the services offered by it are the design and administration of qualified and non-qualified employee benefit plans.

Insurance Sales

KC Insurance Agency, LLC is a licensed insurance entity in several states and is under common ownership with KCIA. Some of our representatives may also be licensed to sell insurance products through KC Insurance Agency, LLC, as well as through other insurance companies. Commissions may be earned when selling insurance products in this separate capacity.

Third-Party Money Managers

As described in **Item 5, Fees and Compensation**, we have formed relationships with independent, third-party money managers.

We may recommend clients work directly with third-party money managers. When we refer clients to a third party money manager, we receive a portion of the fee charged by the third party money manager. Therefore, we have a conflict of interest because we only recommend third party money managers that agree to compensate us by paying us a portion of the fees billed to your account managed by the third party money manager.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of its clients. We and our representatives have a fiduciary duty to all clients. We have established a Code of Ethics which all representatives must read. They must then execute an acknowledgment agreeing that they understand and agree to comply with our Code of Ethics. Our fiduciary duty to clients is considered the core underlying principle for our Code of Ethics and represents the expected basis for all dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of our own or our representatives' investment interests. All advisory representatives will conduct business in an honest, ethical and fair manner. All advisory representatives will comply with all federal and state securities laws at all times. We provide full disclosure of all material facts and potential conflicts of interest to clients prior to services being conducted. All advisory representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to clients. This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current clients or potential clients wish to review our Code of Ethics in its entirety, a copy may be requested from any representative and a copy will be provided promptly.

Some of our representatives are also Certified Financial Planners[™] (CFP[®]) and abide by the Code of Ethics and Responsibility of the Certified Financial Planner[™] Board of Standards, Inc. The Code of Ethics and Responsibility requires CFP[®] certificants to not only comply with all applicable laws and regulations but to also act in an ethical and professional responsible manner in all professional services and activities. The principles guiding CFP[®] certificants are:

- Integrity
- Objectivity
- Competence (in providing services and maintaining knowledge and skills to do so)
- Fairness (to clients, principals, partners and employers and disclosing any conflicts of interest in providing services)
- Confidentiality (keeping all client information confidential without the specific client consent unless in response to legal process or in defense of charges of wrongdoing or civil dispute)
- Professionalism
- Diligence

You can obtain a copy of the Code of Ethics and Responsibility Code by requesting a copy from us.

Participation in Client Transactions and Personal Trading

Either we or individuals associated with us may buy or sell securities for our personal use that are identical to those recommended to a client. In addition, related persons may have an interest or position in a certain security which may also be recommended to a client.

It is our express policy that no person employed by us may purchase or sell any security prior to a transaction being implemented for an advisory account. This policy is designed to prevent such employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent a conflict of interest, we have established the following restrictions in order to ensure our fiduciary responsibilities:

- An officer or employee of KCIA will not buy or sell securities for his or her personal portfolio(s) where that decision is substantially derived, in whole or in part, by reason of his or her possession of material non-public information. No person will prefer his or her own interest to that of the advisory client.
- We maintain a list of all securities holdings for ourselves and for anyone associated with us having access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of KCIA.
- All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- We require that all of our officers or employees act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- Any individual not observing the above restrictions may be subject to termination or other sanctions.

We are and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*.

Item 12 – Brokerage Practices

Securities America, Inc.

If you elect to implement our advice, you are free to select any broker you wish. If you elect to have our representatives implement the advice in their capacity as registered representative or through one of the SAA programs detailed in **Item 5, Fees and Compensation**, then our representatives' broker/dealer, SAI will be used.

Not all investment advisors require the use of a particular broker/dealer. Some investment advisors allow their clients to pick which broker/dealer the client uses. However, in order to provide efficient services and based on the arrangement with SAI, we require the use of SAI when opening an account through our programs. We are limited in the broker/dealer or custodians we are allowed to use due to our relationship with SAI. SAI may limit or restrict the broker/dealer or custodial platforms for its registered representatives that are also independently licensed due to its duty to supervise the transactions implemented by these individuals.

Because our representatives are registered representatives of SAI, they are required to use the services of SAI and SAI's approved clearing broker/dealers when acting in their capacity as registered representatives. SAI serves as the introducing broker/dealer. All accounts established through SAI are cleared and held through National Financial Services, LLC. SAI has a wide range of approved securities products for which it performs due diligence prior to selection. SAI's registered representatives are required to adhere to these products when implementing securities transactions through SAI. Commissions charged for these products may be higher or lower than commissions you may be able to obtain if transactions were implemented through another broker/dealer. Because our representatives are also registered representatives of SAI, SAI provides compliance and supervision support to our representatives. In addition, SAI provides our representatives, and therefore us, with back-office operational, technology and other administrative support.

Economic benefits are provided to us by SAI that are not provided if you select another broker/dealer or account custodian. These benefits may include:

- Negotiated costs for transaction implementation
- A dedicated trade desk that services SAA/SAI participants exclusively
- A dedicated service group and an account services manager dedicated to our accounts
- Access to a real-time order matching system
- Electronic download of trades, balances and position information
- Access, for a fee, to an electronic interface with the account custodian's software
- Duplicate and batched client statements, confirmations and year-end reports

Please see **Item 5, Fees and Compensation**, for additional information about Advisory services and implementing recommendations.

Best Execution

While we do not allow directed brokerage, we must still use reasonable diligence to make certain that best execution is obtained for clients when implementing any transactions. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions surrounding the transaction execution is in the best interests of clients. When considering best execution, our associated persons look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with existing systems of the KCIA, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back office services, technology and pricing of services offered. We perform periodic reviews to determine that the relationship with SAI and National Financial Services, LLC are still in the best interests of clients.

Soft Dollar

Investment Advisors may direct portfolio brokerage commissions to a particular broker/dealer in return for services and research used in making investment decisions in client accounts. The commissions used to acquire these services and research are known as “soft dollars.” Section 28(e) of the *Securities Exchange Act of 1934* provides a “safe harbor” that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

Although we don’t allow directed brokerage, we may still receive products and services from SAI, SAA or other program sponsors and product issuers. These products and services may be used for both research and non-research purposes and allows us to supplement, at no cost, our own research and analysis activities. These products and services can include, but are not limited to:

- Reports, publications and data on matters such as the economy, industries, sectors and individual companies or issuers, statistical information, account and law interpretations, political analyses, legal developments affecting portfolio securities, technical market actions, credit analyses, risk management and analyses of corporate responsibility issues
- On-line news services and financial and market database services
- Information management systems integrating quotation and trading, performance management, accounting, recordkeeping and document retrieval and other administrative matters
- Meetings, seminars, workshops and conferences with representatives of issuers, program sponsors and/or other analysts and specialists

Research obtained with soft dollars is not necessarily utilized for the specific account that generated the soft dollars. We do not attempt to allocate the relative costs or benefits of research among clients

because we believe that, in the aggregate, the research we receive benefits all clients and assists us in fulfilling our overall duty to clients.

These arrangements may be deemed to create a conflict of interest to the extent that we would have to pay for some or all of the research and/or services with “hard dollars” if we were unable to obtain the research and services in exchange for commissions in connection with client transactions. Client trades are always implemented based on the goals and objectives of the client and not on any research, products or other incentives available.

Handling of Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with our fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client is responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client is made whole and we absorb any loss resulting from the trade error if we caused the error. If the error is caused by the broker/dealer, the broker/dealer is responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain remains in the client’s account unless the same error involved other client account(s) that should also receive the gains. It is not permissible for all clients to retain the gain. We may also confer with clients to determine if they should forego the gain (e.g., due to tax reasons). We never benefit or profit from trade errors.

Block Trades

We may elect to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading, or block trading and may be used when we believe such action may prove advantageous to clients. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions are averaged as to price and are allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. If and when we determine to aggregate client orders for the purchase or sale of securities, including securities in which our associated persons may invest, we do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Neither we nor our associated persons receive any additional compensation or remuneration as a result of blocking trades.

Item 13 – Review of Accounts

Account Reviews

Financial consulting services terminate upon completion of the requested services and so no reviews are conducted. However, we recommend that you have periodic reviews and updates to your financial situation. If you elect to have these reviews and updates, a new client agreement may be required and

additional fees may be charged. FAP, KCWM Program, Managed Opportunities accounts and accounts at third party money managers are reviewed at least quarterly.

SAA reviews the performance information in Managed Opportunities accounts to determine its accuracy. Performance information provided by SAA is believed to be accurate but cannot be guaranteed. Fund and other securities values and other information are obtained from third parties. Managed Opportunities accounts are reviewed as needed by SAA supervisors, SAI principals and our representatives. Triggering factors for reviews may include material market, economic or political events, changes in clients' personal or financial situations or performance of the accounts in general. We urge you to compare performance reports you receive from us with account statements you receive directly from the custodian. Inquiries or concerns regarding your account including performance reports should be directed to us.

Each representative reviews his or her own accounts but may be assisted by other KCIA personnel. The calendar is the main triggering factor in these reviews, but reviews may also be performed pursuant to a change in your circumstances, your request, unusual market activity or material economic and/or political events. These reviews are intended to ascertain that the account is structured in accordance with your investment objectives.

Account Reports

You receive confirmations and/or statements at least quarterly from the investment company, broker/dealer, clearing firm and/or money manager at which your account is maintained.

If you participate in the KCWM Program you receive quarterly account statements and may receive monthly transaction ledgers and quarterly reports showing the investment performance of your account from Genworth.

Clients participating in Managed Opportunities are able to view daily and quarterly performance reports on a web site prepared on behalf of SAA by Envestnet, which describes the performance, holdings and other activity in your Managed Opportunities accounts. During any month in which there is activity in Managed Opportunities accounts, you receive monthly statements from the account custodian or clearing firm showing the activity in your account as well as positions held in the account at month end. You also receive a confirmation of each purchase and sale transaction that occurs within Managed Opportunities accounts, unless you provide SAA with written authorization to suppress confirm delivery. If there is no activity in the account, you receive statements no less than quarterly from the account custodian or clearing firm.

In addition, we may provide a quarterly report which can include any of the following: a complete listing of securities held, an asset allocation report, an activity report, cost information, gains and losses and an internal rate of return. These reports are provided to all managed accounts at no additional charge.

Item 14 – Client Referrals and Other Compensation

Client Referrals

Although we do not currently have any formal relationships in place, we may enter into agreements with unaffiliated solicitors (Referring Parties) to refer clients to us. If a client is referred to us by a solicitor, the

solicitor provides the client with a copy of our Disclosure Brochure as required by Rule 204-3 of the *Investment Advisers Act of 1940*. The client also receives a copy of the solicitor disclosure statement containing the information set forth in Rule 206(4)-3 of the *Investment Advisers Act of 1940*. If a referred client enters into an investment advisory agreement with us, a referral fee is paid to the solicitor. The referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided.

The referral agreements between us and the solicitors are in compliance with regulations as set out in 17 CFR §275.206(4)-3 and the Rules under the *Investment Advisers Act of 1940*.

Other Compensation

Please see **Item 5, Fees and Compensation**, **Item 10, Other Financial Industry Activities and Affiliations** and **Item 12, Brokerage Practices**, for additional discussion about solicitor/referral fees from third party managers, other compensation and non-economic benefits.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody. We are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Our procedures do **not** result in our maintaining custody of client funds and securities.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

Item 16 – Investment Discretion

In addition to having trading authority on your accounts, asset management services can be provided on a discretionary or non-discretionary basis. If provided on a discretionary basis, we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority.

When discretionary authority is granted, it is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian. You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

If management services are provided on a non-discretionary basis, we always contact you before implementing any transactions in an account. You must accept or reject our investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, we are responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. You should know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of implementing trades and we may not achieve the optimal trading price.

In the KCWM Asset Allocation Program, we offer you model portfolios composed by a group of independent investment strategists. The independent investment strategists have no direct relationship with our representatives or you, make no analysis of your circumstances or objectives and do not tailor the model portfolios to your specific needs. Our representatives assist you in selecting the model portfolio(s) that best suit the client's objectives. You then specifically direct the account to be invested in accordance with the chosen model portfolio. When you select the model portfolio, you further direct that the account be automatically adjusted to reflect any adjustment in the model portfolio by the investment strategist. This authorization results in the purchase and sale of certain mutual funds or transfers between variable annuity sub-accounts without further authorization by you at such time as the investment strategist changes the composition of the selected model portfolio. Our representatives have no authority to cause any purchase or sale of securities in your account, to change the model portfolio or to direct the account to be invested in any manner other than as previously authorized by you.

In the KCWM Private Managed Account Program, the investment managers provide discretionary management of the equity and/or fixed income securities. We have no authority over those accounts.

Item 17 – Voting Client Securities

Neither we nor our representatives vote proxies on your behalf. You should read through the information provided with the proxy document and make a determination based on the information provided. You are solely responsible for all proxy voting decisions.

Item 18 – Financial Information

This item is not applicable to our brochure. We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.

Customer Information Privacy Policy Statement and Opt Out Notice

The following Customer Information Privacy Policy Statement is for Kennedy and Coe Wealth Management, LLC and its affiliates (KC Investment Advisors, LLC, KC Insurance Agency, LLC and Kennedy and Coe, LLC):

At Kennedy and Coe Wealth Management, LLC, we are committed to maintaining the confidentiality, integrity and security of personal information entrusted to us by you, our customer. To meet our commitment to protect your privacy, we maintain policies, procedures and safeguards to protect the information we collect about you and we limit how that information is shared in accordance with the policies described above. We restrict access to nonpublic personal information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

The following information summarizes the privacy policy of Kennedy and Coe Wealth Management, LLC and its affiliated companies listed above.

We collect nonpublic personal information about you for the purpose of offering or furnishing our products and services to you. The types of information we may collect and disclose include all of the following:

- Information we receive from you applications or other forms, such as your name, address, Social Security number, assets and income;
- Information about your transactions with us, such as your account balance, payment history, or parties to transactions, with us and our affiliated financial service providers companies; and
- Information about you that may authorize us to obtain from others, such as consumer credit scores and medical information

We may share your nonpublic personal information with other financial service providers such as securities broker dealers, insurance agents, or financial service providers that assist us in servicing your account and processing transactions you request.

We may share your nonpublic personal information, including account statements, with our affiliates and financial service providers, including Securities America, Inc. and the companies listed above, so that they may offer or provide further products and services to you.

We may share nonpublic personal information about you and your transactions with nonaffiliated third parties as required or permitted by law, including companies who perform transaction processing, insurance rate advisory organizations, guaranty funds or agencies, agencies that are rating us, persons who are assessing our compliance with industry standards, and to our attorneys, accountants, and auditors. We may also disclose nonpublic personal information to a consumer reporting agency under the Fair Credit Reporting Act, as necessary to enforce our legal and contractual rights, as may be permitted under the federal Financial Right to Privacy Act, and as you may direct or authorize us. Additionally, in the event that we are no longer able to provide certain services to you, we may provide your name, address and telephone number to a third party financial services provider in your area who may be able to provide you with further assistance.

If you decide to close your account(s) or become an inactive customer, we will adhere to the privacy policies and practices as described above in this notice. If we change our privacy policy and practices we will provide a written notice to you.

OPT OUT NOTICE

If you prefer that we not disclose nonpublic personal information about you to non-affiliated third parties, you have the right to limit, or "opt out," of our disclosure of this information (except as permitted or required by law, as described above) by calling us at 1-800-310-9537 during normal business hours.