

## **Item 1 – Cover Page**

### **KCPAG Financial Advisors LLC**

302 East Walnut Street  
Robinson, Illinois 62454  
(618) 544-4993

Date of Brochure: July 2011

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This brochure provides information about the qualifications and business practices of KCPAG Financial Advisors LLC. If you have any questions about the contents of this brochure, please contact us at (618) 544-4993. 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 KCPAG Financial Advisors LLC is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our firm's information on this website by searching for KCPAG Financial Advisors LLC's name or by using its CRD number: 117491.

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

## **Item 2 – Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that KCPAG provides to clients as required by applicable rules and regulations. This Disclosure Brochure, dated July 2011, is a new document prepared according to the new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous Form ADV Part II and Schedule F did not require. In the future, this item will discuss only specific material changes that are made to the Disclosure Brochure and provide readers with a summary of such changes. We will also reference the date of the last annual update of the brochure.

In the past our firm has offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new rules, 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 April 30 so you will receive the summary of material changes no later than August 31 each year. At that time we will also offer or provide 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**

KPAG Financial Advisors LLC (“Advisor” or “we”) is an investment advisor registered with the Securities and Exchange Commission since February 2002. We are a limited liability company formed under the laws of the State of Indiana. Our direct owner is Kemper Capital Management LLC, which in turn is majority owned by Kemper CPA Group LLP.

### **General Description of Primary Advisory Services**

We offer personalized investment advisory services including financial planning, 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.

#### ***Financial Planning Services (Plans and Consultations)***

Financial planning can be described as helping individuals determine and set their long-term financial goals, through investments, tax planning, asset allocation, risk management, retirement planning and other areas. The role of a financial planner is to find ways to help clients understand their overall financial situation and help them set financial objectives.

We offer advisory services in the form of financial plans and consultations. These services do not involve actively managing your accounts. Instead, comprehensive planning services focus on your overall financial situation. Modular planning services and consultations (both one-time and on-going) focus on specific areas of concern to you.

#### ***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 appropriate.

#### ***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 appropriate.

### **Limits Advice to Certain Types of Investments**

We provide advice to the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- 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

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 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, Bellatore Program and FundQuest Programs (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 \$61,804,004 as of April 30, 2011, with \$16,767,232 managed on a discretionary basis and \$45,036,772 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 Plans**

We offer written financial planning services consistent with your current financial situation as well as your financial goals and objectives. Plans can be prepared on either a comprehensive or modular basis. A comprehensive plan focuses on your overall financial situation and can include any or all of the following areas:

- Personal: Family records, budgeting, personal liability, estate information and financial goals
- Tax and Cash Flow: Income tax and spending analysis and planning for past, current and future years; we illustrate the impact of various investments on your current income tax and future tax liability
- Death and Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.
- Retirement: Analysis of current strategies and investment plans to help you achieve your retirement goals
- Investments: Analysis of investment alternatives and their effect on your portfolio

A modular plan focuses only on one or more specific area(s) of concern to you, and you should be aware that other important issues may not be taken into consideration when our representatives develop their analyses and recommendations.

Our investment advisor representatives (“representatives”) meet with you to gather information and documentation needed to perform an analysis and review of your situation as well as your objectives and goals. One or more meetings may be required in order to gather all needed information and determine the services best suited to help meet your needs. After completing a review and analysis of the information and documents received, our representatives develop their analyses and recommendations and present the written financial plan.

We rely on the information provided by you. Therefore, it is very important that the information you provide is complete and accurate. We are not responsible for verifying the information supplied by you. Our services do not include legal or tax advice. (Please see **Item 10, Other Financial Industry Activities and Affiliations**, for discussion concerning our affiliated accounting firm.) You are also urged to work closely with your attorney, accountant or other professionals regarding your financial and personal situation.

Fees for financial plans are billed at a rate of \$100-300 per hour, depending on the nature and complexity of your situation as well as the representative providing the services. We provide a written agreement of the estimated time needed to provide the requested services. If the actual time needed exceeds the estimate, we contact you for permission prior to continuing any work. You are charged the actual hours working on the engagement. Fees are payable upon presentation of the written plan to you and receipt of our invoice.

Financial planning services terminate upon presentation of the plan to you. However, either party can terminate services at any time by providing written notice to the other party. Termination is effective immediately upon receipt of the notice. You are responsible for our prorated fees, calculated by multiplying the quoted hourly rate by the number of hours spent on the plan prior to the effective date of termination. Prorated fees are due immediately upon receipt of our invoice.

### **Consultations**

You can also contract with us for consultation services regarding investment, financial and/or non-securities matters that are of interest or concern to you.

Consultations are usually of a generic nature and do not involve our representatives recommending specific investment products to you. They are generally, but not always, in connection with estate planning, insurance and/or annuity advice. You and our representative jointly determine how many meetings are required to complete the requested consultations.

Fees for consultations are billed at a rate of \$100-300 per hour, depending on the nature and complexity of your situation as well as the representative providing the services. We provide a verbal estimate of the time needed to provide the requested services. If the actual time needed exceeds the estimate, we

contact you for permission prior to continuing any work. You are charged the actual hours used. Fees are payable upon presentation of consultations and receipt of our billing statement.

Services terminate upon completion of the consultations. However, either party can terminate services at any time by providing written notice to the other party. Termination is effective immediately upon receipt of the notice. You are responsible for our prorated fees, calculated by multiplying the quoted hourly rate by the number of hours spent on the consultations prior to the effective date of termination. Prorated fees are due immediately upon receipt of our billing statement.

### **Commission and Fee Offset**

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

You may select any broker/dealer or insurance agent you wish to implement any transactions recommended by our representatives. If you elect to have our representatives implement the transactions, they may waive or reduce the amount of the advisory fee by the amount of the commissions received. Any reduction is at their discretion but does not exceed 100% of the commission received.

You may also elect to implement the advice of our representatives through one or more of our other advisory programs disclosed in this Disclosure Brochure. In this case, our representatives may waive or reduce the amount of the advisory fee as a result of earning additional ongoing fees. Any reduction is at their discretion and is disclosed to you prior to implementing any transactions or contracting for additional services.

### **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 your or any other client or use it for any client's benefit.

### ***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 sub-advisor is Brecek & Young Advisors, Inc. ("B&Y"), an affiliated subsidiary of SAA, doing business under the marketing name of Iron Point Capital Management and/or Iron Point. No other sub-advisors in this program are affiliated with SAA or with us. 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 Oberon to provide these services. Clients establishing Managed Opportunities accounts receive Oberon'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.

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 total fees charged to clients can vary from one Managed Opportunities portfolio to another. However, the portion of the solicitor/referral fee paid to us remains the same no matter which portfolio is selected. 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 the 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.

### ***Bellatore Program***

We have established a relationship with Bellatore Financial, Inc. ("Bellatore"), an SEC registered investment advisor, to use its Altius Select Investment Portfolios ("Altius"). A complete description of the Altius program, including fees and charges, is described in Bellatore's Form ADV Part 2A Disclosure Brochure and/or Form ADV Part 2A Appendix 1 Disclosure Brochure which is given to all clients prior to or at the time an account is established.

In Altius, client goals and objectives are identified by completing a program questionnaire and then recommendations are made to meet those objectives through investments in managed mutual fund portfolios. The Altius portfolios range from conservative to aggressive, each with suggested asset allocations developed by Bellatore's investment committee. Bellatore has the authority to modify, add or terminate any aspect of the Altius program (i.e., discretionary authority to add or delete mutual funds, modify fund allocations, rebalance client accounts back to the original client-authorized allocation). We assist clients to select the portfolio that best suits their current investment objectives. There is a \$25,000 minimum to establish an Altius account, although Bellatore may waive or reduce that minimum by considering client household accounts and its relationship with Advisor.

Account assets are held at a qualified custodian selected by the client, although that custodian must have a relationship with Bellatore. Currently, Bellatore has arrangements with Charles Schwab & Co., Fidelity Registered Investment Advisor Group and TD Ameritrade to act as custodian, although this may change from time to time. The custodian maintains custody of all client assets and provides such other custodial functions customarily performed with respect to securities brokerage accounts.

Maximum advisory fees are based on a percentage of the account value as follows:

<u>Account Value</u>	<u>Bellatore Yearly Fee</u>	<u>Advisor Yearly Fee</u>	<u>Total Program Fee</u>
Up to \$250,000	.25%	1.50%	1.75%
\$250,001 - \$500,000	.25%	1.50%	1.75%
\$500,001 - \$1,000,000	.20%	1.50%	1.70%
\$1,000,001 - \$2,000,000	.15%	1.50%	1.65%
\$2,000,001 - \$5,000,000	.15%	1.50%	1.15%
\$5,000,001 and above	.10%	1.50%	1.60%

All fees are negotiable based on factors such as client type, asset class, pre-existing or family relationships, portfolio complexity, account size or other special circumstances or requirements. In addition, clients can bundle household accounts in order to reach a higher account level and therefore a lower fee charge.

Fees are billed quarterly in advance and calculated based on the current market value of account assets as of the beginning of each quarter. When a new account is opened or a deposit is made to an existing account, fees are billed immediately for the remaining days in the calendar quarter. After that, those accounts are included in the regular calendar quarter billing schedule and fee calculations.

In addition to our advisory fees, clients also bear their proportionate share of the fees and expenses of a mutual fund or exchange-traded fund in which they invest. These fees and expenses may include investment advisory, administrative, distribution, transfer agent, custodial, legal, audit or other customary fees and expenses, including redemption fees, related to investments. Clients are encouraged to read the prospectus of any fund in which their assets are invested for a more complete explanation of the fees and expenses.

Fees are deducted from the client's account and the client must provide written authorization to the custodian to have fees deducted and paid out. The account custodian is responsible for debiting the fees from the account and paying each party their portion.

Any party (client, Bellatore or us) can terminate services by providing 30 days' written notice to the other parties. Upon termination, clients receive a prorated refund of the most recent quarterly fee charged.

### ***FundQuest Investment Programs***

We have established a relationship with a registered investment advisor, FundQuest Incorporated ("FundQuest"), to participate in the FundQuest Wealth Management Program ("FundQuest Program"). The FundQuest Program offers a variety of wrap-fee managed programs that we can use when you want to contract for management of your investment portfolio. We have established a relationship with FundQuest through which we utilize the FundQuest Discretionary Manager Program, Sub-Account Manager Discretionary Program and Adviser Firm Managed Program.

We have you complete a client profiling questionnaire containing a variety of financial and personal data, including investment goals, income requirements, time horizon and risk tolerance. We perform an analysis of this data and generate an investment strategy report that includes an asset allocation strategy for you. We and our representatives work with FundQuest to determine the appropriate investment profile, time horizon and risk tolerance and agree upon an appropriate asset allocation. We periodically communicate with you to determine whether the initial investment strategy should be modified or continued and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity or risk tolerance. The sub-account manager(s) can be changed by you or by us as a result of this review (if applicable).

SAA and SAI provide us with back office, execution and administrative services. Our representatives may also be registered representatives of SAI and such support services are provided to us as a result of this relationship. Neither we, FundQuest, SAA nor SAI maintain custody of your assets. NFS maintains custody through a relationship that it has established with SAI.

We use the following program(s):

#### Discretionary Manager Program

Upon analyzing your personal and financial information, we assist you in determining the FundQuest Model Portfolio(s) to be used. FundQuest is responsible for providing discretionary investment advisory services using its asset allocation methods within the Model Portfolios consisting of mutual funds. FundQuest makes a number of investments that it determines are appropriate risk-adjusted choices for your individual needs. FundQuest periodically monitors your portfolio and, when deemed appropriate, makes changes in both asset allocations and specific security selection. You can impose reasonable restrictions regarding management of your assets.

#### Sub-Account Manager Discretionary Program

FundQuest has pre-selected a group of sub-account managers who are available to provide discretionary investment advisory services through the FundQuest Sub-Account Discretionary Program. After analyzing your personal and financial information, we select the appropriate sub-account manager(s) who is responsible for managing all or a portion of the assets in your managed account. You can impose reasonable restrictions regarding management of your assets. Sub-account managers are pre-screened by FundQuest for a variety of different asset classes. This allows the opportunity to provide diversification specifically tailored to your specific investment objectives. FundQuest may also be one of the money managers in this Program responsible for managing a portion of your assets. FundQuest has discretionary authority to hire and fire sub-account managers within the program. In addition, we may have discretionary authority to hire and fire sub-account managers within the client's managed account.

#### KCPAG Managed Program

When providing investment advisory services through this program, we are responsible for managing your assets through a FundQuest Program. We manage assets on a discretionary basis and you can impose reasonable restrictions regarding the management of your assets. After analyzing your personal and financial information, our representatives work with FundQuest and you to develop an asset allocation based on your investment profile. We are responsible for performing periodic reviews and communicate with you to determine whether the initial investment strategy should be modified or maintained and whether individual circumstances or market conditions warrant any changes in asset allocation, tax sensitivity or risk tolerance.

All FundQuest Program accounts are subject to a FundQuest platform fee, transaction fees and advisor fees. The total annual management fees charged by us, FundQuest, and the sub-account managers (if applicable) may be negotiated with each client, with 3% being the maximum management fee that may be charged, unless the account only has mutual funds and then the maximum is 2.25%. For our services, we receive a maximum of 2.00% of the fee charged to you.

In addition, if a sub-account manager is used, the sub-account manager charges an investment management fee in addition to our fee, typically .25% to 1%. FundQuest charges an annual platform fee of up to .20% for all assets managed by FundQuest, us or sub-account managers. The platform fee is subject to a minimum of \$380 annually. SAA may retain a portion of this fee for the administrative and back office support services provided to us. Fees are determined based on the size of the account, the level of service provided to you and the complexity of your financial situation. However, any number of

accounts for your benefit and your family members for assets managed by sub-account managers and us can be linked together to meet a platform fee breakpoint, in accordance with your directives. The FundQuest platform fee is separate from the asset management fees charged by us or sub-account managers.

SAI/SAA also charge fees for execution/clearing and custody services, collectively referred to as transaction fees. If your account is managed by FundQuest in model portfolios, there are generally no transaction fees. However, a flat fee of \$200 may be charged for the cost of sale transactions for non-cash assets placed in Sub-Account Manager Discretionary Program client accounts that require initial sale prior to being invested for management. In our managed accounts, transaction fees are charged based on the transactions implemented in your account. These costs are charged according to SAI's standard ticket charge schedule and are charged to our representative on the account who may then pass these fees on to you at his or her discretion. If your account is managed by a sub-account manager, transaction fees are based on the amount and type of assets being managed and the frequency of trades being implemented in the account. The maximum amount of this fee is .35%. The fee mix is slightly different for each program option previously described based on the work to be completed by the parties involved in the management, the size of the account and the complexity of your situation and investment objectives. All fees are disclosed to you in the client services agreement prior to services being provided.

Complete details regarding all FundQuest Programs, as well as any fees related to these programs, are disclosed in FundQuest's disclosure document and the client services agreement. When utilizing any of the FundQuest Programs, you receive a copy of FundQuest's disclosure document and our disclosure document prior to services being provided. In addition, if any sub-account managers are used to manage your assets, a copy of the disclosure document for each sub-account manager is provided to you. You should review these documents carefully in order to fully understand the services that are provided and the costs involved in receiving services through these programs.

### ***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, our representatives assist you in establishing one or more FAP accounts with SAA. There is a minimum of \$50,000 required to establish and maintain an FAP account although exceptions may be granted to this minimum upon request and based on other account relationships with the client. 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 capacity as a registered representative of SAI. See, **Additional Compensation**, below.

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%. SAA retains up to 20 basis points (0.20%) of the annual management fee for FAP accounts. The remainder of the fee charged to you is paid to us. SAA is responsible for collecting all fees paid by you through FAP and journals 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 or 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 and one indirectly to the managers of the mutual funds or ETFs or variable annuities held in your portfolios.

A complete description of FAP's 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.

### **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.

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

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.

You could invest in a mutual fund directly, without our services. In that case, you would not receive the benefit of our services which are designed, among other things, to assist you in determining which mutual fund or funds are most appropriate for your financial condition and objectives. Accordingly, you should

review both the fees charged by the funds and the fees charged by us to fully understand the total amount of fees paid by you and to evaluate our advisory services provided.

### **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**

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 the discretion of SAA and also at our discretion based on other account relationships with the client.

There is a minimum of \$25,000 required to establish an account at Bellatore in the Altius program. Exceptions may be granted due to householding client accounts or due to Advisor's relationship with Bellatore.

FundQuest may impose certain minimums on assets managed through its programs. These minimums will be disclosed in the FundQuest disclosure document. KCPAG requires a minimum of \$50,000 to establish and maintain an account through one of the FundQuest programs. Exceptions may be granted to these minimums at KCPAG's discretion based on other account relationships with the client.

The minimum amount for establishing and maintaining an FAP account is \$50,000, although exceptions may be granted to this minimum upon request and based on other account relationships with the client.

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

#### **Methods of Analysis**

We use fundamental analysis when considering investment strategies and recommendations for clients. 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.

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). 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. 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.

### **Investment Strategies**

When implementing investment advice, our investment strategies include long term purchases (securities held at least a year) and short term purchases (securities sold within a year).

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.

### **Primarily Recommend One Type of Security**

We primarily recommend mutual funds. Different mutual fund categories have different risk characteristics and you should not compare different categories. For example, a bond fund and a stock fund that both have below average risk still have different risk/return potential (stock funds traditionally have higher risk/return potential). Risks are based on the investments held in the fund. For example, a bond fund faces interest rate risk and income risk and income is affected by the change in interest rates. A sector fund (investing in a single industry) is at risk that its price will decline due to industry developments. The following are some risks to consider when investing in mutual funds:

- **Call Risk:** A bond issuer may redeem high-yield bonds before maturity date due to falling interest rates.
- **Default Risk:** A bond issuer may fail to repay interest and principal.
- **Income Risk:** Dividends in a fixed income fund may decline due to falling interest rates.
- **Geology Risk:** Political events, natural disasters or financial problems may weaken a country or state's economy and cause investments to decline.
- **Industry Risk:** Stocks in a single industry may decline due to developments in that industry.
- **Inflation Risk:** Increases in the cost of living can reduce or eliminate a fund's actual returns when adjusted for inflation.
- **Manager Risk:** A manager may not execute the fund's investment strategy in a timely or effective manner.

Although the majority of our recommendations involve mutual funds, we reserve the right to recommend any specific security to clients that may be suitable for them 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)
- A 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 registered 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**

KCPAG Brokerage Services LLC is a limited use broker/dealer registered with FINRA and the State of Illinois and is under common ownership with Advisor. Only a small number of accounts have been established through this broker/dealer and no new accounts will be established. Thomas A. Moore, our Chief Executive Officer, Chief Compliance Officer and an investment advisor representative, is also a registered representative of KCPAG Brokerage Services LLC. Mr. Moore conducts the majority of his brokerage business through SAI.

### **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 KCPAG Brokerage LLC or Advisor. 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**

We are a wholly owned subsidiary of Kemper Capital Management LLC, which is primarily owned by Kemper CPA Group LLP ("Kemper CPA"), a firm engaged in the practice of public accounting. Some of our representatives are also partners of Kemper CPA and are engaged in the practice of accounting as certified public accountants. We may refer clients to Kemper CPA for accounting services. In addition, clients of Kemper CPA may be referred to us. Partners of Kemper CPA are not paid a direct fee based on the actual referrals made to us. Clients are under no obligation to use Kemper CPA for accounting services. If the client elects to use Kemper CPA for accounting services, the fees charged for accounting work will be separate from the fees charged for advisory services provided by us.

### **Pension Consultant**

Kemper CPA also offers non-advisory services to its *Employee Retirement Income Security Act* ("ERISA") plan clients. These may include document services to assist in the preparation and filing of the necessary documentation to properly establish a plan, administrative services, testing assistance, assistance with Department of Labor issues, verification services and accounting/recordkeeping services. These services

are offered for separate, customary and negotiated compensation. However, clients are under no obligation to use Kemper CPA for these non-advisory services.

### **Insurance Sales**

We are under common ownership with KCPAG Insurance Services LLC, an insurance agency licensed in the States of Illinois and Indiana. In addition, certain of our principals and representatives may be licensed with several, unaffiliated, life, disability and other insurance companies. We may recommend insurance products offered by these companies. If clients purchase these products through our licensed affiliates, the agents receive normal commissions. Thus, a conflict of interest exists between our interests and those of our clients. Clients are under no obligation to purchase products either through KCPAG Insurance Services LLC or through outside insurance companies.

### **Third-Party Money Managers**

As described in **Item 5, Fees and Compensation**, we may use the services of 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 Certified Financial Planners<sup>™</sup> (CFP<sup>®</sup>) and also abide by the Code of Ethics and Responsibility of the Certified Financial Planner<sup>™</sup> Board of Standards, Inc. The Code of Ethics and Responsibility requires CFP<sup>®</sup> 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<sup>®</sup> 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.

Some of our representatives also hold the Chartered Financial Analyst (CFA) designation and must abide by the CFA Institute's Code of Ethics and Standards of Professional Conduct (Code and Standards). First created in the 1960s, the Code and Standards are the ethical benchmark for investment professionals around the globe, regardless of job title, cultural differences, or local laws. All CFA members must adhere to the Code and Standards.

The Code and Standards require:

Code of Ethics:

- Placing the integrity of the profession and the interests of clients above your own interests
- Acting with integrity, competence, and respect
- Improving and maintaining your professional competence

Standards of Professional Conduct:

- Professionalism
- Integrity of the capital markets
- Duties to clients
- Duties to employers
- Investment analysis and recommendations
- Conflicts of interest

You can obtain a copy of the Code of Ethics and Standards of Professional Conduct 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 Advisor 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 anyone associated with us having access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of Advisor. Advisor does not own securities. However, if this were to change, we would maintain a list of the securities held by Advisor.

- 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. Other programs detailed (e.g., Bellatore, FundQuest, etc.) may use other broker/dealers or custodians.

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 all 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 advisor, 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 believes 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**

Advisors sometimes elect to purchase or sell the same securities for several clients at approximately the same time when they believe such action may prove advantageous to clients. This process is referred to as aggregating orders, batch trading or block trading. We do not block trades for client accounts.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Financial planning services terminate upon presentation of the written plan or completion of the consultations. No reviews are conducted on these accounts. 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. All managed accounts are reviewed at least quarterly. Accounts held at third party money managers are also reviewed at least quarterly, usually when copies of account performance reports are received.

Each representative reviews their own accounts. In addition, the Advisor’s Investment Committee reviews all managed accounts on a semi-annual basis. The Investment Committee consists of Thomas A. Moore, John D. Porter and Gregory P. Meader. The calendar is the main triggering factor, but reviews can also be conducted due to your request, a change in your financial situation or unusual market, economic or political events. We review accounts in accordance with your stated investment objectives and strategy. Our representatives will periodically request and review updates to your investment information to make sure your investments remain consistent with your stated objectives.

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.

### **Account Reports**

Financial planning clients do not receive any reports other than the written plan originally contracted for. You will receive a statement at least quarterly from the broker/dealer, investment advisor or money manager where your account is maintained.

If you participate in Managed Opportunities, you 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 accounts, as well as positions held in the accounts 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.

Bellatore provides statements at least quarterly that include, among other things, a consolidated report identifying all your managed account assets, the asset allocation of the accounts and the investment performance of the account.

Clients participating in any of the FundQuest Programs will receive quarterly performance reports from FundQuest.

If you have an FAP account, you may receive monthly, quarterly or on-demand reports showing the investment performance of your account from us or from SAA.

In addition to regular reports by your broker and/or custodian, we may provide a quarterly report that can include any of the following: a complete listing of securities held, an asset allocation report, an activity report, cost information, gains and losses report and an internal rate of return report.

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

### **Client Referrals**

Please see **Item 10, Other Financial Industry Activities and Affiliations**, for additional discussion about our affiliation with the accounting firm of Kemper CPA Group LLP. Some of our representatives are also partners of Kemper CPA and engaged in the practice of accounting as certified public accountants. Clients of Kemper CPA may be referred to us for advisory services and we may refer advisory clients to Kemper CPA for accounting services. You are under no obligation to use our services or the services of Kemper CPA. While partners of Kemper CPA are not paid a direct fee based on the actual referrals made to us, Kemper CPA does benefit by the referral arrangement because we are indirectly owned by Kemper CPA. Because of this indirect ownership, both Kemper CPA and we have an incentive to recommend each other to clients before recommending other accounting and financial firms. This creates a conflict of interest.

### **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 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.

We are also deemed to have control over client funds and/or securities because some of our indirect owners serve as trustees over client accounts. We are a wholly owned subsidiary of Kemper Capital Management LLC which is primarily owned by Kemper CPA Group LLP (“Kemper CPA”), a firm engaged in the practice of public accounting. A few of the partners (owners) of Kemper CPA (who are not investment advisor representatives and do not provide advisory services) serve as trustees for their accounting clients. Some of these accounting clients are also our advisory clients.

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 Altius accounts, Bellatore usually receives discretionary authority to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is exercised in a manner consistent with your stated investment objectives.

#### **Item 17 – Voting Client Securities**

We do not vote proxies on your behalf. You are solely responsible for all proxy-voting decisions. You should read through the information provided with the proxy-voting document and make a determination based on the information provided. At your request, our representatives may give limited explanations or clarifications based on their understanding of issues presented in the proxy-voting materials.

If you utilize a sub-adviser, you may receive proxy-voting services from those sub-advisers selected to manage your client's. You should consult the sub-advisers' disclosure documents for more information on their proxy-voting services.

#### **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.