

# **KB Investment Advisors, LLC**

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This Brochure provides information about the qualifications and business practices of KB Investment Advisors, LLC (“KBIA”). If you have any questions about the contents of this Brochure, please contact us at 314.812.1135 or [nathan@kbwealth.com](mailto:nathan@kbwealth.com). 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.

KBIA is a registered investment advisor. Registration of an Investment Advisor does not imply any level of skill or training. The oral and written communications of an Advisor provide you with information to use in determining whether to hire or retain an Advisor.

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

## Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated **March 15, 2011** is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Nathan J. Rages at 314.812.1135 or [nathan@kbwealth.com](mailto:nathan@kbwealth.com).

Additional information about KBIA is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with KBIA who are registered, or are required to be registered, as investment advisor representatives of KBIA.

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## Item 4 – Advisory Business

KBIA manages investment portfolios for individuals, high net worth individuals, trusts, retirement plans, charitable organizations, partnerships, and corporations. The firm is wholly owned by Kiefer Bonfanti and Co. LLP and has been in business since 2001.

KBIA works with each client to determine the client's investment objectives and investor risk profile. KBIA then designs a written Investment Policy Statement and assists the client in selecting the investment strategies that are consistent with the client's investment policy. KBIA uses investment and portfolio allocation software to evaluate alternative portfolio designs. KBIA evaluates the client's existing investments with respect to the client's investment policy. KBIA works with clients to develop a transition plan in order to move from client's existing portfolio to the desired portfolio. KBIA will continuously monitor the client's portfolio holdings and the overall asset allocation strategy and hold regular review meetings with the client regarding the account, as necessary.

In addition to managing clients' investment portfolios, KBIA may provide additional wealth management services to clients based upon their unique circumstances and needs. Such services may include income planning, college planning, retirement planning, risk management counsel, establishment of and counsel on retirement plans, and assistance with assets outside our direct management.

KBIA will typically create a portfolio of no-load mutual funds, and may use model portfolios if the models match the client's investment policy. KBIA will allocate the client's assets among various investments taking into consideration the client's unique ability, need, and willingness to take risk. Clients may impose restrictions on investing in certain securities or types of securities.

KBIA primarily recommends portfolios consisting of no-load mutual funds offered by Dimensional Fund Advisors (DFA). DFA sponsored mutual funds follow a passive asset class investment philosophy with low holdings turnover. Consequently, the DFA fund fees are generally lower than fees and expenses charged by other types of funds. Client portfolios may also include some individual equity securities. KBIA manages mutual funds and equity portfolios on a discretionary or nondiscretionary basis.

KBIA may also recommend customized, laddered bond portfolios to advisory clients. KBIA will typically request discretionary authority from advisory clients to manage fixed

income assets. Discretionary authority may be necessary to enable KBIA to purchase fixed income securities in a timely manner when they are available at quoted prices. Complete, laddered fixed income portfolios generally require a minimum investment of \$400,000 in assets allocated to fixed income securities. Low cost fixed income mutual funds may be used for allocated amounts less than this. As described in Item 10 and Item 12, KBIA generally uses BAM Advisor Services as a sub-advisor in managing individual fixed income portfolios.

KBIA also provides advisory services through the third party administration services of NextStep Defined Contribution, Inc. (NextStep). NextStep is an online bundled service provider offering passive investment options and an opportunity for plan sponsors to provide diversified portfolios to their participants along with daily account access.

KBIA will analyze the plan's current investment platform and assist the plan in creating an investment policy statement defining the types of investments to be offered and the restrictions that may be imposed. KBIA will recommend investment options to achieve the plan's objectives, provide participant education meetings, and monitor the performance of the plan's investment vehicles. KBIA will recommend changes in the plan's investment vehicles as may be appropriate from time to time. KBIA will review the plan's investment vehicles and investment policy as necessary.

As of January 1, 2011, KBIA managed \$72,600,000 of client assets on a discretionary basis and \$2,600,000 of client assets on a non-discretionary basis.

## Item 5 – Fees and Compensation

The annual fee for investment management services will be charged as a percentage of assets under management, according to the schedule below:

<u>Assets Under Management</u>	<u>Fee</u>
Up to \$499,999	1.25%
\$500,000 to \$999,999	1.00%
\$1,000,000 to \$1,999,999	.90%
\$2,000,000 to \$2,999,999	.80%
\$3,000,000 or greater	.70%

The annual fee is charged on the entire account balance computed and billed quarterly in advance based on the account value as of the final day of the preceding quarter. The annual fee for retirement plan services will be computed similarly based on the assets within the plan. Fees and account minimums are subject to negotiation and may be waived in certain circumstances.

Individual accounts for members of the same family, defined as spouses and children, are charged fees based upon the total account balance of all family accounts. Accounts for business entities and accounts related thereto, including those of the business owner, are charged fees based upon the total account balances of all such related accounts.

Clients will be invoiced in advance at the beginning of each calendar quarter based upon the value (market value based on independent third party sources or fair market value in the absence of market value) of the client's account at the end of the previous quarter. Market valuations are derived from daily reports from account custodians. Client account balances on which KBIA calculates fees may vary from account custodial statements based on independent asset valuations and other accounting variances, including mechanisms for including accrued interest in account statements.

New accounts are charged a prorated fee for the remainder of the quarter in which the account is placed under our management.

KBIA or its agent has limited authority to receive quarterly payments directly from the client's account held by an independent custodian. Accordingly, the client will provide, in writing, limited authorization to withdraw the contractually agreed upon fees from the account. KBIA or its agent will send to the client and the custodian a bill showing the amount of the fee, the value of client's assets on which the fee was based, and the specific manner in which the fee was calculated. The custodian will send to the client a statement, at least quarterly, indicating all the amounts disbursed from the account including the amount of advisory fees paid directly to KBIA. The client is responsible to verify the accuracy of the fee calculation.

In rare circumstances, KBIA may provide certain limited investment advisory services on an hourly fee basis. The fee rate and the scope of the services will be agreed upon in advance with the client.

A client agreement may be canceled at any time, for any reason, and by either party upon receipt of thirty (30) days written notice without the imposition of any penalty. Upon termination of any account with thirty (30) days written notice, fees paid will be refunded pro rata to client based upon the number of days the client used KBIA's services during that period. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement. On the termination of the agreement, KBIA will have no obligation to recommend or take any action with regard to the securities, cash or other investments in a client's account.

KBIA's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

All fees paid to KBIA for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and possibly a distribution fee. A client could invest in mutual funds directly, without the services of KBIA. In that case, the client would not receive the services provided by KBIA which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. DFA funds also may not be available to the client directly.

Such charges, fees and commissions are exclusive of and in addition to KBIA's fee, and KBIA shall not receive any portion of these commissions, fees, and costs. The client should review both the fees charged by the funds, the transaction fees charged by the

custodian, and the fees charged by KBIA to fully understand the total amount of fees to be paid by the client.

Item 12 further describes the factors that KBIA considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

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

KBIA does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7 – Types of Clients**

KBIA provides investment management services to individuals, high net worth individuals, trusts, pension and profit sharing plans, charitable organizations, foundations, partnerships, and corporations. Client accounts are generally subject to a minimum dollar value requirement of \$200,000, which may be negotiable based on family relations, firm affiliations or individual circumstances.

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

### *Methods of Analysis and Investment Strategy*

KBIA's services are based on long-term investment strategies incorporating the principles of Modern Portfolio Theory. KBIA's investment approach is firmly rooted in the belief that markets are "efficient" over periods of time and that investors' long-term returns are determined principally by asset allocation decisions, rather than market timing or stock picking. KBIA recommends diversified portfolios, principally through the use of passively managed, asset class mutual funds. KBIA selects or recommends to clients portfolios of securities, principally broadly-traded open end mutual funds or conservative fixed income securities to implement this investment strategy.



Although all investments involve risk, KBIA's investment advice seeks to limit risk through broad diversification among asset classes and, as appropriate for particular clients the investment directly in conservative fixed income securities to represent the fixed income class. KBIA's investment philosophy is designed for investors who desire a buy and hold strategy. Frequent trading of securities increases brokerage and other transaction costs that KBIA's strategy seeks to minimize.

In the implementation of investment plans, KBIA primarily uses mutual funds and, as appropriate, portfolios of conservative fixed income securities. KBIA may also utilize Exchange Traded Funds (ETFs) to represent a market sector.

Clients may hold or retain other types of assets as well, and KBIA may offer advice regarding those various assets as part of its services. Advice regarding such assets will be general in nature and usually not involve asset management services.

KBIA's strategies do not utilize securities that we believe would be classified as having any unusual risks, and we do not recommend frequent trading, which can increase brokerage and other costs and taxes.

KBIA receives supporting research from BAM Advisor Services and from other consultants, including economists affiliated with Dimensional Fund Advisors ("DFA"). KBIA utilizes DFA mutual funds in client portfolios. DFA mutual funds follow a passive asset class investment philosophy with low holdings turnover. DFA provides historical market analysis, risk/return analysis, and continuing education to KBIA.

### *Analysis of a Client's Financial Situation*

In the development of investment plans for clients, including the recommendation of an appropriate asset allocation, KBIA relies on an analysis of the client's financial objectives, current and estimated future resources, and tolerance for risk. To derive a recommended asset allocation, KBIA may use a Monte Carlo simulation, a standard statistical approach for dealing with uncertainty. As with any other methods used to make projections into the future, there are several risks associated with this method, which may result in the client not being able to achieve their financial goals. They include:

- The risk that expected future cash flows will not match those used in the analysis
- The risk that future rates of return will fall short of the estimates used in the simulation
- The risk that inflation will exceed the estimates used in the simulation

- For taxable clients, the risk that tax rates will be higher than was assumed in the analysis

### *Risk of Loss*

**Investing in securities involves risk of loss that clients should be prepared to bear.**

All investments present the risk of loss of principal – the risk that the value of securities (mutual funds, ETFs and individual bonds), when sold or otherwise disposed of, may be less than the price paid for the securities. Even when the value of the securities when sold is greater than the price paid, there is the risk that the appreciation will be less than inflation. In other words, the purchasing power of the proceeds may be less than the purchasing power of the original investment.

The mutual funds and ETFs utilized by KBIA may include funds invested in domestic and international equities, including real estate investment trusts (REITs), corporate and government fixed income securities and commodities. Equity securities may include large capitalization, medium capitalization and small capitalization stocks. Mutual funds and ETF shares invested in fixed income securities are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings.

Among the riskiest mutual funds used in KBIA's investment strategies funds are the U.S. and International small capitalization and small capitalization value funds, emerging markets funds, and commodity futures funds. Conservative fixed income securities have lower risk of loss of principal, but most bonds (with the exception of Treasury Inflation Protected Securities, or TIPS) present the risk of loss of purchasing power through lower expected return. This risk is greatest for longer-term bonds.

Certain funds utilized by KBIA may contain international securities. Investing outside the United States involves additional risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be greater with investments in developing countries.

More information about the risks of any particular market sector can be reviewed in representative mutual fund prospectuses managing assets within each applicable sector.

## **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KBIA or the integrity of KBIA's management. KBIA has no information applicable to this Item.

## **Item 10 – Other Financial Industry Activities and Affiliations**

KBIA is solely owned by Kiefer Bonfanti & Co. LLP ("KBCO"), an accounting and consulting firm providing audit, compliance, and tax consulting services to clients. Pursuant to a Management Agreement between KBIA and KBCO, KBCO provides office space, overhead, management services and staff to KBIA. In exchange for these services, KBIA pays a management fee to KBCO equal to its operating profits.

Rockbridge Financial #6 LLC (d/b/a KB Advanced Insurance Services) is an insurance business owned 45% by KBCO, the sole owner of KBIA. Associated persons of KBIA may recommend insurance products to KBIA clients. These clients can choose to implement recommended insurance transactions through Rockbridge Financial #6 LLC which would receive separate compensation, typically in the form of a commission. While these associated persons endeavor at all times to put the interest of the clients first as part of KBIA's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

KBIA has contracted with BAM Advisor Services L.L.C. ("BAM"), for services including trade processing, collection of portfolio management fees, report preparation and maintenance, marketing assistance and research, and access to certain institutional class mutual funds and investment strategies.

KBIA has also contracted with BAM for sub-advisory services with respect to clients' fixed income accounts. BAM provides fixed income portfolio construction, trade processing, collection of management fees, record maintenance, report preparation, marketing assistance, and research. For its services, BAM charges KBIA a fee based on a percentage of each client's assets under management. BAM's fees, including all sub-advisory fees, are included in KBIA's total fees as described in Item 5.

## Item 11 – Code of Ethics

KBIA has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at KBIA must acknowledge the terms of the Code of Ethics annually, or as amended.

KBIA anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which KBIA has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which KBIA, its affiliates and/or clients, directly or indirectly, have a position of interest. KBIA's employees and persons associated with KBIA are required to follow KBIA's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of KBIA and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for KBIA's clients.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of KBIA will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of KBIA's clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between KBIA and its clients. KBIA does not block affiliated trades with any client trades.

To supervise compliance with its Code of Ethics, KBIA requires that anyone associated with this advisory practice with access to advisory recommendations provide annual

securities holding reports and quarterly transaction reports to the firm's Chief Compliance Officer or his or her designee. KBIA also requires such access persons to receive approval from the Chief Compliance Officer (or KBCO managing partner for the Chief Compliance Officer) prior to investing in any IPO's or private placements.

It is KBIA's policy that the firm will not affect any principal or agency cross securities transactions for client accounts. Principal transactions are generally defined as transactions where an advisor, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment advisor in relation to a transaction in which the investment advisor, or any person controlled by or under common control with the investment advisor, acts as broker for both the advisory client and for another person on the other side of the transaction.

KBIA's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Nathan J. Rages.

## **Item 12 – Brokerage Practices**

KBIA arranges for the execution of securities transactions with the assistance of BAM Advisor Services ("BAM"). Through BAM, KBIA participates in the Schwab Institutional (SI) services program offered to independent investment advisors by Charles Schwab & Co., Inc. (Schwab) and the Fidelity Institutional Wealth Services (FIWS) program, sponsored by Fidelity Brokerage Services, LLC (Fidelity). Schwab and Fidelity are Financial Industry Regulatory Authority (FINRA) registered broker-dealers.

With respect to retirement plans, 529 plans and after-tax annuities, KBIA participates in the TIAA-CREF Financial Advisor Program offered to fee-only advisors. KBIA may also recommend after-tax annuities from Peoples Benefit Life Insurance Company, a division of AEGON.

The Schwab and Fidelity brokerage programs will generally be offered to advisory clients for the execution of mutual fund and equity securities transactions. KBIA regularly reviews these programs to ensure that its offerings are consistent with its fiduciary duty. These trading platforms are essential to KBIA's service arrangements and capabilities, and KBIA may not accept clients who direct the use of other brokers.

As part of these programs, KBIA receives benefits (described below) that it would not receive if it did not offer investment advice or if it did not participate in these programs.

As KBIA will not request the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid in these situations, clients must direct KBIA as to the broker-dealer to be used. In directing the use of a particular broker-dealer, it should be understood that KBIA will not have authority to negotiate commissions among various brokers or obtain volume discounts. Not all investment advisors require clients to direct the use of specific broker-dealers.

For fixed income portfolios and transactions, however, KBIA may request that it be provided with written authority to determine the broker-dealer to use for client transactions and the commission costs that will be charged to clients for these transactions. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change / amend these limitations as required. Such amendments shall be submitted in writing.

KBIA generally uses BAM Advisor Services as a sub-advisor in managing individual fixed income portfolios. In this situation, BAM will assess the quality of broker-dealer services and client fixed income transactions and approve the selection of those brokers or dealers which will provide the best services and the lowest commission rates possible. The reasonableness of brokerage costs, commissions and mark up / mark downs is based on the broker-dealer's ability to provide professional services, competitive execution, and other services that will help provide investment management services to clients.

Through BAM's trading desk, client trades in fixed income securities may be blocked with trades initiated by other investment advisors contracting with BAM to achieve better pricing and commission costs. While this procedure will generally benefit clients, certain trades may only be partially filled, in which case a client's order may not be fulfilled. Partially filled orders will be allocated to the first orders received by BAM for inclusion in block trades. KBIA does not block affiliated trades with any client trades.

KBIA does not work with any broker-dealer to recruit investor clients for KBIA and does not have any arrangements to compensate broker-dealers for client referrals.

KBIA does not arrange for the execution of securities transactions for employee benefit retirement plans on the NextStep platform. In such situations, transactions are executed directly through employee plan participation. KBIA may, however, arrange for execution of securities transactions for certain plans custodied with Schwab or Fidelity.

In all circumstances involving trade errors caused by KBIA, clients are “made whole”. For clients utilizing Schwab for custodial and brokerage services, Schwab keeps all trade error gains. Schwab absorbs all trade error losses under \$100 on KBIA's behalf. KBIA is always responsible for trade error losses over \$100. For clients utilizing Fidelity for custodial and brokerage services, KBIA is always responsible for trade error losses. KBIA also respectively maintains trade error gains that it may cause in client accounts.

KBIA may also correct trade errors by reallocating a purchased security to another client(s) account(s) in situations in which KBIA determines such allocation will be in the clients' best interest. Such reallocations may prevent KBIA from incurring trade error losses.

As indicated above, KBIA utilizes the brokerage services of SI and FIWS. These firms provide KBIA with access to their institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them. These services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

SI and FIWS also make available to KBIA other products and services that benefit KBIA but may not benefit its clients' accounts. Some of these other products and services assist KBIA in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of KBIA's fees from its clients' accounts, and assist with back-office functions, recordkeeping and client reporting. Many of these services generally may be used to service all or a substantial number of KBIA's accounts.

Offered brokers also make available to KBIA other services intended to help KBIA manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. KBIA does not, however, enter into any commitments with the brokers for transaction levels in exchange for any services or products from brokers. While as a fiduciary, KBIA endeavors to act in its clients' best interests, KBIA's requirement that clients maintain their assets in accounts at SI or FIWS may be based in part on the benefit to KBIA of the availability of some of the foregoing products and services and not solely on the

nature, cost or quality of custody and brokerage services provided by the brokers, which may create a potential conflict of interest. Some of these benefits are available on the TIAA-CREF and AEGON platforms.

KBIA also receives software from Dimensional Fund Advisors which KBIA utilizes in forming asset allocation strategies. DFA, through a web-based service, provides referrals of investor clients to KBIA. DFA makes such referrals to many investment advisors based on the geographic location of the prospective client. DFA does not provide help to KBIA in recruiting investor clients in any other way.

KBIA may also receive reductions in conference and seminar fees from these brokerage and mutual fund firms.

### **Item 13 – Review of Accounts**

Account assets are supervised continuously and formally reviewed quarterly by a KBIA Investment Advisor. The review process contains each of the following elements:

- Assessing client goals and objectives;
- Evaluating the employed strategy(ies);
- Monitoring the portfolio(s); and
- Addressing the need to rebalance.

Additional account reviews may be triggered by any of the following events:

- Client's specific request;
- Market / economic conditions;
- Realizing tax losses in an account;
- Change in client's investment objectives, risk and return characteristics; and
- Imbalance in a portfolio asset allocation.



Employee benefit retirement plan assets are reviewed as necessary, and according to the standards and situations described above for investment management accounts.

All clients other than those utilizing employee benefit retirement plan services will receive quarterly performance reports from KBIA that summarize the client's account and asset allocation. Quarterly reports include portfolio performance review, current positions, and current market value. Clients will also receive statements from qualified account custodians, as described in Item 15. Clients utilizing KBIA's employee benefit retirement plan services receive reporting services through NextStep.

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

KBIA does not receive compensation from third parties for investment advisory services provided to clients. KBIA also does not receive compensation for client referrals.

#### **Item 15 – Custody**

KBIA client assets are held with qualified custodial broker-dealer firms, such as Schwab and Fidelity (as described in Item 12). These custodians send monthly statements to clients showing account activity and valuations. KBIA urges you to carefully review such statements and compare such official custodial records to the quarterly account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

As described in Item 5, KBIA has the ability to deduct management fees from client accounts. For this sole reason, KBIA is deemed to have custody of client assets.

## **Item 16 – Investment Discretion**

KBIA usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, KBIA observes the investment policies, limitations and restrictions of the clients for which it advises. Clients may amend these policies, limitations and restrictions as desired. Such amendments shall be submitted in writing.

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

As a matter of firm policy and practice, KBIA does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios.

Clients will normally receive proxy materials and other solicitations directly from account custodians. KBIA, however, may provide advice to clients regarding clients' voting of proxies. Clients may contact Nathan J. Rages with proxy-related questions.

Clients should note that KBIA will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct KBIA to transmit copies of class action notices to the client or a third party. Upon such direction, KBIA will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about KBIA's financial condition. KBIA has no

financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

#### **Item 19 – Requirements for State-Registered Advisors**

KBIA is registered with the Securities and Exchange Commission and, accordingly, is not registered with any state securities authority.