

# **Klingman and Associates, LLC**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Klingman and Associates, LLC. If you have any questions about the contents of this brochure, please contact us at 212-867-7647. 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 Klingman and Associates, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Klingman and Associates, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their Form disclosure brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated March 14, 2017 we have the following material changes to report:

### **Other Compensation Considerations**

Following the inception of the Department of Labor's ("DOL") Fiduciary Rule, securities in DOL-impacted retirement accounts (such as IRAs and employer-sponsored retirement plans) can no longer be designated and maintained as Administrative-Only. When held in non-DOL accounts, Administrative-Only assets will not be included in the Account Value when calculating asset-based advisory fee rates. Further following from the DOL Fiduciary Rule, the entire cash balance held in an account shall be included in the calculation of Account Value for purposes of determining fees to be paid by the Client. Previously, cash balances in excess of 20% of the Account Value were excluded for billing purposes.

### **Asset Transfer Authority**

In situations where Clients have signed standing letters of authorization for transfers between Client accounts and third party accounts, our firm or persons associated with our firm may effect such third party transfers with verbal instructions from the Client as to the amount and the date of such transfer. An adviser with authority to conduct such third party asset transfers has access to the Client's assets, and therefore is deemed to have custody of the Client's assets in any account where such a standing letter of authorization exists.

### Item 3 Table Of Contents

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 2
Item 3 Table Of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 7
Item 6 Performance-Based Fees and Side-By-Side Management	Page 14
Item 7 Types of Clients	Page 14
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 14
Item 9 Disciplinary Information	Page 15
Item 10 Other Financial Industry Activities and Affiliations	Page 15
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 16
Item 12 Brokerage Practices	Page 17
Item 13 Review of Accounts	Page 18
Item 14 Client Referrals and Other Compensation	Page 18
Item 15 Custody	Page 19
Item 16 Investment Discretion	Page 19
Item 17 Voting Client Securities	Page 20
Item 18 Financial Information	Page 20
Item 19 Requirements for State-Registered Advisers	Page 20
Item 20 Additional Information	Page 20

## Item 4 Advisory Business

Klingman and Associates, LLC ("K&A" or "Firm"), is an Independent Registered Investment Adviser that was established in 2001 and has been registered with the SEC since 2007. K&A provides investment advisory services primarily to individuals, pension and profit sharing plans, trusts, estates, and charitable organizations/endowments. Individuals associated with K&A will provide its investment advisory services. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on behalf of K&A. Such individuals are known as Investment Adviser Representatives ("IARs").

K&A primarily invests in the following types of securities for Clients:

- Equity securities (exchange listed, over-the-counter, and foreign issuers)
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Investment company securities (variable life insurance, variable annuities, and mutual fund shares)
- U.S. government securities
- Alternative investments

While the above represent K&A's primary securities mix, there may be occasions when it will provide Clients advice on other types of securities.

Advice is tailored to individual Client's needs. Client's needs are identified by the collection of pertinent information through interviews with Clients and financial planning, as applicable. Clients may be able to impose reasonable restrictions on their accounts. Reasonable restrictions may include the designation of particular securities or types of securities that should not be purchased in their account (i.e. Company XYZ or companies involved in a particular industry, etc.), or should be sold if held in their account. However, in some cases, since investment discretion has been delegated to K&A or a third-party manager, K&A or the manager may determine that the implementation of such a restriction may be impractical. In the event such a determination is made, the Client will be notified promptly.

### **ASSET MANAGEMENT SERVICES**

K&A provides continuous advice to a Client regarding investment of Client funds based on the individual needs of the Client. Each client, after reviewing the client's age, income needs, tax bracket, investment experience, risk tolerance and other relevant issues, is assigned to an asset allocation model. K&A will manage advisory accounts on a discretionary and/or non-discretionary basis. Account supervision is guided by the stated objectives of the Client (i.e., capital appreciation, income, growth, or speculation).

In certain situations, we may invest a portion of Client assets in separate accounts managed by unaffiliated third party money managers. We will regularly monitor the performance of such accounts, and may hire and fire any such third party money manager without Client's prior approval. Client would sign additional agreements related to any such account that would include a description of any fees to be paid related to these accounts. K&A would not earn additional fees if Client's monies are invested with unaffiliated third party money managers.

From time to time, advisory Clients may have pre-existing investments that they do not want actively managed by K&A. These Clients may request that K&A incorporate these holdings into the Firm's reporting to facilitate overall planning and investment management services. These assets will not be traded by K&A although they will be incorporated into the advice provided for and reports provided to the Client.

## **RETAINER SERVICES**

Certain Clients of K&A may have significant assets and interests that require ongoing advice outside the scope of traditional advisory services. The complexity of these Clients' circumstances and the nature of their assets require a more intensive and comprehensive solution to their financial planning needs.

To address the needs of these Clients, K&A:

1. assesses the financial opportunities, obligations, and challenges faced by each Client;
2. educates the Client about their financial situation, goals and concerns;
3. coordinates action by the Client and appropriate professionals (e.g., portfolio managers, attorneys, accountants, bankers, insurance agents, brokers, bookkeepers) to address these goals and concerns.

The first phase of K&A's work is to have an in-depth personal interview with the Client to help us understand the Client's personal life ambitions and how those ambitions may be impacted by the Client's past, current and future financial situation. Information gathered includes a Client's current financial status, future goals, and attitudes towards risk. This allows K&A to help the Client develop financial strategies that are carefully aligned with the Client's vision of personal success. K&A then gathers, organizes, and evaluates data information about the Client's past, current and anticipated financial situation, including information about personal and family investment experience, business/career, spending and saving, taxes, estate plans, insurance, debt, special needs, etc.

K&A regularly meets with the Client to review investment performance and other areas specified during the assessment and planning phase. K&A will also evaluate how the Client's life and financial situation have changed to determine whether K&A can recommend new tools or strategies to manage the Client's current and future financial situation.

K&A also assists in the establishment of custodial accounts and investment management relationships not provided by K&A, review and monitoring of investments relative to the Client's overall investment strategy and appropriate benchmarks, and the effect of those accounts on a Client's overall financial situation.

Though K&A will support and coordinate action by the Client regarding these concerns, implementation of the appropriate financial strategies depends upon the Client taking action and is entirely at the Client's discretion. Recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company.

The Client may terminate the retainer agreement within five business days after the date when all parties have signed the agreement without penalty. After this five-day period, either party may terminate the agreement upon written notice to the other. The retainer fee will be pro-rated for the period in which the cancellation notice was given. As fees are payable in arrears, refunds are not applicable.

## FINANCIAL PLANNING AND CONSULTING SERVICES

From time-to-time, K&A may provide advice in the form of a Financial Plan. Clients purchasing this service will receive a written report, providing the Client with a detailed financial plan designed to achieve his or her stated financial goals and objectives.

K&A gathers required information through in-depth personal interviews. Information gathered includes a Client's current financial status, future goals, and attitudes towards risk. Related documents supplied by the Client are carefully reviewed, including a questionnaire completed by the Client, and a written report is prepared. Should a Client choose to implement the recommendations contained in the plan, K&A suggests the Client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the Client's discretion.

Should a Client choose to implement the recommendations contained in the financial plan, the affiliated persons of K&A generally make recommendations with respect to products and services offered by Raymond James Financial Services, Inc. ("RJFS"), a securities broker-dealer, and a member of FINRA and the Securities Investor Protection Corporation and its affiliates. However, the decision to implement any recommendation rests exclusively with the Client, and the Client has no obligation to implement any such recommendations.

K&A also provides specific consultation and administrative services regarding investment and financial concerns of the Client. Additionally, K&A provides advice on non-securities matters such as retirement planning, estate planning, education planning and insurance advice.

Consulting services are terminated upon completion of the consulting session. The Client may terminate a Financial Planning Agreement within five business days after the date when all parties have signed the agreement without penalty. After this five-day period, either party may terminate the agreement upon written notice to the other. Client may incur a pro rata charge for bona fide financial planning and/or consulting services rendered prior to such termination.

As of December 31, 2017, K&A had the following in assets under management:

Discretionary	Assets: \$1,386,872,840
Non-Discretionary	Assets: \$ 403,317,477
Total	Assets: \$1,790,190,317

## Privacy Policies

Protecting its customers' private information is paramount for K&A. As such, the Firm has instituted policies and procedures to ensure that customer information is kept private and secure. K&A does not disclose any nonpublic personal information about its customers or former customers to any nonaffiliated third parties except as required by or permitted by law. In the course of servicing a Client's account, K&A may share some non-public personal information with its service providers, such as transfer agents, custodians, broker/dealers, technology providers, accountants, and attorneys. K&A restricts internal access to nonpublic personal information about the Client to those employees who need access to such information in order to provide products or services to that Client. K&A also maintains physical, electronic, and procedural safeguards to protect its Clients' information.

A copy of the Firm's privacy policy notice will be provided to each Client prior to, or contemporaneously with, the execution of the advisory agreement. Thereafter, K&A will deliver a copy of the current privacy policy notice to its Clients annually.

## Item 5 Fees and Compensation

### **PASSPORT Account**

The advisory fees for PASSPORT Accounts are as follows:

<b><u>Account Value</u></b>	<b><u>Annual Fee*</u></b>
First \$200,000	1.50%
Next \$300,000	1.25%
Next \$500,000	1.00%
Next \$4,000,000	0.80%
Next \$5,000,000	0.60%
Next \$15,000,000	0.40%
Greater than \$25,000,000	0.25%

\*The fees may be negotiable. The maximum fee shall be 1.00%.

This same fee schedule shall be used for advisory accounts held at other custodians for a given Client unless a lower fee is specified otherwise. The fee schedule in place at the time a given Client begins working with K&A may differ from those in place and in effect when other Clients begin working with K&A.

For purposes of calculating and assessing asset-based fees, we use the term "Account Value", which may be different than the asset value as reported on brokerage statements provided by RJFS/the account custodian. Pursuant to our advisory agreement, Account Value is defined as the total absolute value of the securities in the Account, long or short, plus all credit balances, with no offset for any margin or debit balances.

The annual asset-based fee is paid quarterly in advance. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value as of the last business day of the previous calendar quarter, and becomes due the following business day. If cash or securities, or a combination thereof, accounting to at least \$100,000, are deposited to or withdrawn from your account on an individual business day in the first two months of the quarter, the Client will: (i) be assessed asset-based fees based on the value of the assets on the date of deposit for the pro rata number of days remaining in the quarter, or (ii) refunded prepaid asset-based fees based on the value of the assets on the date of withdrawal for the pro rata number of days remaining in the quarter. No additional asset-based fees or adjustments to previously assessed asset-based fees will be made in connection with deposits or withdrawals that occur during the last month of the quarter unless requested by you.

Your agreement with the custodian of your account(s) will authorize and direct the custodian to deduct asset-based fees from your account and will further authorize and direct the custodian to send a quarterly statement to you which shows all amounts disbursed from your account, including advisor fees paid. From time-to-time, the Firm may charge the Client fees for advising on assets of non-PASSPORT accounts which may be deducted from your account. The Client must agree to such practice in writing in advance.

The asset-based fees associated with a PASSPORT account include all execution and clearing charges except: (1) a Processing Fee charged by Raymond James that varies based on the type of security that is being transacted, (2) certain dealer-markups and odd lot differentials, transfer taxes,



exchange fees mandated by the Securities and Exchange Act of 1934 and any other charges imposed by law with regard to any transactions in the account; and (3) offering concessions and related fees for purchases of public offerings of securities as more fully disclosed in the prospectus.

You may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities. Accounts held at other custodians may be subject to similar order processing, account handling and dealer markup charges.

The Client Agreement may be terminated by you or us at any time upon providing notice pursuant to the provisions of your Client Agreement. In the event of termination of your Client Agreement, we will refund to you the prorated portion of the fee for the quarter of termination. There is no penalty for terminating your account.

## **OTHER COMPENSATION CONSIDERATIONS**

### **Administrative-Only Assets**

Certain securities may be held in a PASSPORT account and designated "Administrative-Only" assets. For example, we may make an arrangement with you to hold a security that we did not recommend or you wish to hold for an extended period of time and do not wish for us to sell for the foreseeable future. In such cases we may elect to waive the advisory fee on this security, but allow it to be held in the advisory account. Alternatively, we may determine that certain securities may be held in an advisory account but are not eligible for the advisory fee (such as mutual funds purchased with a front-end sales charge through Raymond James within the last two years). Due to Department of Labor ("DOL") regulations, securities in DOL-impacted retirement accounts (such as IRAs and employer-sponsored retirement plans) cannot be designated and maintained as Administrative-Only.

Administrative-Only assets will not be assessed an advisory fee or included in the Account Value when calculating asset-based advisory fee rates. For example, a client whose Account Value is \$550,000 and is comprised of \$50,000 of Administrative-Only assets will have the asset-based fee rate based on a \$500,000 Account Value.

### **Asset-Based Fee Aggregation**

Participants in the PASSPORT program may be entitled to a discounted asset-based fee if they maintain one or more related accounts within the program. Certain advisory accounts maintained at other custodians may also be entitled to such discounted fees.

"Related Accounts" are accounts of an individual, his or her spouse, and their children under the age of twenty-one. The term includes individually owned accounts, individual retirement accounts (IRAs), self-directed accounts (i.e., directed by individual participants) under an employee benefit plan (ERISA plan) and ERISA plan accounts in which an individual is the sole participant. Thus, Related Accounts participating in the PASSPORT program may be aggregated for advisory fee purposes, so that each account will pay a fee that is calculated on the basis of the total of all Related Accounts. Certain advisory accounts maintained at other custodians may also be included for purposes of calculating advisory fees. It is your responsibility to identify all Related Accounts for purposes of qualifying for an aggregated account fee discount. While we may attempt to identify related accounts, we will not be held responsible for failing to consider any related accounts not listed by you.



## **Billing on Cash Balances**

Advisory fees are assessed on cash sweep balances ("cash") held in advisory accounts. Billing cash balances, particularly when the cash balance is maintained for an extended period of time or comprises a significant portion of the Account Value, may create a financial incentive for a financial advisor to recommend maintenance of this cash versus investing in an otherwise advisory fee-eligible security. Since the advisory fee may be higher than the interest a client will earn on this cash balance through their sweep account, the client might achieve a negative return on this portion of their account, although such cash balances will not be subject to market risk (that is, risk of loss) associated with securities investments. As a result, clients should periodically re-evaluate whether their maintenance of a cash balance is appropriate in light of their financial situation and investment goals, and should understand that this cash may be held outside of their advisory account and not subject to advisory fees.

## **Additional Expenses Not Included in the Asset-Based Advisory Fee**

You may also incur charges for other account services provided by the custodian not directly related to the advisory, execution, and clearing services provided including, but not limited to, IRA custodial fees, safekeeping fees, charges/interest for maintenance of margin and/or short positions, and fees for legal or courtesy transfers of securities. For a complete list of account service charges charged by Raymond James, visit the public website: [http://www.raymondjames.com/services\\_and\\_charges.htm](http://www.raymondjames.com/services_and_charges.htm).

Certain open-end mutual funds that may be acquired by you, may, in addition to assessing management fees, internally assess a distribution fee pursuant to section 12(b)-1 of the Investment Company Act of 1940, or an administrative or service fee ("trail"). Such fees are included in the calculation of operating expenses of a mutual fund and are disclosed in the fund prospectus. In the event that the Firm or any of its registered representatives receives this fee, either (i) such fee will be rebated against any advisory fee received by the Firm from such account or (ii) no advisory fee will be received for such account. The existence of a 12(b)-1 fee is disclosed in the mutual fund prospectus.

You should understand that the annual advisory fees charged in the PASSPORT programs and/or in accounts held at other custodians are in addition to the management fees and operating expenses charged by open-end, closed-end and exchange-traded funds. To the extent that you intend to hold fund shares for an extended period of time, it may be more economical for you to purchase fund shares outside of these programs. You may be able to purchase mutual funds directly from their respective fund families without incurring an advisory fee. When purchasing directly from fund families, you may incur a front or back-end sales charge.

You should also understand that the shares of certain mutual funds offered in these accounts may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions generally made within short periods of time. These short-term charges are imposed by the funds to deter "market timers" who trade actively in fund shares. You should consider these short-term trading charges when selecting the program and/or mutual funds in which they invest. These charges, as well as operating expenses and management fees, may increase the overall cost to you by 1%-2% (or more). More information is available in each fund's prospectus.

You should be aware that exchange traded funds ("ETFs") incur a separate management fee, typically 0.20%-0.40% of the fund's assets annually (although individual ETFs may have higher or lower expense ratios), which is assessed by the fund directly. This management fee is in addition to the ongoing advisory fee assessed us. Certain ETFs may be classified as partnerships for U.S. federal income tax purposes, which may result in unique tax treatment, including Schedule K-1 reporting. Additional information is also available in the ETF prospectus, which is available upon

request.

Alternative Investments refers to securities products that serve as alternatives to more traditional asset classes and may include investment products such as hedge funds, private equity funds, private real estate funds and structured products. It is important for you to work with our Company to evaluate how a particular alternative investment and its features fit your individual needs and objectives. An important component of the selection process includes carefully reading the accompanying offering documents and/or prospectus prior to making a purchase decision. The offering documents contain important information that will help you make an informed choice.

As part of the review process, you should consider the fees and expenses associated with a particular alternative investment, along with the fact that advisory representatives that are also registered representatives of RJFS may receive compensation related to any such purchase. It is important to note that the fees and expenses related to alternative investments are often higher than those of more traditional investments. We will answer any questions regarding the applicable fees and expenses and the initial and ongoing compensation.

While each investment will differ in terms of both total fees and expenses and how those fees and expenses are calculated, the following section will discuss the primary categories of fees and expenses that are common to many alternative investments and the different ways that our Company and advisory representatives that are also registered representatives of RJFS may be compensated.

Alternative investments often have limited liquidity, intermittent pricing and values based on appraisal based pricing versus market-based pricing. Additionally, if an alternative investment is reflected on your statement, the value reflected is often an estimate subject to revision by the investment manager. One or a combination of these issues impact the value on which you are charged when your investment is eligible for asset-based advisory fees. We may receive compensation on Clients' investments in alternative investments, most typically based on the amount of committed capital and based on the duration of time for which a given fund will be open and invested. In cases where an advisor is permitted to charge an upfront commission or sales load, K&A typically declines to charge and/or receive any upfront commission or sales load.

You should also understand that certain no-load variable annuities may be offered in the PASSPORT programs and/or advisory accounts held at other custodians may be charged an advisory fee. The annual advisory fees charged for these no-load variable annuities are in addition to the management fees and operating expenses charged by the insurance companies offering these products.

You should understand that certificates of deposit ("CD"s) from Raymond James Bank may be purchased with a commission, in the PASSPORT program. These CDs are considered non-billable assets for one year. This may present a conflict of interest because certain of our associated persons are dually registered as a registered representative with RJFS and Raymond James Bank is a wholly owned subsidiary of Raymond James.

You should also understand that more sophisticated investment strategies such as short sells and margins may be offered in the PASSPORT programs and/or advisory accounts held at other custodians. Fees for advice and execution on these securities are based on the total asset value of the account. While a negative amount may show on your statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result

in interest charges in addition to all other fees and expenses associated with the security involved. In the cases where margin debit interest is charged to your account, advisory representatives that are also registered representatives of RJFS may receive a portion of the interest charged as a Controlled Asset Fee, presenting a potential conflict of interest.

Your total cost of each of the services provided through these programs, if purchased separately, could be more or less than the costs of each respective program. Cost factors may include your ability to:

- obtain the services provided within the programs separately with respect to the selection of mutual funds,
- invest and rebalance the selected mutual funds without the payment of a sales charge, and
- obtain performance reporting comparable to those provided within each program.

When making cost comparisons, you should be aware that the combination of multiple mutual fund investments, advisory services, and custodial and brokerage services available through each program may not be available separately or may require multiple accounts, documentation and fees. If an account is actively traded or you otherwise may not qualify for reduced sales charges for fund purchases, the fees may be less expensive than separately paying the sales charges and advisory fees. If an account is not actively traded or you otherwise would qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which you may obtain upon request.

The mutual funds and ETFs available in the programs often may be purchased directly. Therefore, you could avoid the second layer of fees by not using the investment advisory account and making your own decisions regarding the investment.

You should be aware that only those mutual fund companies which RJFS/the account custodian has a selling agreement with will be available for purchase within the PASSPORT program/advisory account, and are generally limited to those fund companies that provide RJFS/the account custodian and its affiliates marketing service and support fees. As a result, not all mutual funds available to the investing public will be available for investment. However, by way of example, RJFS has selling agreements with over 300 fund companies, offering over 9,000 separate mutual funds for potential investment.

If you are considering transferring mutual fund shares to or from RJFS/the account custodian you should be aware that if the firm from or to which the shares are to be transferred does not have a selling agreement with the fund company, you must either redeem the shares (paying any applicable contingent deferred sales charge and potentially incurring a tax liability) or continue to maintain an investment account at the firm where the fund shares are currently being held. You should inquire as to the transferability, or "portability", of mutual fund shares prior to initiating such a transfer.

Mutual fund companies may also pay Raymond James/the account custodian fees to provide shareholder liaison services to you. These shareholder services may include responding to your inquiries and providing information on your investments. Raymond James/the account custodian may receive these shareholder services fees in amounts not to exceed 0.25% annually of the assets invested in a particular mutual fund.

## **Buying Securities on Margin and Margin Interest**

When clients purchase securities they may either pay for the securities in full or borrow part of the purchase price from Raymond James/the account custodian. Clients that choose to borrow funds for purchases must open a margin account with Raymond James/the account custodian, upon approval based on the Firm's analysis of, among others things, the client's creditworthiness and the suitability of margin use by the client. The securities purchased on margin are the Firm's collateral for the margin loan. If the securities in the client's account decline in value, so does the value of the collateral supporting the margin loan, and as a result, Raymond James/the account custodian may take action, such as issue a margin call and/or sell securities in the account, in order to maintain the required equity.

It is important that clients fully understand the risks involved in trading securities on margin (including selling short). Upon approval, where applicable, clients will receive a Truth In Lending Statement from Raymond James/the account custodian disclosing such risks, as well explaining the details and other conditions of the margin account. With respect to short sales, the client will be assessed asset-based advisory fees based on the value of the security sold short, but not on the proceeds received upon initiation of the short sale.

As a result of the foregoing, the client's financial advisor and Raymond James/the account custodian may have a financial incentive to recommend the acquisition of securities on margin or otherwise have margin credit extended (including selling short). In the event of such margin credit extension, the costs incurred by the client, as well as the compensation received by the client's financial advisor and Raymond James/the account custodian, will generally increase as the size of the outstanding margin balance increases. Please refer to the "Client Referrals and Other Compensation Arrangements" section for information regarding additional compensation received by Raymond James in connection with margin interest and short sales in accounts held at Raymond James.

Clients that purchase securities on margin should understand: 1) the use of borrowed money will result in greater gains or losses than otherwise would be the case without the use of margin, and 2) there will be no benefit from using margin if the performance of their account does not exceed the interest expense being charged on the margin balance plus the additional advisory fees assessed on the securities purchased using margin.

The Firm believes the charges and fees offered within each fee-based program are competitive with alternative programs available through other firms and/or investment sources, yet makes no guarantee that the aggregate cost of a particular program is lower than that, which may be available elsewhere.

Clients that terminate the advisory agreement(s) within the first five (5) business days of entering into the advisory agreement will have any advisory fees that were charged refunded back to them.

All above quoted fees may be negotiated within the stated fee schedule; however, certain circumstances may dictate an exception from the set range.

Advice offered by K&A may involve investments in mutual funds. Clients are hereby advised that all fees paid to K&A for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds (as described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. Further, there may be transaction charges involved when purchasing or selling securities. K&A does not share in any portion of the brokerage fees/transaction charges imposed by the custodian holding the Client's funds or securities. In addition to K&A's advisory fees, Clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction

charges imposed by a broker dealer with which an independent investment manager effects transactions for the Client's accounts. The Client should review all fees charged by K&A, mutual funds, brokers and custodians to fully understand the total amount of fees to be paid by the Client.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our Firm may also be registered representatives with RJFS. In their capacity as registered representatives, these persons may receive normal and customary commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacity as a registered representative is separate and in addition to our advisory fees. Thus a conflict of interest could exist between your interest and the interest of someone associated with the Firm. Clients are under no obligation to implement investments through individuals associated with our Firm or RJFS. Commissions may be higher or lower at RJFS than other broker/dealers.

Individuals associated with our Firm may be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. The insurance products sold are transacted with a variety of insurance companies on a commission basis. You are under no obligation to purchase or apply for insurance or to use individuals associated with our Firm for insurance product purchases. If you decide to purchase or apply for insurance, or use individuals associated with our Firm as the broker for insurance products, a conflict may exist between your interest and that of such associated person.

### **RETAINER SERVICES**

K&A charges Clients a fixed fee for this service, typically ranging from \$5,000 to \$100,000, as agreed upon with the Client based on the work provided. Clients will typically be billed semi-annually either in advance or in arrears. If the overall scope of the relationship changes, the client and K&A may mutually agree to adjust the amount to be paid.

The Client may terminate the retainer agreement within five business days after the date when all parties have signed the agreement without penalty. After this five-day period, either party may terminate the agreement upon written notice to the other. The retainer fee will be pro-rated for the period in which the cancellation notice was given. In the event that the Client is billed in advance, K&A will refund the pro-rata portion of the fee related to the period after the date of cancellation.

### **FINANCIAL PLANNING AND CONSULTING SERVICES**

Financial planning Clients will be charged a fixed fee, typically ranging from \$2,000 to \$10,000, for this service. Consulting service clients will be charged either a fixed or asset-based fee depending on the client situation. The exact fee is determined on a case-by-case basis, and is dependent on the nature and complexity of each Client's circumstances, as well as the individual conducting the work. All fees are mutually agreed upon prior to entering into an agreement with any Client.

All financial planning fees are due upon completion and delivery of the plan to the Client. Consulting service fees are typically paid quarterly although the time period may vary based on the nature of the relationship and may be due in advance or in arrears. The Client may terminate a financial planning or consulting services agreement within five business days after the date when all parties have signed the agreement without penalty. After this five-day period, either party may terminate the agreement upon written notice to the other. Client may incur a pro rata charge for bona fide financial planning and/or consulting services rendered prior to such termination.



### **General Information Regarding Advisory Services and Fees**

The fees charged are calculated as described above, and are not charged based on the basis of a share of capital gains upon, or capital appreciation of, the funds, or any portion of the funds of an advisory Client (15 U.S.C. §80b-5(a)(1)).

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

K&A does not have performance-based fees or utilize side-by-side management. The only fees charged to the Client are noted in *Item 5 Fees and Compensation*.

## **Item 7 Types of Clients**

K&A provides investment advisory services primarily to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and other types of corporations.

A minimum of \$2,000,000 of assets under management per relationship is typically required for K&A's Advisory Services, although this minimum account size may be negotiable under certain circumstances. For the purposes of achieving the minimum account size and determining the annualized fee, K&A may take into consideration any/all Related Accounts of a Client.

Raymond James currently has a \$10,000 account minimum to open a PASSPORT account.

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

### Methods of Analysis

K&A typically uses Fundamental and Cyclical methods of analysis in its portfolios.

Fundamental analysis deals with the examination of all the material factors of the security, the company, industry in which the company operates, and the economy while cyclical analysis deal with the examination of the supply and demand of the securities as evidenced by market activity. The potential risks of using fundamental analysis are that the IAR is utilizing historical information, which may not predict the future outcome of a security. The potential risks of using cyclical analysis are the quality of the information being utilized to support the analysis and no expectation of a change to a cycle.

K&A does not represent, warrant, or imply that the services or methods of analysis employed by the Firm can or will predict future results, successfully identify market tops or bottoms, or insulate Clients from losses due to market corrections or declines.

### Sources of Information

K&A obtains research from several sources including Morningstar, Thompson Reuters, Dow Jones, Standard & Poor's, Municipal Market Advisors, and Raymond James, among others. The type of information the Firm receives includes:

- Financial newspapers and magazines
- Research materials prepared by others
- Corporate rating services
- Annual reports, prospectuses, filings with the Securities Exchange Commission, and
- Company press releases

### K&A Investment Models

K&A, as part of its investment management process, has six asset allocation Models. These Models are strategic asset allocation models that are based on a Client's risk tolerance level. These models are titled (in ascending order of risk tolerance) as Income, Conservative, Moderate, Balanced, Growth and Aggressive Growth. In addition, based on K&A's Capital Markets Outlook which is produced quarterly, there is a tactical overlay to these asset allocation models. Each Client, after reviewing the Client's age, income needs, tax bracket, investment experience, risk tolerance and other relevant issues, is assigned to an asset allocation model.

### K&A Investment Committee

The K&A Investment Committee is comprised of the Firm's Wealth Advisors, Financial Planning Associates, and its Senior Investment Analyst. This committee typically meets on no less than a monthly basis and determines which mutual funds, exchange traded funds and other securities will be on K&A's Recommended Managers list. From this list, IARs can populate the asset classes in a client's portfolio. These managers and funds are reviewed on an ongoing basis. In the event that a given security is moved from the Firm's Recommended list to its Monitored list, existing positions would be maintained in a Client's account but would not be added to. If a security is removed from the Monitored list, the position would be sold in a Client's account. In certain situations, a manager may be removed entirely from the Recommended list without first being placed on the Monitored list.

### Investment Strategies

K&A primarily uses long term purchases as an investment strategy. However, in isolated cases a short term purchase or margin transaction strategy may be used. Clients investing in securities should be aware of the risks involved. Each investment strategy may entail unique risks including the possibility of incurring a loss. In a long term investment strategy, returns may be adversely affected by market downturns or inflation. A short term investment strategy is susceptible to current market volatility. Margin transactions could be subject to maintenance margin requirements, and margin loans must be repaid regardless of the underlying value of the securities purchased.

K&A primarily invests in the following types of securities for Clients:

- Equity securities (exchange listed, over-the-counter, and foreign issuers)
- Corporate debt securities (other than commercial paper)
- Municipal securities
- Investment company securities (variable life insurance, variable annuities, and mutual fund shares)
- U.S. government securities
- Options contracts on securities

## **Item 9 Disciplinary Information**

K&A and its IARs have no disciplinary history.

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

### Securities Brokerage

Gerard Klingman and other associated persons of K&A are separately licensed as registered representatives of RJFS, a Financial Industry Regulatory Authority ("FINRA") member broker/dealer. As such, these individuals, in their separate capacities as registered representatives, will effect securities transactions, and may receive separate, yet customary compensation for effecting such transactions, including 12b-1 fees for the sale of investment company products in their capacities as



registered representatives of RJFS. Other fees may be charged for services provided by RJFS. IARs may make differing recommendations with respect to the same securities to different advisory Clients. All recommendations made by IARs are specific to each Client's individual needs and current financial situation.

#### Insurance Agent or Broker

Gerard Klingman and other associated persons of K&A may have insurance company affiliations for which they may receive commissions.

While these individuals endeavor at all times to put the interest of the Clients first as part of K&A'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.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

The Firm has adopted a Code of Ethics, the full text of which is available to Clients and prospective Clients upon request. The Firm has several goals in adopting this Code. The Firm desires to comply with all applicable laws and regulations governing its practice, and the management of the Firm has determined to set forth guidelines for professional standards under which all associated persons of the Firm are to conduct themselves.

The Firm has set high standards, the intention of which is to protect Client interests at all times and to demonstrate its commitment to its fiduciary duties of honesty, good faith, and fair dealing with Clients. All associated persons are expected to adhere strictly to these guidelines, as well as to the procedures for approval and reporting established in the Code of Ethics primarily related to personal securities transactions, and violations of the Code. In addition, the Firm maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Firm or any person associated with the Firm.

Our firm or persons associated with our firm may buy or sell securities that are recommended to its Clients or securities in which its Clients are invested. We do not combine our personal orders to purchase securities with Clients' orders to purchase securities ("block trading"). Refer to the *Brokerage Practices* section in this brochure for information on our block trading practices.

A conflict of interest could exist because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

The foregoing does not apply to certain types of securities, such as obligations of the U.S. Government and shares in open-end mutual funds. Open-end mutual funds are purchased or redeemed at a fixed net asset value price per share specific to the date of purchase or redemption. As such, transactions in mutual funds by advisory representatives are not likely to have an impact on the prices of the fund shares in which Clients invest.

## Item 12 Brokerage Practices

The Firm typically uses Raymond James & Associates, Member NYSE/SIPC ("RJA") as its custodian. IARs of our firm are also registered representatives of RJFS and will recommend RJFS to advisory Clients for plan implementation and brokerage services. These individuals are subject to FINRA Conduct Rule 3280 that restrict them from conducting securities transactions away from RJFS, unless an exception has been granted by RJFS. Therefore, Clients are advised that such IARs are limited to conducting securities transactions through RJFS unless such an exception has been granted. Implementation of services through such individuals may present a conflict of interest to the extent that associated persons of K&A would receive normal and customary commissions as registered representatives of RJFS or licensed insurance agents resulting from any securities or insurance transactions. It may be the case that RJFS charges a higher fee than another broker charges for a particular type of service, such as transaction fees. Clients may utilize the broker dealer of their choice and have no obligation to purchase or sell securities through RJFS.

The custodian may have their own fee and cost schedules they are entitled to as a custodian of the account. These fees and costs are completely independent of the Firm, and K&A does not receive any portion of these collected costs. Please see *Item 5 Fees and Compensation* for these costs.

RJA/the account custodian is obligated to seek best execution for all trades; however, better executions may be available via another broker/dealer based on a number of factors including volume, order flow, and market making activity. By executing transactions with the selected custodian, it is not guaranteed that a Client will receive the most favorable execution of their trades, which in turn may cost Clients more money.

The accuracy, timeliness and execution of trades processed through RJFS/the account custodian is consistently reviewed. K&A selected RJFS as its primary custodian for Client account custody and trade processing due to accessibility, electronic trading, efficient and professional service, technical support, and timely reporting to Clients. In addition, Client funds are fully covered through the excess SIPC coverage maintained by RJFS. RJFS typically prohibits K&A from utilizing any other broker-dealer for Client custody or securities trading although from time-to-time the Firm is granted approval to manage Client accounts at other broker-dealers. K&A periodically assesses the quality and value of the services offered by broker-dealers other than RJFS to assure that RJFS service and cost is fair and reasonable.

K&A IARs and related persons may receive research information through its broker-dealer affiliation on securities, market, and economic conditions. Raymond James does not impose surcharges on Clients for research. However, Raymond James does seek to do investment banking and other business with some companies covered by its research. Raymond James complies with all securities laws and regulations to manage these potential conflicts of interest. Additionally, Raymond James does not require that K&A IARs or related persons recommend any securities to Clients. However, the Firm also uses other sources of research as noted in *Item 8 Methods of Analysis, Investment Strategies and Risk of Loss*.

Clients should be aware that best execution and lower commissions may not necessarily be achieved if recommended transactions are placed through associated persons of our Firm in their separate capacity as a registered representative and/or insurance agent/broker.

K&A will block trades where possible and when advantageous to Clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple Clients' accounts so long as transaction costs are shared equally and on a pro-rated basis between all

accounts included in any such block. Block trading allows K&A to execute equity trades in a timelier, equitable manner and to reduce overall commission charges to Clients. Accounts owned by our firm or persons associated with our firm do not participate in block trading with your accounts.

We may combine multiple orders for shares of the same securities purchased for discretionary accounts; however, we do not combine orders for non-discretionary accounts. Accordingly, non-discretionary accounts may be bought or sold at different times than aggregated orders; therefore, such transactions may be executed at different prices and/or incur different execution costs. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

K&A does not have any soft dollar arrangements.

### **Item 13 Review of Accounts**

The underlying securities within Client accounts are continuously monitored by the member(s) of K&A that are responsible for management of the account. Either one of the Firm's Wealth Advisors or its Senior Investment Analyst or a combination thereof may be responsible for the monitoring and management of an account.

More frequent reviews may be triggered by material changes in variables such as the Client's individual circumstances, or the market, political or economic environment. K&A's Chief Compliance Officer will also conduct periodic reviews of Client accounts.

Retainer, Financial Planning and Consulting Client accounts will be reviewed as contracted for at the inception of the advisory relationship.

In addition to the periodic statements and confirmations of transactions that advisory Clients receive from their broker dealer, K&A will provide these and Retainer Clients with semi-annual reports that consist of a breakdown of the portfolio by asset class and a market commentary.

Financial Planning Clients will receive no regular reports from K&A. Consulting Clients may receive periodic reports based on the nature of the services described in their specific client agreement.

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

K&A does not pay for or receive compensation for Client referrals. The Firm has no other types of compensation other than what is already noted in this brochure.

In addition to the fee based compensation we receive for providing advisory services, IARs of our firm that are also registered representative with RJFS may earn commissions for transactional business in accordance with RJFS' published commission schedule. At the conclusion of each year, qualifying advisers are awarded membership in RJFS' recognition clubs which may provide for travel expenses and fees for attendance at industry conferences on behalf of the Firm. Qualification for the recognition clubs is based upon a combination of the annual production (both advisory and transactions), total client assets under administration with RJFS, and the professional certifications acquired through educational programs. Refer to the Fees and Compensation section above for additional disclosures on this topic.

## Item 15 Custody

K&A is deemed to have custody of Client's assets as defined by SEC Rule 206(4)-2, because there are certain instances in which Gerard Klingman is a trustee or executor on Clients' account or in which the Firm holds login credentials that might provide the ability for Firm personnel to transfer monies to third parties not related to the client owning such account. All Clients will receive an account statement from the Custodian. Clients are urged to carefully compare the account statements they receive from the qualified custodian with those they receive from the Firm.

### Asset Transfer Authority

In situations where Clients have signed standing letters of authorization for transfers between Client accounts and third party accounts, our firm or persons associated with our firm may effect such third party transfers with verbal instructions from the Client as to the amount and the date of such transfer. An adviser with authority to conduct such third party asset transfers has access to the Client's assets, and therefore is deemed to have custody of the Client's assets in any account where such a standing letter of authorization exists.

## Item 16 Investment Discretion

Generally, Clients grant K&A discretion over the selection and amount of securities to be purchased or sold without obtaining their prior consent or approval. However, the Firm's investment authority may be subject to specified investment objectives, guidelines and/or conditions imposed by the Client.

For example, a Client may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio, restrictions or prohibitions of transactions in the securities of a specific industry, and/or directed brokerage. Clients may amend these limitations as required. Such amendments must be submitted in writing.

Discretion is typically granted via an investment advisory agreement which is executed by the Client. As owner of the securities in their account(s), Clients, even if discretion has been granted, also have the right to:

1. Withdraw securities or cash from their account(s), provided they maintain the minimum account balance, as appropriate, based on their particular account type;
2. Vote securities, or delegate the authority to vote securities to another person (i.e. proxies, tender offers, etc.);
3. Be provided written confirmation, in a timely manner, of securities transactions placed for their account; and
4. Proceed directly against any issuer (i.e. class action participation) and not be obligated to join other parties as a condition precedent to initiating such a proceeding.

Where K&A enters into non-discretionary arrangements with Clients, the Firm will obtain Client approval prior to placing any order on behalf of a Client account.

## Item 17 Voting Client Securities

K&A will not vote proxies with respect to the issuers of securities held in Client accounts. K&A personnel may answer client questions regarding proxy-voting matters in an effort to assist the client in determining how to vote the proxy. However, the final decision of how to vote the proxy rests with the client. Additionally, K&A will not take any action or render any advice with respect to any securities held in Client accounts that are named in or are subject to class action lawsuits. Where the Firm receives written or electronic proxy material/information, or notice of a class action lawsuit, settlement, or verdict affecting securities owned by a Client, it will forward all notices, proof of claim forms, and other materials to the Client.

## Item 18 Financial Information

K&A does not solicit payments of \$1,200 or more per Client more than six (6) months in advance for services. The Firm has not been subject to bankruptcy and knows of no reason that its financial condition would be impaired in meeting its contractual obligations to Clients.

## Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### IRA Rollover Considerations

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your current or former employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in Item 5 and as specified in a client agreement with you. This practice presents a conflict of interest because we have a financial incentive to recommend a rollover to you. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.

3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax advisor. If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your investment needs as fully as those available in an IRA rollover account.
2. Your current plan may have lower costs than you would incur after rolling your assets into an IRA account factoring in items such as our advisory fee and the available mutual fund share classes and their associated investment manager expenses.
3. Your current plan may offer different products and/or services including financial advice.
4. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
5. Your 401k may offer more liability protection than a rollover IRA. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors. Laws in each state may vary.
6. You may be able to take out a loan on your 401k, but not from an IRA.
7. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
8. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you prior to proceeding.