

# **Klingman and Associates, LLC**

**1133 Avenue of the Americas  
Suite 3110  
New York, NY 10036**

**Telephone: 212-867-7647  
Fax: 212-752-2150**

**[www.klingmanandassociates.com](http://www.klingmanandassociates.com)**

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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 25, 2013, we amended disclosure language at *Item 4 Advisory Business* and *Item 5 Fees and Compensation* regarding the PASSPORT Program, an investment advisory program offered by Raymond James Financial Services, Inc. ("RJFS") and administered by Raymond James & Associates, Inc. ("RJA"). These amendments were comprehensive in nature and include an update to the overall PASSPORT Program language. The updates include, for example, the program fee schedule, details on processing fees related to transactions in the account, details on cash reserves and billing on cash balances in client accounts, revenue sharing between RJFS and/or RJA, and/or its affiliates and fund companies, and other related expenses linked to a client's participation in the PASSPORT Program.

Additionally, Anya Shelekhin is no longer associated with our firm. Her position on our investment committee has been filled by Thomas Klingman.

If you have questions or would like a copy of our current disclosure brochure free of charge at anytime, please contact us at 1133 Avenue of the Americas, Suite 3110, New York, NY 10036 or 212-867-7647.

## 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 19
Item 7 Types of Clients	Page 19
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 20
Item 9 Disciplinary Information	Page 21
Item 10 Other Financial Industry Activities and Affiliations	Page 21
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 22
Item 12 Brokerage Practices	Page 22
Item 13 Review of Accounts	Page 23
Item 14 Client Referrals and Other Compensation	Page 24
Item 15 Custody	Page 24
Item 16 Investment Discretion	Page 24
Item 17 Voting Client Securities	Page 25
Item 18 Financial Information	Page 25

## Item 4 Advisory Business

Klingman and Associates, LLC ("K&A" or "Firm"), owned by Gerard Klingman is an Independent Registered Investment Adviser, 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, charitable organizations, and other types of corporations. 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
- Options contracts on securities

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 a 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). These services are offered as part of the PASSPORT Program ("PASSPORT") sponsored by Raymond James & Associates ("RJA"), a broker dealer affiliated through ownership and control with Raymond James Financial Services ("RJFS"), a full-service licensed broker dealer, with whom K&A's Managing Member and other associated persons are registered as broker dealer representatives.

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 a single account to facilitate future management and reporting. K&A will initially consolidate these unsupervised assets into a single account within the Client's existing portfolio. These assets will not be actively managed by K&A although they will be incorporated into the Client's semi-annual summary reports prepared by K&A.

**PASSPORT Account**

Our Company offers the PASSPORT Account ("PASSPORT"), an investment advisory account, administered by RJA, on a discretionary or non-discretionary basis. You will be provided with ongoing investment advice and monitoring of your securities holdings. PASSPORT offers you the ability to pay an asset based advisory fee and a nominal processing fee (also described as a transaction charge) in lieu of commissions for each transaction. RJFS receives a portion of the fee.

**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. 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 then helps the Client assess the challenges, opportunities, and obligations that affect his or her current and future financial situation. 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.

In general, 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. 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 Annual 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**

K&A also provides 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. In general, the financial plan will address any or all of the following areas of concern:

- PERSONAL
- EDUCATION
- TAX & CASH FLOW
- DEATH & DISABILITY
- RETIREMENT
- INVESTMENTS
- ESTATE
- INSURANCE

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 RJFS 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 through RJFS or its affiliates.

General Consulting: Clients can also receive investment advice on a more limited basis. This may include advice on only isolated areas of concern such as estate planning, retirement planning, reviewing a Client's existing portfolio, or any other specific topic.

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. Generally, this is in connection with the rendering of estate planning, insurance, and/or annuity advice.

Consulting services are terminated upon completion of the hourly 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, 2013, K&A had the following in assets under management:

Discretionary	Assets: \$881,082,639
Non-Discretionary	Assets: \$191,963,176
Total	Assets: \$1,073,045,815

### 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 information with its service providers, such as transfer agents, custodians, broker/dealers, 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.

For our California Clients, California law imposes additional requirements beyond federal law for residents of that state. Consistent with these laws, we do not share information with third parties for accounts with a primary mailing address in those states except as required or permitted by applicable federal and state law. 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:

PASSPORT Fee Investments:

<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%

\*Fees may be negotiable.

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. 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, RJFS will: (i) assess 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) refund 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. Notwithstanding the above \$100,000 adjustment threshold, Raymond James reserves the right, in its sole discretion, to process or not process fee adjustments when the source and destination of deposits and withdrawals involve a client's other fee-based advisory accounts. For example, a transfer of \$100,000 into a joint RJCS account funded from two \$50,000 withdrawals from separate Ambassador accounts will have the \$100,000 billed in their joint RJCS account and each of the Ambassador accounts will be refunded previously assessed fees on the separate \$50,000 withdrawals for the pro rata period remaining in the quarter.

You authorize and direct RJA as Custodian to deduct asset-based fees from your account; you 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 to our firm and RJFS. The brokerage statement will show the amount of the asset-based fee.

The asset-based fees associated with the PASSPORT account include all execution and clearing charges except: (1) 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 (2) offering concessions and related fees for purchases of public offerings of securities as more fully disclosed in the prospectus.

Additionally, there is a Processing Fee for the execution of each trade, as follows:

<u>Security Type</u>	<u>Processing Fee</u>
Exchange Traded Equities: Listed and OTC (common & preferred)	\$4.98
Open End Mutual Funds (applicable to purchases only)*	
Participating Funds	Waived
Partner Funds	\$15.00
Non-Partner Funds	\$20.00
Closed End and Exchange Traded Funds	\$4.98
Real Estate Investment Trusts/Unit Investment Trusts	\$4.98
Options Contracts	\$15.00
Bonds: Government, Corporate, Municipal and Mortgage-Backed	\$15.00

\*Select fund companies have agreed to pay administrative fees to Raymond James in consideration for Raymond James' waiver of the \$30 Processing Fee assessed on certain Passport Account mutual fund purchases ("Participating Funds"). Select fund companies have agreed to pay marketing service and support fees to Raymond James ("Partner Funds"). "Non-Partner Funds" do not participate in Raymond James's Education and Marketing Support program. Effective May 5, 2014, the above



Processing Fees will be applied to purchases of Partner and Non-Partner Funds. ERISA Plan and SIMLPE IRA accounts will be charged \$15 for Partner and Non-Partner Fund purchases. Please note that funds may change their Participating, Partner or Non-Partner status at any time, so please consult with your financial advisor to verify their status periodically. Please refer to the "Client Referrals and Other Compensation" section for additional information regarding Participating Funds and Partner Funds.

In addition to the foregoing Processing Fee, you will incur a charge in the amount of \$5.95 per transaction for handling charges. 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.

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 non-managed 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).

Such designated assets will not be assessed an advisory fee. Administrative-Only assets will, however, be 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 \$550,000 Account Value; however, this rate will only be assessed to \$500,000 of the eligible assets in the account.

### **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.

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. 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 generally assessed on cash sweep balances ("cash") held in PASSPORT accounts, provided the cash balance does not exceed 20% of the total Account Value at the time of billing. If the cash balance is greater than 20% of the Account Value as of the last business day of the quarter (the "valuation date"), we will bill on the full cash balance provided cash did not comprise greater than 20% of the billable Account Value for three consecutive quarterly valuation dates. If the cash balance exceeded 20% of the billable Account Value for three consecutive quarterly valuation dates, the amount in excess of 20% is excluded from billing.

This fee billing provision (or "Cash Rule") is intended to equitably assess advisory fees to your assets for which an ongoing advisory service is being provided, and the exclusion of excess cash from the advisory fee is intended to benefit your holding substantial cash balances (as a percentage of the total individual account value) for an extended period of time. However, this provision may pose a financial disincentive to us as cash will not be included in the asset-based fee charged to the account. This may cause us to reallocate (in a discretionary account) or advise you to reallocate (in a non-discretionary account) your account from cash to advisory fee eligible investments in order to avoid the application of this provision and therefore receive a fee on the full asset value in a client's account(s).

The aforementioned Cash Rule is applicable only to cash sweep balances and, therefore, non-sweep money market investments would not result in excess "cash" balances being excluded from the asset-based advisory fee calculation. As a result, non-sweep money market mutual fund investments are generally prohibited as an investment option in fee-based accounts. However, certain money market mutual funds may be approved as an investment option, but will be designated as Administrative-Only assets as long as those investments are held in a fee-based account. Our Company will not receive fee-based compensation on these investments, but advisory representatives of our Company that are also registered representatives of RJFS may receive compensation in the form of a 12(b)-1 fee or trail.

## **Investment of Cash Reserves**

Raymond James has established a system in which cash reserves "sweep" daily to and from your investment account to cover purchases or to allow excess cash balances to immediately begin earning interest, subject to certain minimum balances. The account in which these cash reserves are held is considered the client's sweep account. Available sweep options include the Raymond James Bank Deposit Program ("RJBDP"), the Client Interest Program ("CIP") sponsored by Raymond James, and a proprietary class of money market funds (the "Eagle Class - JP Morgan Money Market Funds") of the JP Morgan Prime Money Market Fund and JP Morgan Tax Free Money Market Fund, managed by J.P. Morgan Investment Management, Inc. ("J.P. Morgan") and offered by Eagle. Clients may select RJBDP, CIP, the Eagle Class - JP Morgan Money Market Funds, or any combination thereof.

With respect to cash reserves of advisory client accounts, the custodian of the account assets will determine where cash reserves are held. The custodian may offer one or multiple options to different account types (such as non-taxable and managed accounts). In addition, the custodian may, among other things, consider terms and conditions, risks and features, conflicts of interest, current interest rates, the manner by which future interest rates will be determined, and the nature and extent of insurance coverage (such as deposit protection from the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC")). The custodian may change an investment option at any time by providing you with thirty (30) days advance written notice of such change, modification or amendment.

If you select the RJBDP option, you are responsible for monitoring the total amount of deposits held at each Bank in order to determine the extent of FDIC insurance coverage available. Raymond James is not responsible for any insured or uninsured portion of your deposits at any of the Banks.

Raymond James Bank and the interest rate it offers may differ from the yield on the Eagle Class - JP Morgan Money Market Funds and CIP, but Raymond James Bank generally earns more than the interest it pays on such balances. The Eagle Class - JP Morgan Money Market Funds are offered by Eagle through an agreement with J.P. Morgan. Under the agreement, Eagle, Eagle Fund Services, Inc. and Eagle Fund Distributors, Inc. (together, the "Eagle Affiliates"), and Raymond James and its affiliate RJFS are compensated by the Eagle Class - JP Morgan Money Market Funds and J.P. Morgan for, among other things, distribution costs, shareholder record-keeping activities, and the coordination and administration of the funds. Raymond James generally earns a higher rate of interest on CIP balances than the interest rate it pays on such balances. The income earned by the Eagle Affiliates and Raymond James is in addition to the asset-based fees that Raymond James receives from these accounts.

Where an unaffiliated third party acts as custodian of account assets, you and/or the custodian will determine where cash reserves are held.

Cash balances arising from the sale of securities, redemptions of debt securities, dividend and interest payments and funds received from you are transferred automatically on a daily basis to the your cash sweep account. When securities are sold, funds are deposited on the day after settlement date. Funds placed in your account by personal check usually will not be transferred to the sweep account until the second business day following the day that the deposit is credited to your investment account. Due to the foregoing practices, Raymond James may obtain federal funds prior to the date that deposits are credited to your investment account and thus may realize some benefit because of the delay in transferring such funds to their interest-bearing cash sweep account.

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

You may also incur charges for other account services provided by Raymond James 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, visit Raymond James' 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. Advisory representatives that are also registered representatives of RJFS may receive this fee in addition to any advisory fee that may be assessed in your 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 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 programs 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, and will generally result in clients which utilize an SMA Manager or Investment Strategy that invests in ETFs paying more than clients utilizing one that does not invest in ETFs, without taking into effect negotiated asset-based fee discounts, if any.

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. Prospective or existing RJCS, EHNW, Freedom or Freedom UMA clients should consult their tax adviser for additional information regarding the tax consequences associated with the purchase, ownership and disposition of such investments. 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. Advisory representatives that are also registered representatives of RJFS may offer you a wide range of alternative investments. 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 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.

**Management fees:** The manager for any particular investment will often charge a management fee that is based on the total value of your investment. As the value of your investment increases, the total management fees that a manager receives may increase. As the value of your investment decreases, the total management fees that a manager receives may decrease. These fees are similarly structured but are often higher than management fees associated with other, more traditional, investments such as mutual funds. Advisory representatives that are also registered representatives of RJFS may share in a portion of management fees to which an investment manager is entitled.

**Incentive-based compensation:** Many alternative investment managers receive incentive-based compensation in addition to management fees. Incentive-based fees typically involve the manager retaining a percentage of profits generated for clients. Fees related to incentive compensation are often referred to as incentive/performance-based fees or carried interest. It is important to note that these fees are in addition to management fees that are charged by the manager and that the exact calculation of incentive fees or carried interest differs by product and manager. Advisory representatives that are also registered representatives of RJFS may share in any incentive-based compensation to which an investment manager is entitled.

**Upfront or ongoing servicing fees or placement fees:** Many alternative investments have upfront costs directly related to compensating advisory representatives that are also registered representatives of RJFS. These fees are generally based on the total amount of your investment. Additionally, there may be ongoing fees, based on value of your investment, that are directly related to compensating advisory representatives that are also registered representatives of RJFS.

**Redemption fees:** Some investments may have direct or indirect costs related to liquidating your position, particularly if an investment is liquidated shortly after being purchased or if an investment is specifically designed to provide limited or no liquidity to investors.

Alternative investment strategies may be accessed through a variety of legal structures, including mutual funds, limited partnerships and limited liability companies. In certain structures, particularly for new offerings, investors may incur organization and offering expenses that are related to the creation of the legal structure and marketing of the product. These costs ultimately serve to decrease the amount of the client's investment. Additionally, investors may incur other expenses based on the investment activity of the fund. For instance, in a real estate fund, investors may be charged fees related to the acquisition of a property. In a hedge fund that shorts stock, there are costs associated with establishing and maintaining the short position. Lastly, investors in alternative investments generally bear the cost of certain ongoing expenses related to administration of the product. These expenses may include costs related to tax document preparation, auditing services or custodial services.

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 will typically only assess an advisory fee on alternative investment products that are priced at least quarterly and are not assessed an upfront commission or sales load upon initial investment. Conversely, alternative investment products not eligible for the asset-based advisory fee typically price less frequently than quarterly and/or have an upfront commission or sales load assessed upon the initial investment; such investments will be designated as Administrative-Only assets. You may hold one or more of these Administrative-Only products in your PASSPORT account, but no asset-based advisory fee will be assessed as long as they are held in a PASSPORT account.

You should also understand that certain no-load variable annuities may be offered in the PASSPORT programs and 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 RJFS.

You should also understand that more sophisticated investment strategies such as short sells and margins may be offered in the PASSPORT programs. 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 has a selling agreement with will be available for purchase within the PASSPORT program, and are generally limited to those fund companies that provide RJFS 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, 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 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.

Raymond James provides a variety of marketing and other sales support services to mutual fund companies related to their mutual funds. These services include, but are not limited to, providing detailed mutual fund information to financial advisors, assisting mutual fund companies with strategic planning support, providing opportunities for assisting with professional development workshops, study groups, and other events and conferences. Raymond James also provides distribution support for prospectuses and promotional materials relating to their mutual funds. The marketing service and support fees come in a variety of forms, including payments which are sometimes referred to as "revenue sharing" fees and 12b-1 fees. This compensation may not be disclosed in detail in a mutual fund's prospectus or Statement of Additional Information. The following schedule gives you an idea of the potential level of marketing support or revenue sharing fees that Raymond James may receive from a particular mutual fund group:

- up to .10% on mutual fund share purchases (e.g., \$10 for a \$10,000 purchase)
- up to .05% per year on assets totaling less than \$500 million
- up to .04% per year on assets totaling \$500 million to \$1 billion
- up to .03% per year on assets totaling \$1 billion to \$5 billion
- up to .02% per year on assets totaling \$5 billion or greater

The actual amounts that Raymond James may receive will vary from one mutual fund company to another and investments in certain asset classes and/or mutual fund types may be excluded from the above formulas.

Mutual fund companies with mutual funds electronically linked or "networked" with a broker/dealer's account system or with mutual funds available through a broker/dealer's fee-based account programs often reimburse broker/dealers for a portion of their account servicing and administrative costs, which may include accounting, statement preparation and mailing, tax reporting and other shareholder services. Networking is a service that enables data sharing between Raymond James and mutual fund providers and/or their transfer agents. Raymond James currently receives up to \$20 annually in servicing fee reimbursements per each client mutual fund position. Advisory representatives that are also registered representatives of RJFS do not receive any part of these payments.

For a list of fund companies that have agreed to pay Raymond James networking or servicing fees, please visit: [http://www.raymondjames.com/disclosure\\_mutual\\_funds.htm](http://www.raymondjames.com/disclosure_mutual_funds.htm).

Mutual fund companies will also pay Raymond James 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 may receive these shareholder services fees in amounts not to exceed 0.25% annually of the assets invested in a particular mutual fund.

Raymond James may also receive annual fees of up to \$10,000 from each mutual fund company for providing marketing and sales support services for certain corporate retirement plans.

Raymond James makes available to its clients a variety of mutual funds advised or offered by Eagle Asset Management, Inc. ("Eagle"), a subsidiary of Raymond James, including the Eagle Class shares of the J.P. Morgan Prime and Tax Free Money Market Funds. Raymond James and its affiliates generally receives more revenue for selling mutual funds advised or offered by Eagle because they receive compensation for providing these mutual funds with services not provided to

unaffiliated mutual funds, including (but not limited to) investment advisory, administrative, transfer agency, distribution and/or other services. Payments made by mutual funds advised or offered by Eagle to Raymond James and its affiliates may be terminated, modified, or suspended at any time. Raymond James financial advisors and branch managers do not receive additional compensation or other cash or non-cash incentives for recommending mutual funds (or any particular class thereof) advised or offered by Eagle.

In addition to the aforementioned compensation arrangements in connection with Raymond James' mutual fund sales, Raymond James receives compensation from its affiliate Eagle for providing services unrelated to sales of Eagle mutual funds, including (but not limited to) consulting services, marketing services, sponsorship fees, and support services and transfer credits for trade execution services. Payments made by Eagle to Raymond James may be terminated, modified, or suspended at any time.

The subsidiary companies of RJF provide a wide variety of financial services to individuals, corporations and municipalities. For these services, Raymond James receives compensation. As a result, Raymond James can be expected to pursue additional business opportunities with companies whose mutual funds Raymond James makes available to its clients. Consistent with industry regulations, these services could include (but are not limited to) banking and lending services, sponsorship of deferred compensation and retirement plans, investment banking, securities research, institutional trading services, investment advisory services, and effecting portfolio securities transactions.

Raymond James professionals who offer mutual funds to the individual investor clients of Raymond James may introduce mutual fund company officials to other services that Raymond James provides.

### ***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. Clients that choose to borrow funds for purchases must open a margin account with Raymond James, 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 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 disclosing such risks, as well explaining the details and conditions under which interest will be charged, the method of computing interest and the conditions under which additional collateral may be required. Clients should understand that the extension of credit by Raymond James to clients will appear as a debit balance on the monthly brokerage statement. While the value of the margined security will appear as a debit, clients with a margin balance in an account(s) in the Ambassador, OSM and/or Passport account programs will be assessed asset-based advisory fees based on the gross value of the account(s) without any offset for margin or debit balances. 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 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,



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.

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.

### **Short Sales**

When executing short sales, you should be aware that RJA receives compensation for maintenance of the short position, which is in addition to the asset-based advisory fee. This compensation is generally calculated on a daily basis as a percentage of the current market value of the security sold short. Three of the major variables that impact the amount of the fee RJA retains, as well as the transparency of the fee on your statement are: 1) availability of the security RJA; 2) the current interest rate environment in the U.S.; and 3) the availability of the security based on the supply and demand of loanable securities in the market.

When you borrow a security which RJA can lend from its own inventory or its available customers' securities holdings, RJA generally retains all of the fees generated by that loan. In a higher interest rate environment, this fee may not be transparent to you because it may not be charged directly to your account. In such instances, the fee is retained from the return generated by the investment of the collateral posted for the transaction (such as short sale cash proceeds). In the case of a limited supply of a loanable security and/or a lower interest environment, the interest earned on the invested cash collateral may not be sufficient to cover the fee; in this case RJA may directly charge the fee to your account until the borrowed balance is closed.

In cases where RJA has no available supply of loanable securities, RJA may borrow the security from another firm. In these cases, you will be charged a fee to cover the borrowed securities, and RJA and the firm which lent the securities will generally split this fee. As above, in a higher interest rate environment this fee may not be transparent to you because the fee is retained from the return generated by the investment of the collateral posted for the transaction and not charged directly to the account. Alternatively, where the interest earned may not be sufficient to cover the fee, RJA may directly charge the fee to your account until the borrowed balance is closed; a portion of that fee is passed from RJA to the firm from which the securities were borrowed.

A Client's 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 the Client's ability to:

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

When making cost comparisons, Clients should be aware that the combination of multiple mutual fund investments, advisory services, 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 the Client 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 the Client otherwise would qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

The Client's IAR may have a financial incentive to recommend a fee-based advisory program rather than paying for investment advisory services, brokerage, performance reporting and other services separately. A portion of the annual advisory fee is paid to the Client's IAR, which may be more than the IAR would receive under an alternative program offering or if the Client paid for these services separately. Therefore, the Client's IAR may have a financial incentive to recommend a particular account program over another. IARs do not receive a financial incentive to recommend and sell proprietary mutual funds versus non-proprietary funds. However, because compensation structures vary by product type, IARs may receive higher compensation for certain product types. In addition, your IAR may receive incentive compensation for utilizing a particular account program.

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 are registered representatives with Raymond James Financial Services, Inc. ("RJFS"), a securities broker-dealer, and a member of FINRA and the Securities Investor Protection Corporation. 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 an Associated Persons interest. Clients are under no obligation to implement investments through Associated Persons of our firm or RJFS. Commissions may be higher or lower at RJFS than other broker/dealers.

Associated Persons of 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 Associated Persons as brokers for insurance product purchases. If you decide to purchase or apply for insurance, or use Associated Persons as the broker for insurance products, a conflict may exist between your interest and that of our 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. An estimate for total hours may be determined at the start of the advisory relationship, and Clients will be billed semi-annually in arrears. This fee may be waived if K&A determines that the Advisory fee is sufficient to cover the cost of providing these services. K&A may pay Retainer Service Client legal and/or accounting fees out of the fee paid to K&A.

The Client may terminate the Annual 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**

Financial planning and consulting fees will be charged in one of two ways:

1. As a fixed fee, typically ranging from \$2,000 to \$10,000; or
2. On an hourly basis, ranging from \$75 to \$600 per hour.

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 agreed upon prior to entering into a contract with any Client.

All financial planning and consulting fees are due upon completion of the plan or consulting service. Consulting services are terminated upon completion of the hourly 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.

### ***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 account size may be negotiable under certain circumstances. For the purposes of achieving the minimum account size and determining the annualized fee, K&A will take into consideration all related accounts of a Client. "Related" accounts are accounts of an individual, his or her spouse, and their children under the age of 21, and includes individually owned accounts, individual IRAs, self-directed accounts (i.e., directed by individual participants) under an employee benefit pension plan ("ERISA plan"), and ERISA plans in which an individual is the sole participant.

There is a minimum investment of \$25,000 for PASSPORT.

## **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, Dow Jones, Lipper, Standard & Poor's, Municipal Market Advisors, and Raymond James, among others. The types 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

Klingman and Associates, as part of its investment management process, has six Model portfolios. These Model portfolios 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 Klingman and Associates 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 a Model.

### K&A Investment Committee

The Klingman and Associates Investment Committee is comprised of Gerard Klingman, Nancy Brown, Craig Laub, Tatiana Sunik and Thomas Klingman. This committee meets weekly and determines which mutual funds, exchange traded funds and other securities will be on K&A's Recommended Managers

list. From this list Investment Adviser Representatives can populate the asset classes in a client's Model portfolio. These managers and funds are reviewed on an ongoing basis. Managers may be removed from the Recommended list to the Monitored list. These positions would be maintained in a client's account but would not be added to. If a manager or fund is removed from the Monitored list, the position would be sold in a client's account.

#### 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 made 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

The Managing Member 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 will 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

The Managing Member 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. These individuals may spend as much as 5% of their time with all of these related activities.

## **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.

From time to time, K&A or persons associated with K&A may buy or sell securities that are recommended to its Clients or securities in which its Clients are invested. It is K&A's policy that associated persons of K&A shall not have priority over any Client account in the purchase or sale of securities. Under certain circumstances, exceptions to the trading policy may be made.

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 currently uses RJA as its custodian. IARs of our firm are 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 3040 that restrict them from conducting securities transactions away from RJFS. Therefore, Clients are advised that such IARs are limited to conducting securities transactions through RJFS. 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. However, if the Client does not use RJFS, the IAR will reserve the right not to accept the account.

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, as the 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 above 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.

K&A continuously reviews the accuracy, timeliness and execution of trades processed through RJFS. K&A selected RJFS 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 prohibits K&A from utilizing any other broker-dealer for Client custody or securities trading. 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.

With regard to Passport accounts, select fund companies have agreed to pay administrative fees to Raymond James and Associates, Inc. ("RJA") in consideration for RJA's waiver of the \$30 Processing Fee assessed on certain Passport Account mutual fund purchases ("Participating Funds"). Raymond James financial advisors do not receive any part of these payments. For a list of fund companies that have agreed to pay Raymond James servicing fees for eligible purchases of Participating Funds, contact our firm at the telephone number located on the cover page of this brochure, or by sending a written request to the address located on the cover page of this brochure. Refer to the *Advisory Business* section above for additional disclosures on the Passport program.

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. However, no personal trades will ever be included in any Client blocks.

K&A does not have any soft dollar arrangements.

## **Item 13 Review of Accounts**

While the underlying securities within Investment Supervisory Service Client accounts are continuously monitored, these accounts will be formally reviewed at least quarterly by the applicable Financial Adviser of K&A responsible for management of the account. K&A's Financial Advisers are Gerard Klingman, Nancy Brown, and Craig Laub.

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 monthly 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 and Consulting Clients will receive no regular reports from K&A.

## **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. 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 on Clients' account. All Clients will receive an account statement from the Custodian, which they should review carefully.

## **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 Contract 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.

Clients with PASSPORT accounts may grant our firm discretion over the selection and amount of securities to be purchased or sold, the broker or dealer to be used, and the commission rates to be paid for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

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 or render any advice regarding proxies solicited by or with respect to the issuers of securities held in Client accounts. Additionally, K&A will not take any action or render any advice with respect to any securities held in Client accounts, which are named in or are subject to class action lawsuits. K&A will, however, forward to Client any proxy materials or information received by the Firm regarding class action legal matters involving securities held in Client accounts. Where the Firm receives written or electronic proxy material 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. Electronic mail is acceptable where appropriate, if the Client has authorized contact in this manner.

## **Item 18 Financial Information**

K&A does not solicit payments of \$1,200 per Client or more 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.