

# KFG Wealth Management, LLC

SEC File Number: 801 – 78914

## **ADV Part 2A, Brochure** **Dated: February 16, 2017**

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This brochure provides information about the qualifications and business practices of KFG Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at (574) 247-5898 or [kkorhorn@korhorn.com](mailto:kkorhorn@korhorn.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

References herein to KFG Wealth Management, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

On January 1, 2017 KFG Wealth Management, LLC adopted a new standard fee schedule for discretionary advisory services.

**ANY QUESTIONS: KFG Wealth Management, LLC’s Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that an existing or prospective client may have regarding this Brochure.**

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#### **Item 4            Advisory Business**

- A. KFG Wealth Management, LLC (“KFG”) is a limited liability company formed under the laws of the State of Indiana. KFG became a registered investment adviser in April 2007. KFG is owned by Korhorn Financial Group, Inc., which is principally owned by KFG’s President, Kevin Korhorn.
- B. As discussed below, KFG offers to its clients (individuals, high-net worth individuals, pension and profit sharing plans, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

Client may engage KFG to provide discretionary investment advisory services on a *fee* basis. KFG’s annual investment advisory fee is based upon a percentage (%) of the market value and type of assets placed under the KFG’s management (between negotiable and 1.25%).

#### **SEI ASSET MANAGEMENT PROGRAM**

The SEI Asset Management Program (SEI Program) is an institutional asset allocation program that KFG uses in the management of your account assets. KFG’s associated persons assist you in establishing an SEI Program Account (the Account) at SEI Trust Company (SEI). All transactions in your account will be processed and cleared through SEI. The SEI Program uses asset allocation portfolios developed by SEI Investments. The portfolios consist of SEI Family of Institutional Mutual Funds (Mutual Funds) and other securities approved by SEI to be held in an account. KFG provides SEI with the asset allocation policy (Asset Allocation Policy) that our clients select for their Account. KFG directs SEI to reallocate client investments in accordance with each client’s asset allocation policy. In addition, KFG directs SEI to rebalance the investments within client accounts at least quarterly so that the market value of the shares of each mutual fund held in client accounts are the same percentage of the total market value of their account as required by the clients asset allocation policy. SEI holds custody of all SEI Program client Account assets.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, KFG may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis.

KFG’s offers financial planning and consulting services on either a comprehensive or single-needs basis. If a client chooses to engage KFG to provide comprehensive financial planning and consulting services, KFG will prepare a written financial plan, analysis and/or recommendations targeting your needs. Additionally, for a twelve (12) month period beginning at the time comprehensive *Financial Planning and Consulting Agreement* is executed, those clients who choose to engage KFG to provide comprehensive financial planning and consulting services will be eligible for ongoing consultations, reviews, and monitoring of the client’s investment accounts. Whereas, those clients choosing to engage

KFG on a single-needs basis will receive a written financial plan but no additional financial planning and consulting services under their agreement.

KFG's comprehensive planning and consulting fees generally range from \$1,000 to \$35,000 on a fixed fee basis, depending upon the level and scope of the service(s) required. KFG's single-needs financial planning and consulting services are provided on an hourly rate basis with work being performed for a fee between \$50 to \$200 per hour. KFG does require a minimum fee of \$50 for single-needs financial planning services.

Prior to engaging KFG to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with KFG setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to KFG commencing services (if any). If requested by the client, KFG may recommend the services of other professionals for implementation purposes, including KFG's representatives in their individual capacities as registered representatives of a broker-dealer and/or licensed insurance agents. (*See* disclosures at Item 10.C). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from KFG. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify KFG if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising KFG's previous recommendations and/or services.

### RETIREMENT PLAN CONSULTING

KFG also provides non-discretionary retirement plan consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants may choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, KFG may also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between KFG and the plan sponsor.

### MISCELLANEOUS

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, KFG may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. **Please Note:** We **do not** serve as an attorney, and no portion of our services should be construed as legal services. Accordingly, we **do not** prepare estate planning documents or tax returns. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc), including representatives of KFG in their separate individual capacities as registered representatives of Silver Oak Securities, Inc. ("Silver Oak Securities"), a FINRA member

broker-dealer and as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from KFG and/or its representatives. **Please Note:** If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note-Conflict of Interest:** The recommendation by KFG's representative that a client purchase a securities or insurance commission product through KFG's representative in his/her separate and individual capacity as a registered representative of Silver Oak Securities and/or as an insurance agent, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products through such a representative. Clients are reminded that they may purchase securities and insurance products recommended by KFG through other, non-affiliated broker-dealers and/or insurance agencies. **KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Independent Managers.** KFG may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers (each, an "*Independent Manager*") in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager(s)* shall have day-to-day responsibility for the active discretionary management of the allocated assets. KFG shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which KFG shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Please Note:** KFG may receive a referral fee from the *Independent Manager(s)* as set forth in Item 10.D below. The receipt of any fee, referral or otherwise from an *Independent Manager* creates a conflict of interest. Clients are not required to utilize *Independent Managers* and may direct KFG not to engage *Independent Manager(s)* to service their accounts.

**eMoney Advisor Platform.** KFG may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view his/her/its complete asset allocation, including those assets that KFG does not manage (the "Excluded Assets"). KFG does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, KFG shall not be responsible for the investment performance of the Excluded Assets. **Rather, the client and/or his/her/its advisor(s) that maintain management authority for the Excluded Assets, and not KFG, shall be exclusively responsible for such investment performance.** The client may choose to engage KFG to manage some or all of the Excluded Assets pursuant to the terms and conditions of an *Investment Advisory Agreement* between KFG and the client.

The eMoney platform also provides access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by KFG.

If you are a new client and you elect to utilize this service, you may be charged a one-time \$250 aggregation fee that will be due and payable upon signing the agreement for services. Depending upon the eMoney Advisor programs selected by you, fees can range from \$250 to \$1,500 per year, payable semi-annually in advance upon receipt of a billing notice from KFG. All fees are negotiable at the sole discretion of the associated persons.

**Retirement Plan Rollovers-No Obligation/Conflict of Interest.** A client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in his/her former employer's plan, if permitted, (ii) roll over the assets to his/her new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an IRA, or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). KFG may recommend an investor roll over plan assets to an Individual Retirement Account ("IRA") managed by KFG. As a result KFG and its representatives may earn an asset-based fee (see **Please Note** below). In contrast, a recommendation that a client or prospective client leave his or her plan assets with his/her former employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to KFG (unless clients engage KFG to monitor and/or manage the account while maintained at his/her employer). KFG has an economic incentive to encourage an investor to roll plan assets into an IRA that KFG will manage **or** to engage KFG to monitor and/or manage the account while maintained at the client's employer. There are various factors that KFG may consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus KFG's, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. No client is under any obligation to roll over plan assets to an IRA managed by KFG or to engage KFG to monitor and/or manage the account while maintained at the client's employer. **KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.**

**Use of Mutual Funds.** While KFG may recommend allocating investment assets to mutual funds that are not available directly to the public, KFG may also recommend that clients allocate investment assets to publically-available mutual funds that the client could obtain without engaging KFG as an investment advisor. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging KFG as an investment advisor, the client or prospective client would not receive the benefit of KFG's initial and ongoing investment advisory services.

**Dimensional Funds.** As noted above, many mutual funds are available directly to the public, without need to engage an investment professional. Others mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers. KFG utilizes DFA mutual funds. Thus, if the client was to terminate KFG's services, restrictions regarding transferability and/or additional purchases of, or reallocation among, DFA funds will apply. KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding the above.

**Please Note: Cash Positions.** At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated

market conditions/events will occur), KFG may maintain cash positions for defensive purposes. All cash positions (money markets, etc) shall be included as part of assets under management for purposes of calculating KFG's advisory fee.

**Asset-Based Fees versus Transaction-Based Fees:** Custodians such as *Fidelity* are compensated for their services which include, but are not limited to execution, custody and reporting. *Fidelity* can charge a fixed percentage fee for their services based upon the dollar amount of the assets placed in their custody and/or on their platform (for example: if *Fidelity* was to charge an annual 0.10% of the market value of the client assets in its custody, the fee would include the execution of all account transactions). This is referred to as an "Asset-Based Fee." In the alternative, rather than a fixed percentage fee based upon the market value of the assets in its custody, *Fidelity* could charge a separate fee for the execution of each transaction. This is referred to as a "Transaction-Based Fee." Under a Transaction Based fee, the amount of total fees charged to the client account for trade execution will vary depending upon the number of transactions that are placed for the account. Because KFG cannot predict the markets and the amount of trading that will occur in a client account, KFG generally favors Asset-Based pricing because it will fix the amount of the fee paid from the account for trade execution, regardless of the number of transactions that are placed for the account. However, KFG, on an annual basis, will conduct a sampling to confirm its belief (given the inability to predict the markets and the corresponding amount of trading that will occur) that Asset-Based pricing continues to be beneficial for its clients. Prior to engaging *Fidelity* regardless of pricing (Asset-Based versus Transaction-Based), the client will be required to execute a separate agreement with *Fidelity* agreeing to such pricing/fees. The fees charged by *Fidelity* are separate and in addition to the advisory fee payable by the client to KFG. **KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding Asset-Based versus Transaction- Based pricing.**

**Client Obligations.** In performing its services, KFG shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify KFG if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising KFG's previous recommendations and/or services.

**Disclosure Statement.** A copy of KFG's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. KFG shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, KFG shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on KFG's services.
- D. **Wrap/Separate Managed Account Programs:** In the event that KFG is engaged to provide investment advisory services as part of an unaffiliated wrap-fee program, KFG will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services

for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that KFG is engaged to provide investment advisory services as part of an unaffiliated managed account program, KFG will likewise be unable to negotiate commissions and/or transaction costs. **Please Note:** Since the custodian/broker-dealer is determined by the unaffiliated program sponsor, KFG will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, client may receive less favorable net prices, on transactions for the account than would otherwise be the case through alternative clearing arrangements recommended by KFG. **Please Also Note:** Higher transaction costs adversely impact account performance.

- E. As of February 16, 2017, KFG had \$162,204,012 in assets under management on a discretionary basis.

## Item 5 Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

The client can determine to engage KFG to provide discretionary investment advisory services on a *fee* basis. KFG's annual investment advisory fee is based upon a percentage (%) of the market value and type of assets placed under the KFG's management (between negotiable and 1.25%).

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
First \$500,000	1.25%
Next \$500,000	1.00%
Next \$1,000,000	0.75%
Next \$3,000,000	0.50%
Above \$5,000,000	0.25%

### SEI ASSET MANAGEMENT PROGRAM

SEI Program management fees (Management Fees) are payable quarterly, in arrears, based on assets under management at the end of the quarter. Management Fees are automatically deducted from your Account. Each quarter SEI will send you an account statement that will include a Management Fee Notification, which will show the computed fee, any adjustments to the fee, an explanation of any adjustment and the net Management Fee to be deducted later in the period from each client's account. Management Fees are paid to KFG. Clients may terminate the SEI Program Account at any time by notifying KFG. Termination will be effective upon receipt of such notice. If services are terminated within five business days of executing the client agreement, services will be terminated without penalty. After the initial five business days, you may be responsible for payment of fees for the number of days that services were provided by KFG prior to receipt of the notice of termination.

The maximum total Management Fee charged to the client will not exceed 1.75% annually of the value of assets under management. KFG's portion of the total fee is typically 1% of the value of the assets under management but may vary based upon the client's total amount of assets under management by KFG and the client's relationship with KFG (for example,



KFG's associated persons or employees may pay a reduced management fee to KFG). The exact fee and/or fee schedule for you will be disclosed in SEI's client agreement. SEI may charge a separate custodial fee for the custody services it provides to your account. Mutual funds held in your account pay their own advisory fees and other expenses, which are described in each mutual fund's prospectus. These fees and expenses are separate from the Management Fee.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, KFG provides financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. KFG's comprehensive planning and consulting fees generally range from \$1,000 to \$35,000 on a fixed fee basis. Whereas, KFG's single-needs financial planning and consulting services are provided on an hourly rate basis with work being performed for a fee between \$50 to \$200 per hour.

#### **RETIREMENT CONSULTING**

KFG's non-discretionary pension consulting fee is typically based upon the market value of the assets in the plan. Each client's fee schedule is dependent upon services provided and is clearly detailed in Retirement Plan Consulting Agreement executed by the client. However, KFG typically charges between 0.05% and 0.80% for pension consulting services.

To the extent that KFG offers its retirement consulting services on a fixed fee basis, it will typically range between \$2,500 to \$80,000.

- B. Clients shall authorize KFG to deduct its advisory fees from their custodial account(s). Both KFG's *Investment Advisory Agreement* and the custodial/clearing agreement authorize the custodian to debit the account for the amount of KFG's investment advisory fee and to directly remit that management fee to KFG in compliance with regulatory procedures. In the limited event that KFG bills the client directly, payment is due upon receipt of KFG's invoice. KFG shall generally deduct fees and/or bill clients monthly in arrears, based upon the average daily account balance of the assets during the previous month.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, KFG shall generally recommend that Fidelity ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers/custodians such as *Fidelity* may charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to KFG's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses)
- D. KFG's annual investment advisory fee shall be prorated and paid monthly, in arrears, based upon the average daily account balance during the previous month. KFG generally does not require an annual minimum fee or a minimum asset level for investment advisory services. KFG, in its sole discretion, may charge a lesser investment management fee

and/or waive or reduce its minimum fee or asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between KFG and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, KFG shall debit the client's account for the value of services rendered as of the time of termination.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage certain of KFG's representatives in their individual capacities, as a registered representative of Silver Oak Securities, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Silver Oak Securities, Silver Oak Securities will charge brokerage commissions to effect securities transactions, a portion of which commissions Silver Oak Securities shall pay to KFG's representatives, as applicable. The brokerage commissions charged by Silver Oak Securities may be higher or lower than those charged by other broker-dealers. In addition, Silver Oak Securities, as well as KFG's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Silver Oak Securities presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from KFG's representatives. **KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please Note:** Clients may purchase investment products recommended by KFG through other, non-affiliated broker dealers or agents.
3. KFG does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products KFG recommends to its clients.
4. When KFG's representatives sell an investment product on a commission basis, KFG does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, KFG's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as discussed below in Item 10). **However,** a client may engage KFG to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from KFG's representatives on a separate commission basis.

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

Neither KFG nor any supervised person of KFG accepts performance-based fees.

## **Item 7           Types of Clients**

KFG's clients shall generally include individuals, high-net worth individuals, trusts, pension and profit sharing plans, estates and charitable organizations. KFG does not generally require an annual minimum fee or a minimum asset level for investment management services. However, as discussed above, when a client engages KFG to provide financial planning and consulting on a single-needs basis, KFG generally requires a minimum fee of \$50. Notwithstanding the above, KFG, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum fee requirements based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. KFG may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Quantitative and Qualitative. (analysis using complex mathematical and statistical modeling, measurement and research)

KFG may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Trading (securities sold within thirty (30) days)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by KFG) will be profitable or equal any specific performance level(s).

- B. KFG's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis KFG must have access to current/new market information. KFG has no control over the dissemination rate of market information; therefore, unbeknownst to KFG, certain analyses may be compiled with outdated market information, severely limiting the value of KFG's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

KFG's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

- C. Currently, KFG primarily allocates client investment assets among various, mutual funds, exchange traded funds and/or *Independent Manager(s)* on a discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

KFG has not been the subject of any disciplinary actions.

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

- A. As disclosed above in Item 5.E., certain of KFG's representatives are also representatives of Silver Oak Securities, a FINRA member broker-dealer.
- B. Neither KFG, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Broker-Dealer.** As disclosed above in Item 5.E, certain of KFG's representatives are registered representatives of Silver Oak Securities, a FINRA member broker-dealer. Clients can choose to engage certain of KFG's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

**12b-1 Fees:** Although not a material consideration when selecting a particular mutual fund for a client's advisory account, KFG's representatives, in their individual capacities as registered representatives of Silver Oak Securities may also receive a portion of the 12b-1 mutual fund distribution fees. These 12b-1 fees are in addition to KFG's annual advisory fee, thereby creating a conflict of interest. Clients are therefore reminded that they may restrict KFG's ability, in writing, to purchase mutual funds on their behalf which generate 12b-1 fees for its representatives. **KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding 12b-1 compensation and the corresponding conflict of interest.**

**Licensed Insurance Agents/ Agency.** KFG is affiliated with KFG Insurance Agency, LLC (KFG Insurance). Both entities are wholly owned by Korhorn Financial Group, Inc. As noted above, Kevin Korhorn is the President of KFG and the principal owner of Korhorn Financial Group, Inc. Therefore, Kevin Korhorn and other associated persons could directly benefit if clients elect to purchase insurance products through KFG Insurance. No client is under any obligation to purchase insurance products through KFG Insurance, and

may select any insurance agency or broker they wish. Also, as disclosed above, certain of KFG's representatives are licensed insurance agents. These individuals may recommend the purchase of insurance-related products on a commission basis.

**Conflict of Interest:** The recommendation by KFG's representatives, that a client purchase a securities or insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from KFG's representatives or affiliates. Clients are reminded that they may purchase securities or insurance products recommended by KFG through other, non-affiliated registered representatives of a broker-dealer or insurance agents, respectively. KFG's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.

**KFG Tax and Business Services, LLC:** KFG is affiliated with KFG Tax and Business Services, LLC (KFG Tax). Both KFG and KFG Tax are wholly owned by Korhorn Financial Group, Inc. KFG's President, Kevin Korhorn, is the principal owner of Korhorn Financial Group, Inc. If clients need assistance with tax preparation and/or bookkeeping services, clients may be referred to KFG Tax. However, clients are not obligated to use its services. If clients elect to utilize the services of KFG Tax, fees charged for its services will be separate from the fees charged by KFG. There is no fee sharing arrangement between KFG and KFG Tax for client referrals, although Kevin Korhorn may directly benefit from such referrals due to his ownership of Korhorn Financial Group, Inc.

- D. KFG may refer a client to an *Independent Manager(s)* that compensates KFG for the referral. Any such referral fee to be paid by the *Independent Manager(s)* to KFG, shall be done in accordance with the requirements of Rule 206 (4)-3 of the Investment Advisors Act of 1940, as amended, and any corresponding state securities laws, rules, regulations or requirements. As such, KFG shall be acting as a solicitor for the *Independent Manager(s)*. The referral fee shall be paid solely from the *Independent Manager's* investment management fee, and shall not result in any additional charge to the client. In addition to KFG's written disclosure statement, the client shall also receive the *Independent Manager's* written disclosure statement discussing its fees and services.

**Conflict of Interest:** The recommendation by KFG that an individual or entity engage an *Independent Manager(s)* presents a conflict of interest, as the receipt of a referral fee may provide an incentive to recommend the *Independent Manager* based upon the referral fee received, rather than on a particular client's need. No person or entity is under any obligation to engage any investment advisory firm recommended by KFG. **KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

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

- A. KFG maintains an investment policy relative to personal securities transactions. This investment policy is part of KFG's overall Code of Ethics, which serves to establish a standard of business conduct for all of KFG's Representatives that is based upon

fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, KFG also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by KFG or any person associated with KFG.

- B. Neither KFG nor any related person of KFG recommends, buys, or sells for client accounts, securities in which KFG or any related person of KFG has a material financial interest.
- C. KFG and/or representatives of KFG *may* buy or sell securities that are also recommended to clients. This practice may create a situation where KFG and/or representatives of KFG are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if KFG did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of KFG’s clients) and other potentially abusive practices.

KFG has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of KFG’s “Access Persons”. KFG’s securities transaction policy requires that an Access Person of KFG must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date KFG selects; provided, however that at any time that KFG has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. KFG and/or representatives of KFG *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where KFG and/or representatives of KFG are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, KFG has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of KFG’s Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that KFG recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct KFG to use a specific broker-dealer/custodian), KFG generally recommends that investment management accounts be maintained at *Fidelity*. Prior to engaging KFG to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with KFG setting forth the terms and conditions under which KFG shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that KFG considers in recommending *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with KFG, financial strength,

reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by KFG's clients shall comply with KFG's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where KFG determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although KFG will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, KFG's investment management fee. KFG's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, KFG may receive from *Fidelity* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist KFG to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by KFG may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by KFG in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist KFG in managing and administering client accounts. Others do not directly provide such assistance, but rather assist KFG to manage and further develop its business enterprise.

KFG's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by KFG to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. KFG does not receive referrals from broker-dealers.
3. KFG does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their

account with that broker-dealer, and KFG will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by KFG. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs KFG to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through KFG. Higher transaction costs adversely impact account performance.

**KFG’s Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that KFG provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless KFG decides to purchase or sell the same securities for several clients at approximately the same time. KFG may (but is not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among KFG’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. KFG shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom KFG provides investment supervisory services, account reviews are conducted on an ongoing basis by KFG’s President and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise KFG of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with KFG on an annual basis.
- B. KFG may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. KFG may also provide a written periodic report summarizing account activity and performance.



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

- A. As referenced in Item 12.A.1 above, KFG receives an indirect economic benefit from *Fidelity*. KFG, without cost (and/or at a discount), may receive support services and/or products from *Fidelity*.

KFG's clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity* as a result of this arrangement. There is no corresponding commitment made by KFG to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to KFG by either an unaffiliated or an affiliated solicitor, KFG may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from KFG's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to KFG by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of KFG's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between KFG and the solicitor, including the compensation to be received by the solicitor from KFG.

## **Item 15            Custody**

KFG shall have the ability to have its advisory fee for each client debited by the custodian on a monthly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. KFG may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that KFG provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by KFG with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of KFG's advisory fee calculation.

**KFG's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

## **Item 16            Investment Discretion**

The client can determine to engage KFG to provide investment advisory services on a discretionary basis. Prior to KFG assuming discretionary authority over a client's account,

the client shall be required to execute an *Investment Advisory Agreement*, naming KFG as the client's attorney and agent in fact, granting KFG full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage KFG on a discretionary basis may, at anytime, impose restrictions, **in writing**, on KFG's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe KFG's use of margin, etc.).

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

- A. Except for client assets managed by *Independent Manager(s)* that maintain proxy voting authority, KFG does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact KFG to discuss any questions they may have with a particular solicitation.

#### **Item 18      Financial Information**

- A. KFG does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. KFG is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. KFG has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: KFG's Chief Compliance Officer, Kevin Korhorn, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**