



STEFFES FINANCIAL, LTD.

Solutions for a Complex World

Form ADV, Part 2A

Client Brochure

The attached Securities and Exchange Commission (SEC) Form ADV, Part 2A, gives information about Steffes Financial, Ltd., and its business.

Version Date: 03-01-2016

This brochure provides information about the qualifications and business practices of Steffes Financial, Ltd.. If you have any questions about the contents of this brochure, please contact us at (913) 722-1111 or by email at: Gerald@SteffesFinancial.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 Steffes Financial, Ltd. is also available on the SEC's website at www.adviserinfo.sec.gov. Steffes Financial, Ltd.'s CRD number is: 134530

Registration does not imply a certain level of skill or training.

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Item 2: Material Changes

There are no material changes in this brochure from Steffes Financial, Ltd.'s last annual update filing on March 10, 2015. Material changes relate to Steffes Financial, Ltd.'s policies, practices or conflicts of interests only.

In the past our firm has offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new rules, we will ensure that you receive a summary of any material changes to this and subsequent Disclosure Brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes no later than April 30 each year. At that time we will also offer or provide a copy of the most current Disclosure Brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4: Advisory Business

A. Description of the Advisory Firm

This firm has been in business since April 15, 2005, and the principal owner is Gerald C. Steffes.

B. Types of Advisory Services

Steffes Financial, Ltd. (hereinafter “Steffes Financial”) offers the following services to advisory clients:

Discretionary Investment Advisory Account Management

Steffes Financial offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Steffes Financial creates an Investment Policy Statement for each client, which outlines the client’s current situation (investment objectives and risk tolerance levels) and then outlines an investment strategy (the Investment Policy Statement). Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

Steffes Financial evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Steffes Financial will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Individual Qualified Retirement Account and Tax-Deferred Annuity Investment Consulting

Steffes Financial provides Retirement Account and Tax-Deferred Annuity Investment Analysis and Asset Allocation Recommendation services to individual qualified retirement account participants and Tax-Deferred Annuity owners on an individual per engagement basis. Steffes Financial provides recommendations and advice to individual plan participants regarding the investment choices within the participant’s qualified retirement plan. Steffes Financial does not undertake any obligation for the implementation of the client's retirement account asset allocation changes. Implementation of any asset allocation recommendations is entirely at the discretion of the client. The client is under no obligation to make any product purchases through Steffes Financial.

Financial Planning

Steffes Financial provides financial planning and/or consulting services to individuals and institutions that are consistent with the clients' financial and tax status, in addition to their risk profile and return objectives. Steffes Financial may also provide general non-securities advice on topics that may include tax and budgetary, estate and business planning.

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt planning. These services are based on hourly fees and the final fee structure is documented in the Financial Planning Agreement.

Qualified Retirement Plan Services

Steffes Financial offers qualified retirement plan services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan services can include, but are not limited to, the following services:

Fiduciary Consulting Services

Steffes Financial provides the following Fiduciary Retirement Plan Consulting Services:

- **Investment Policy Statement Preparation.** Steffes Financial will help you develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. You will have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- **Investment Selection Services.** Steffes Financial will provide you with recommendations of investment options consistent with ERISA section 404(c).
- **Investment Due Diligence Review.** Steffes Financial will provide you with periodic due diligence reviews of the Plan's reports, investment options and recommendations.

For Fiduciary Consulting Services, all recommendations of investment options and portfolios will be submitted to you for your ultimate approval or rejection. For retirement plan Fiduciary Consulting Services, the retirement plan sponsor client or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Fiduciary Consulting Services are not management services, and Steffes Financial does not serve as administrator or trustee of the plan. Steffes Financial does not act as custodian for any client account or have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees).

Steffes Financial acknowledges that in performing the Fiduciary Consulting Services listed above that it is acting as a “fiduciary” as such term is defined under Section 3(21)(A)(ii) of Employee Retirement Income Security Act of 1974 (“ERISA”) for purposes of providing non-discretionary investment advice only. Steffes Financial will act in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Steffes Financial to be a fiduciary as a matter of law. However, in providing the Fiduciary Consulting Services, Steffes Financial (a) has no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of Client’s retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of Client’s retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of Client’s retirement plan or the interpretation of Client’s retirement plan documents, (b) is not an “investment manager” as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the “Administrator” of Client’s retirement plan as defined in ERISA.

If Client has elected to receive only Fiduciary Consulting Services and no Fiduciary Management Services as described under Fiduciary Management Services below, then Steffes Financial and you will acknowledge and agree that we (a) have no responsibility and will not (i) exercise any discretionary authority or discretionary control respecting management of your retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of your retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of your retirement plan or the interpretation of your retirement plan documents, (b) is not an “investment manager” as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the “Administrator” of your retirement plan as defined in ERISA.

Our clients represent that employment of Steffes Financial, and any instructions that have been given to us with regard to the qualified retirement plan are consistent with applicable plan and trust documents. Our clients will agree to furnish Steffes Financial with copies of such governing documents, upon request.

Fiduciary Management Services

If a client uses our Fiduciary Consulting Service, Steffes Financial offers the client our Fiduciary Management Services, which is discretionary investment selection. Steffes

Financial will monitor the investment options of the Plan and add or remove investment options for the Plan. Steffes Financial will have discretionary authority to make all decisions regarding the investment options that will be made available to Plan participants.

If you elect to utilize any of Steffes Financial's Fiduciary Management Services, then Steffes Financial will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to our Fiduciary Management Services, and Steffes Financial hereby acknowledges that it is a fiduciary with respect to its Fiduciary Management Services.

Non-Fiduciary Services

Although an investment adviser is considered a fiduciary under the Investment Advisers Act of 1940 and required to meet the fiduciary duties as defined by the advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since Advisor is not acting as a fiduciary to the Plan as the term "fiduciary" is defined in Section 3(21)(A)(ii) of ERISA. The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Agreement.

Steffes Financial provides clients with the following Non-Fiduciary Retirement Plan Consulting Services:

- Participant Education. Steffes Financial will provide education services to Plan participants about general investment principles and the investment alternatives available under the Plan. Steffes Financial's assistance in participant investment education will be consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment. Steffes Financial will assist you with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.

Steffes Financial will disclose, to the extent required by ERISA Regulation Section 2550.408b-2(c), to you any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we will disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or Plan Administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information will be disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the Plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we will disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

Services Limited to Specific Types of Investments

Steffes Financial generally limits its investment advice and/or money management to mutual funds, exchange traded funds, equities, bonds, fixed income, and debt securities. Steffes Financial may use other securities to help diversify a portfolio.

Sub-Advisory Agreements

Steffes Financial may hire independent third-party investment advisers to aid Steffes Financial in implementing investment strategies for its clients. In certain circumstances, Steffes Financial may allocate a portion of a portfolio to an independent third-party investment adviser ("separate account manager") for separate account management based upon individual client circumstances and objectives, including, but not limited to, client account size and tax circumstances. Upon the recognition of such situations, in coordination with the client, Steffes Financial will hire a separate account manager or enter into a tri-party agreement with the client and separate account manager for the management of those securities.

C. Client Tailored Services and Client Imposed Restrictions

Steffes Financial offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (investment objectives and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Clients may impose written restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent Steffes Financial from properly servicing the client account, or if the restrictions would

require Steffes Financial to deviate from its standard suite of services, Steffes Financial reserves the right to end the relationship.

D. Wrap Fee Programs

Steffes Financial does not participate in any wrap fee programs.

E. Amounts Under Management

Steffes Financial has the following assets under management (rounded to the nearest \$1,000):

Discretionary Amounts:	Non-discretionary Amounts:	Date Calculated:
\$177,184,000	\$ 95,680,000	12/31/2015

Item 5: Fees and Compensation

A. Fee Schedule

Discretionary Investment Advisory Account Management Fees and Qualified Retirement Account Investment Consulting Fees

<u>Annual Percentage</u>	<u>Portfolio Value</u>
1.35% on the first \$250,000	\$0 - \$250,000
1.20% on the next \$250,000	\$250,001 - \$500,000
1.00% on the next \$250,000	\$500,001 - \$750,000
0.80% on the next \$250,000	\$750,001 - \$1,000,000
0.60% on all additional assets	Above \$1,000,00

Steffes Financial generally adheres to the fee schedule above, has a minimum household portfolio size of \$500,000, and a minimum annual fee of \$6,375. However, at the sole discretion of Steffes Financial, fees may be higher or lower and Steffes Financial may accept portfolios less than \$500,000.

Fees are paid quarterly in arrears or in advance based on the client's situation and the sole discretion of Steffes Financial. If fees are billed in arrears, fees are due on the first business day following the quarter-end and are based on the account's asset value as of

the last business day of the quarter being billed. If fees are billed in advance, fees are due on the first business day of the quarter and are based on the account's asset value as of the last business day of the prior calendar quarter. Clients may terminate their contract with thirty days written notice. Fees that are drafted from a client's investment account are reported on the client's brokerage account statement.

Clients will have a period of five (5) business days from the date of signing an investment advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the investment advisory agreement with 30 days written notice. Upon termination, fees will be prorated to the date of termination and if client has paid advisory fees in advance, the unearned portion of the fee will be refunded to the client. If the client's advisory fees are billed in arrears, the pro-rata fee due will be deducted from the client's account or Steffes Financial will issue an invoice to the client for the pro-rated amount of fees due for services provided through the effective date of termination.

For the provision of consulting services to clients who are individual qualified retirement plan participants, fees will be automatically deducted from an alternate account as designated in the Financial Planning Agreement, or if agreed to in advance, those clients who are individual qualified plan participants may request Steffes Financial to bill the client directly rather than have fees automatically deducted from an alternate account. If fees are billed directly to the client, then such fees for Steffes Financial services shall be due within thirty (30) days after the client's receipt of the billing notice. The exact fee charged and billing arrangements for each client will be agreed upon with the client prior to commencing services. The fee and billing arrangements will be detailed in the client's Financial Planning & Investment Consulting Agreement.

When managing ERISA and qualified accounts, Steffes Financial will lower or offset its management fee by the amount of any 12(b)-1 fees and other commissions received in the event such types of compensation are received by Steffes Financial representatives in their individual capacities as registered representatives of Cambridge Investment Research, Inc. (CIR).

The account Custodian may charge fees which are in addition to and separate from the investment advisory service fee. Custodians may charge accounts for various transaction costs, retirement plan and administration fees. In addition, some mutual fund assets deposited in the account may be subject to deferred sales charges and 12b-1 fees and other mutual fund annual expenses as described in the fund's prospectus. Advisory clients should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

Qualified Retirement Plan Fees – Fiduciary Consulting Services

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements. It should be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Steffes Financial.

Steffes Financial will require a minimum plan asset size of \$1,000,000 and a minimum annual consulting fee of \$7,000. However, at our sole discretion, fees may be higher or lower and we may accept plans with assets less than \$1,000,000. Our fees may also be negotiable based upon each client's specific situation, including factors such as, but not necessarily limited to, the size of the qualified retirement plan, the number of plan participants, and the specific services contract for.

Our clients that contract us only for Fiduciary Consulting Services, we will require as consideration for the provisions of the Fiduciary Consulting Services, a service fee on a quarterly basis pursuant to the following schedule:

Fee Schedule for Clients Receiving Fiduciary Consulting Services:

<u>Annual Percentage</u>	<u>Plan Value</u>
0.80% on the first \$500,000	\$0 - \$500,000
0.60% on the next \$500,000	\$500,001 - \$1,000,000
0.40% on the next \$1,000,000	\$1,000,001 - \$2,000,000
0.30% on the next \$3,000,000	\$ 2,000,001 - \$5,000,000
0.20% on all additional assets	Above \$5,000,000

Qualified Retirement Plan Fees – Fiduciary Management Services

Fiduciary Management Services are only available if you are already using the Fiduciary Consulting Services, and the fee for the Fiduciary Management Services will be an additional annual fee of 0.05% of the plan assets (in addition to the Fiduciary Consulting Services Fee Schedule listed above).

For retirement plan sponsors and participants, fees are billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated based on the total market value of your account at the close of the quarter.

Clients can elect to have the fee deducted from their account or billed directly and due upon receipt of the billing notice. If clients elect to have the fee automatically deducted from an existing account, they are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Steffes Financial. We will provide the custodian with a fee notification statement.

The qualified custodian may charge fees which are in addition to and separate from the investment advisory service fee. Custodians may charge accounts for various transaction costs, retirement plan and administration fees. In addition, some mutual fund assets deposited in the account may be subject to deferred sales charges and 12b-1 fees and other mutual fund annual expenses as described in the fund's prospectus. Advisory clients should also note that fees for comparable services vary and lower fees for comparable services may be available from other sources.

In their separate capacities as registered representatives of a broker-dealer, the investment adviser representatives of Steffes Financial may receive 12b-1 fees from certain mutual fund companies for mutual fund purchases made by participants of the Plan. Any 12b-1 fees received by Steffes Financial or its investment adviser representatives will be offset against our stated fee. Any fee offset will be detailed on the invoice we send you. The invoice will detail the amount of the fee offset, the payer of the 12b-1 fee, and the services rendered for the 12b-1 fee.

Steffes Financial does not reasonably expect to receive any other compensation, direct or indirect, for its Services. If we receive any other compensation for such services, we will (i) offset that compensation against our stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

The services will terminate upon thirty (30) days following either party providing the other party with written notice. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

Financial Planning Fees

Depending on the complexity of the situation and the needs of the clients, the hourly rate for financial planning and consulting services is between \$150 and \$300. However, at the sole discretion of Steffes Financial, fees may be higher or lower. Adjustments are typically based on the complexity of the clients' circumstances and the range and number of services provided. Hourly fees are due and payable upon completion of the plan or services and a deposit is sometimes required.

Financial planning and consulting clients will have a period of five (5) business days from the date of signing an agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, the client may terminate the agreement by providing Steffes Financial with written notice prior to delivery of the plan or service. Upon termination, fees will be prorated to the date of termination and based on work performed prior to the receipt of the notice of termination. Steffes Financial will issue an invoice to the client for the pro-rated amount of fees due for services provided through

the effective date of termination, or if the client has prepaid fees, then any unearned portion of the fee that has been prepaid will be refunded to the client.

When financial planning and/or consulting services are offered or provided to clients, there is a potential conflict of interest since there is an incentive for the party offering financial planning or consulting services to recommend products or services for which Steffes Financial, or a related party, may receive compensation. However, financial planning or consulting clients are under no obligation to act upon any recommendations of Steffes Financial or to effect any transactions through Steffes Financial or related party if they decide to follow the recommendations.

B. Payment of Fees

Payment of Discretionary Investment Advisory Account Management Fees and Qualified Retirement Account Investment Consulting Fees

Advisory and consulting fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance or in arrears.

Payment of Financial Planning Fees

Hourly Financial Planning fees are paid via check in arrears with a deposit in advance. No refund policy is necessary for fees charged in arrears. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination.

C. Clients Are Responsible For Third Party Fees

Clients are responsible for the payment of all third party fees (i.e. custodian fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by Steffes Financial. Please also see *Item 12 – Brokerage Practices*.

D. Prepayment of Fees

Steffes Financial collects fees in advance and in arrears. No refund policy is necessary for fees charged in arrears. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Any pro-rated refund of fees paid in advance will be returned within thirty days to the client via check.

E. Outside Compensation For the Sale of Securities to Clients

In certain situations, Steffes Financial associates, in their separate roles as registered representatives with an unaffiliated broker-dealer, accept compensation for the sale of securities to Steffes Financial clients.

1. This is a Conflict of Interest

In certain situations, Steffes Financial and its supervised persons will receive compensation for the sale or servicing of securities or other investment products, including asset based sales charges or services fees from insurance annuity products or mutual funds. This presents a conflict of interest and gives the supervised person and Steffes Financial an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of securities or investment products for which Steffes Financial receives compensation, Steffes Financial will inform the client of the conflict of interest.

2. Clients Have the Option to Purchase Recommended Products From Other Brokers

Clients always have the option to purchase Steffes Financial recommended products through other brokers or agents that are not affiliated with Steffes Financial.

3. Advisory Fees in Addition to Commissions or Markups

Advisory fees that are charged to clients are reduced by a discounted fee to offset any commissions or service fees (if any) received by Steffes Financial associates on securities or investment products recommended to clients.

Item 6: Performance-Based Fees and Side-By-Side Management

Steffes Financial does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7: Types of Clients

Steffes Financial generally provides investment advice and/or management supervisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations or Business Entities

Minimum Account Size

There is an account minimum of \$500,000 for advisory management clients and \$1,000,000 for qualified plan consulting clients, which may be waived by Steffes Financial, based on the needs of the client and the complexity of the situation. However, Steffes Financial may continue to service existing accounts that have values that are below the minimum.

Item 8: Methods of Analysis, Investment Strategies and Risk of Investment Loss

A. Methods of Analysis and Investment Strategies

Steffes Financial's methods of analysis include charting, fundamental, and technical analysis.

Charting - This is a set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

Charting is likely the most subjective analysis of all investment methods since it relies on proper interpretation of chart patterns. The risk of reliance upon chart patterns is that the next day's data can always negate the conclusions reached from prior days' patterns.

Also, reliance upon chart patterns bears the risk of a certain pattern being negated by a larger, more encompassing pattern that has not shown itself yet.

Fundamental - This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume.

Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd.

The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security."

Tactical asset allocation. Allows for a range of percentages in each asset class (such as Stocks = 40-50%). The ranges establish minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

Strategic asset allocation. Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.”

We utilize a Financial Defensive Condition (FIN-DEFCON) Strategy which is a proprietary strategy designed to attempt to identify economic trends that have historically preceded past U.S. economic recessions and changes the target tactical equity asset allocation as the strategy progresses up or down through five graduated levels of defensive readiness. In our FIN-DEFCON research we analyzed a large number of moving average cross-over day combinations since January 1, 1950, to identify the optimum Buy and Sell signals to have used within our unique proprietary software. While this may have been the optimum moving average cross-over days to use in the past, it is unknown what the optimum days to use will be in the future.

The strategy was developed in 2014 and utilizes a quantitative approach to tactical asset allocation that evaluates various economic trends including Treasury bond yields, the Leading Economic Index, the Coincident Economic Index, Unemployment trends and price movements of the S&P 500 Index.

A risk associated with this strategy is that the research utilizes back-tested price movements of the S&P 500 Index. Because the Strategy started in 2014, no actual investors participated in the Strategy during the time presented herein and therefore real trades never occurred. By its nature, back-tested analysis has the benefit of relying on hindsight and does not reflect the impact that material economic and market factors might have had on decision-making if actual clients had been invested in the strategy.

B. Material Risks Involved

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from

losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk. When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in a an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

B. Risks of Specific Securities Utilized

Steffes Financial generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

Item 9: Disciplinary Information

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker/Dealer or Broker/Dealer Representative

Representatives of Steffes Financial are registered securities representatives of Cambridge Investment Research, Inc., a registered broker-dealer, member of the Financial Industry Regulatory Authority ("FINRA"), and Securities Investor Protection Corporation ("SIPC"). In addition, representatives of Steffes Financial are licensed insurance agents with various insurance companies and offer limited tax preparation services.

Gerald C. Steffes is a minority shareholder of Cambridge Investment Research, Inc.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither Steffes Financial nor its representatives are registered as a FCM, CPO, or CTA.

C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests

Representatives of Steffes Financial are registered representatives and licensed insurance agents. From time to time, they will offer clients advice or products from those activities. For Discretionary Investment Advisory Account Management, Steffes Financial will have complete discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent.

Representatives of Steffes Financial, in their capacity as registered representatives of Cambridge Investment Research, Inc., (CIR) may suggest that clients implement recommendations through CIR. If the client so elects, the Representative of Steffes Financial would receive compensation resulting from these securities transactions, presenting the Representative of Steffes Financial with a conflict of interest. Furthermore, in implementing a plan through relationships maintained by the Representatives of Steffes Financial, clients may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services. Steffes Financial always acts in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are advised that they are under no obligation to implement the plan or its recommendations through the Representatives of Steffes Financial in the Representatives' capacity as registered representatives or insurance agents.

Gerald C. Steffes and his spouse own 75% of S&S Business Properties, LLC, which operates and owns commercial real estate at 8655 College Blvd, Overland Park, KS 66210. Steffes Financial leases office space from S&S Business Properties, LLC.

D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections

Steffes Financial may hire independent third-party investment advisers to aid Steffes Financial in implementing investment strategies for its clients. In certain circumstances, Steffes Financial may allocate a portion of a portfolio to an independent third-party investment adviser ("separate account manager") for separate account management based upon individual client circumstances and objectives, including, but not limited to, client account size and tax circumstances. Upon the recognition of such situations, in coordination with the client, Steffes Financial will hire a separate account manager or enter into a tri-party agreement with the client and separate account manager for the management of those securities.

Item 11: Code of Ethics, Participation in Transactions, Personal Trading

A. Code of Ethics

Steffes Financial has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education,

Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

B. Recommendations Involving Material Financial Interests

Steffes Financial does not recommend that clients buy or sell any security in which a related person to Steffes Financial has a material financial interest.

C. Investing Personal Money in the Same Securities as Clients

From time to time, representatives of Steffes Financial may buy or sell securities for themselves that they also recommend to clients. Steffes Financial will always document any transactions that could be construed as conflicts of interest. In all cases, client orders are given priority. Representatives of Steffes Financial seek to ensure that they do not personally benefit from any potential short-term market effects of their recommendations to clients. Representatives of Steffes Financial may also buy or sell a specific security for their own account based on personal investment considerations, which Steffes Financial may not deem appropriate to buy or sell for clients.

D. Trading Securities At/Around the Same Time as Clients' Securities

From time to time, representatives of Steffes Financial may buy or sell securities for themselves at or around the same time as clients. Steffes Financial will not trade material non-mutual fund or non-ETF security positions 5 days prior to or 5 days after trading the same security for clients.

Item 12: Brokerage Practices

A. Factors Used to Select Custodians and/or Broker/Dealers

Steffes Financial Associates will recommend and select which custodian to use. Generally, these recommendations are based on Steffes Financial's perception of the breadth of services offered, and quality of execution. However, the client may pay commissions or fees that are higher or lower than those that may be obtained from elsewhere for similar services.

Custodian's currently reviewed and used are TD Ameritrade and Charles Schwab & Company. Other custodians will be reviewed and considered as deemed necessary.

If clients wish to have a representative of Steffes Financial implement the advice in the representative's capacity as a registered representative, the broker/dealer, Cambridge Investment Research, Inc. (CIR), will be used. CIR has a wide range of approved securities products for which CIR performs due diligence when selecting. CIR's

registered representatives are required to adhere to these products when implementing securities transactions. The commissions (if any) earned for these products may be higher or lower than commissions earned through another broker/dealer.

Cambridge Investment Research, Inc, Equity Participation Plan:

In addition, Gerald C. Steffes has entered into an Equity Participation Plan with Cambridge Investment Research, Inc. (CIR). Under this arrangement, Gerald C. Steffes has the ability to earn a percentage of CIR's overall profit ratio. Gerald C. Steffes is not an officer of CIR. However, Gerald C. Steffes does participate in the Equity Participation Plan due to his affiliation as a registered representative of CIR. This arrangement between Gerald C. Steffes and CIR is a potential conflict of interest between Steffes Financial and its clients in that it may inhibit Gerald C. Steffes' independent judgment concerning the best execution services offered by CIR.

While Steffes Financial has an arrangement with CIR, and the clearing broker/dealers that have contracted with CIR, at least annually, Steffes Financial will review alternative broker/dealers and custodians in the marketplace to ensure CIR and its custodians are meeting Steffes Financial's duty to provide best execution for client accounts. The review will include a comparison to CIR and the currently used custodians which involve evaluating criteria such as overall expertise, cost competitiveness and financial condition. The quality of execution by CIR and custodians will be reviewed through trade journal evaluations or Internet research provided by the custodians. However, best execution does not simply mean the lowest transaction cost. Therefore, no single criteria will validate nor invalidate a custodian, but rather, all criteria taken together will be used in evaluating the currently utilized custodian. The recommendation of CIR is not influenced by any soft dollar services or benefits provided to Steffes Financial.

TD Ameritrade Brokerage Accounts:

Steffes Financial participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA. TD Ameritrade is an independent (and unaffiliated) SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Steffes Financial receives some benefits from TD Ameritrade through its participation in the program.

Through its participation in the TD Ameritrade Institutional program, Steffes Financial may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between Steffes Financial's participation in the program and the investment advice it gives to its clients, although Steffes Financial receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a

trading desk serving Steffes Financial participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Steffes Financial by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by the related persons of Steffes Financial. Some of the products and services made available by TD Ameritrade through the program may benefit Steffes Financial but may not benefit its client accounts. These products or services may assist Steffes Financial in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Steffes Financial manage and further develop its business enterprise. The benefits received by Steffes Financial or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Steffes Financial endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Steffes Financial or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Steffes Financial's choice of TD Ameritrade for custody and brokerage services.

Charles Schwab and Company Brokerage Accounts:

Steffes Financial may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Steffes Financial is independently owned and operated and not affiliated with Schwab. Schwab provides Steffes Financial with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them as long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab Institutional and is not otherwise contingent upon Steffes Financial committing to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For Steffes Financial's clients' accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

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

Schwab Institutional also makes available to Steffes Financial other services intended to help Steffes Financial manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services rendered to Steffes Financial by independent third parties. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third party providing these services to Steffes Financial. Steffes Financial endeavors to act in its clients' best interests and the recommendation or requirement that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Steffes Financial of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

1. Research and Other Soft-Dollar Benefits

There is no minimum client number or dollar number that Steffes Financial must meet in order to receive free research from the custodian or broker/dealer. There is no incentive for Steffes Financial to direct clients to this particular broker-dealer over other broker-dealers who offer the same services. The primary considerations when recommending broker/dealers to clients is best execution and quality of service.

2. Brokerage for Client Referrals

Steffes Financial receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

3. Clients Directing Which Broker/Dealer/Custodian to Use

Steffes Financial will not allow clients to direct Steffes Financial to use a specific broker-dealer to execute transactions. Clients must use a Steffes Financial recommended custodian (broker-dealer). By requiring clients to use a specific custodian, Steffes Financial may be unable to achieve the most favorable execution of client transaction and this may cost clients money over using a lower-cost custodian.

B. Aggregating (Block) Trading for Multiple Client Accounts

Steffes Financial maintains the ability to block trade across accounts but will do so in only certain situations at the discretion of the Advisor of Steffes Financial. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

Item 13: Reviews of Accounts

A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews

Client accounts are reviewed at least annually by Gerald C. Steffes, Christopher T. Stakley or Amy R. White. They are the chief advisors and are instructed to review clients' accounts with regards to their investment policies and risk tolerance levels.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Gerald C. Steffes, Christopher T. Stakley or Amy R. White.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, personal tax or financial status, termination of employment, physical move, or inheritance).

C. Content and Frequency of Regular Reports Provided to Clients

Each client will periodically receive a written report detailing the client's asset allocation and account performance. In addition, brokerage statements are generated no less than quarterly. These statements are sent directly from the account custodian. These statements list the account positions, activity in the account over the covered period and other related information. Clients are also sent trade confirmations following each brokerage account transaction unless confirmations have been waived.

Item 14: Client Referrals and Other Compensation

A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients

Please see the disclosures at *Item 12-Brokerage Practices* for a description of certain benefits received by Steffes Financial related to its recommendation of TD Ameritrade to clients for custody and brokerage services and related to its recommendation of Schwab to clients for custody and brokerage services.

B. Compensation to Non –Advisory Personnel for Client Referrals

Steffes Financial has agreements with solicitors to whom it will pay between 25% to 50% of the fees paid by clients referred to it by solicitors. When applicable, the client will be notified in writing of such agreements.

Item 15: Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

Steffes Financial is deemed to have custody of client funds and securities whenever Steffes Financial is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody that Steffes Financial will ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

For accounts in which Steffes Financial is deemed to have custody, our firm has established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the establishment of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from Steffes Financial. When clients have questions about their account statements, they should contact Steffes Financial or the qualified custodian preparing the statement.

Item 16: Investment Discretion

For those client accounts where Steffes Financial provides ongoing supervision, Steffes Financial maintains a limited power of authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced.

Item 17: Voting Client Securities (Proxy Voting)

Steffes Financial will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian and are responsible for voting proxies. Clients should direct all proxy questions to the issuer of the security. The account custodian will be instructed to send proxies to the account holder's primary address.

Item 18: Financial Information

A. Balance Sheet

Steffes Financial does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients

Neither Steffes Financial nor its management have any financial conditions that are likely to reasonably impair our ability to meet contractual commitments to clients.

C. Bankruptcy Petitions in Previous Ten Years

Neither Steffes Financial nor its management have been the subject of a bankruptcy petition in the last ten years.