

## COVER PAGE

ADV Part 2A Brochure  
IARD Firm #128166  
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This brochure provides information about the qualifications and business practices of Gary Klein Consulting. If you have any questions about the contents of this brochure please contact us at 416-781-6163. The information in this brochure has not been approved or verified by the United States Security and Exchange Commission or by any state securities authority. Additional information about Gary Klein Consulting is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 4 - Advisory Firm**

Gary Klein Consulting was established as a Registered Investment Advisory firm in 2004. Gary A Klein is the president and secretary of the company and makes all advisory decisions. Harriet Eisenkraft is vice president and treasurer and provides back office functions.

The investment approach of the firm is to concentrate almost exclusively on income producing securities. Our strategy for growth is not primarily to buy low and sell high. It is to buy and hold securities which offer continuous cash income which is then either distributed to clients or reinvested in similar types of securities.

## **Item 5 - Fees and Compensation**

Fees are charged as a percentage of assets under control. Typically, this charge is 0.75% per annum, paid quarterly, based on the following calculation: Fees are calculated each month by adding together the previous month's closing value with the current month's closing value, dividing that sum by two, then multiplying that figure by .0075, then dividing that figure by twelve.

These fees are separate from and in addition to any charges which customers may incur by the broker and custodian for transactions or other services.

## **Item 7 - Clients for whom we provide investment advice.**

Gary Klein Consulting provides services for individuals and families. Most of our clients have been with us since 2004 and prior to that were clients of Milton Klein, the father of the current president, for over two decades.

As of October 27, 2021 Gary Klein Consulting had \$14,649,299 assets under management on a discretionary basis.

## **Item 8 - Methods of analysis, investment strategies, and risk of loss**

The investment approach of the firm is to concentrate almost exclusively on income producing securities. These comprise securities traded on major stock exchanges including dividend paying common shares, preferred shares, dividend paying closed end funds, real estate investment trusts, royalty trusts, master limited partnerships, and exchange traded funds. We also invest in municipal bonds, and corporate bonds, some of which are listed with major stock exchanges and some of which are not.

Information about these securities comes principally from public documents available on the internet including company websites, annual and quarterly reports, prospectuses, and SEC disclosures. We also use financial information from The Wall Street Journal, NY Times, and financial websites such as Yahoo, Quantum Online, and others. Analytical reports from brokerage houses are also consulted, as is rating information from the major rating agencies.

All investments involve some risk including the risk of loss of principal. Although there are many possible causal risk environments, the proximate cause of essentially all risk is that buyers may become unavailable to purchase securities at the level expected. In order to incentivize buyers, it becomes necessary to lower the asking price, thus establishing a new, and lower, market price. Below is a more detailed discussion of risks associated with specific types of security investments which we make on behalf of customers. Although we have made an effort to discuss many factors, no list of risks can be completely comprehensive.

### **Corporate bonds:**

*Interest rate risk.* The market value of corporate bonds will generally vary inversely to the movement of interest rates. i.e. If interest rates go up the interim value of the bond will tend to go down. Conversely, if interest rates go down, the interim value of the bond will tend to go up. At maturity, the value will be par regardless of the interim values. Therefore the interim values are particularly relevant when bonds are sold on the market prior to maturity. Bonds with

longer maturity dates (dates further in the future) are usually more at risk than shorter dated bonds.

*Inflation risk.* This is closely associated with interest rate risk because typically increased inflation and increased interest rates occur at the same time. Increased inflation diminishes the purchasing power of the interest received on bond investments. In addition, because of this bond investments will tend to go down in value if inflation increases.

*Default risk.* Corporate bonds are guaranteed by the corporation issuing the bond and by its ability to repay the bond. If a corporation fails and goes out of business it may not have enough assets to repay bond holders.

*Ratings risk.* Corporate debt is often rated by one or more of the various ratings agencies (of which Standard & Poor, Moodys, DBRS and Fitch are the best known.) If the rating of a bond goes down it can have the effect of lowering the market price of those bonds.

*Ownership risk:* A corporation may be sold or may consolidate with another corporation. The bonds associated with that corporation may go down in value depending upon the specific terms of the bond prospectus, the precise terms of the merger or acquisition, and the financial strength of the other company.

*Liquidity risk:* Bonds are generally not traded on a securities exchange, and are dependent upon the bond trading desks of various security dealers for their purchase and sale. If bond traders withdraw from the market it can make it difficult or impossible to sell these bonds. The issue size as well as trading volume of bonds (i.e. how much money was borrowed and how often they change hands) can also affect liquidity. Smaller issues tend to be less liquid.

*Systemic market risk:* Corporate bonds' value can move in concert with the values of other bonds. "High yield" bonds can all go down in value together; "investment grade" bonds can all go down in value together; all corporate bonds as well as municipal and U.S. government bonds can all go down together.

### **Municipal bonds:**

*Interest rate risk.* The market value of municipal bonds will generally vary inversely to the movement of interest rates. i.e. If interest rates go up the interim value of the bond will tend to go down.

Conversely, if interest rates go down, the interim value of the bond will tend to go up. At maturity, the value will be par regardless of the interim values. Therefore the interim values are particularly relevant when bonds are sold on the market prior to maturity. Bonds with longer maturity dates (dates further in the future) are usually more at risk than shorter dated bonds.

*Inflation risk.* This is closely associated with interest rate risk because typically increased inflation and increased interest rates occur at the same time. Increased inflation diminishes the purchasing power of the interest received on bond investments. In addition, because of this bond investments will tend to go down in value if inflation increases.

*Default risk.* Municipal bonds are guaranteed by the specific local entity issuing that bond and by its ability to repay the bond. Although rare, cities and municipalities can declare bankruptcy and renegotiate or default upon their bond obligations (e.g. Detroit). It is even possible that states could do the same.

*Ratings risk.* Municipal debt is often rated by one or more of the various ratings agencies (of which Standard & Poor, Moodys, DBRS and Fitch are the best known.) If the rating of a bond goes down it can have the affect of lowering the market price of those bonds.

*Liquidity risk:* Municipal bonds are not traded on a securities exchange, and are dependent upon the bond trading desks of various security dealers for their purchase and sale. If bond traders withdraw from the market it can make it difficult or impossible to sell these bonds. The issue size as well as trading volume of bonds (i.e. how much money was borrowed and how often they change hands) can also affect liquidity. Smaller issues may be less liquid.

*Systemic market risk:* Municipal bonds' value can move in concert with the values of other bonds. "High yield" bonds can go down in value together; "investment grade" bonds can go down in value together; municipal bonds as well as corporate and government bonds can all go down together.

### **Common shares of individual corporations:**

*Company risk:* Each company's business may expand or contract on a continuing basis. In particular, earnings, or earnings-

per-share could go down which would normally be negatively reflected in its share market price.

*Dividend risk:* The dividends of common shares can be lowered, typically at the discretion of the board of directors. When dividends are lowered it may have an adverse affect upon corporate share price.

*Systemic market risk:* The entire market or a subset of the market (e.g. telecommunications stocks, or resource stocks) can go down in value. Any or all of the individual corporations' stocks can be affected by these changes.

### **Exchange Traded Funds (ETFs):**

*Liquidity risk:* It is the liquidity of the underlying owned securities which is of importance, not the volume of ETF shares which are traded. So long as the underlying securities are regularly traded in ample volume, liquidity risk is minimal.

*Sector risk:* Most ETFs own securities in a particular sector of the market and therefore reflect the ups and downs of that sector. ETFs which are more broadly based will be affected by fluctuations in the broader market. When these sectors go down, the ETF share price will go down as well.

### **Closed End Funds (CEFs):**

*Sector risk:* Most CEFs own securities in a particular sector of the market and therefore reflect the ups and downs of that sector. CEFs which are more broadly based will be affected by fluctuations in the broader market. When these sectors go down, the CEF share price will go down as well.

*NAV:* The spread between the Net Asset Value (NAV) of a CEF and its market price can change, thereby negatively affecting share price.

## **Item 9 - Disciplinary Information**

Gary Klein Consulting has never been involved in any disciplinary hearings of any kind.

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

Neither Gary Klein Consulting nor its officers is involved in any other financial industry activities.

## **Item 11 - Code of Ethics**

A full copy of our Code of Ethics is delineated in our Compliance Manual and is available upon request. The following is a summary:

As professionals serving the public in the area of asset management, all personnel of GKC ("GKC Personnel") must be guided in their actions by the highest ethical and professional standards and subscribe to this Code of Ethics and Professional Standards.

1. All GKC Personnel must at all times reflect the professional standards expected of those engaged in the investment advisory business, and shall comply with all federal and state securities laws and regulations pertaining to investment advisers.
2. All GKC Personnel are required to report any violation of this Code to GKC's CCO.
3. At all times, the interest of GKC clients has precedence over personal interests. This applies particularly in the case of purchases and sales of stocks and other securities that are owned, purchased or sold in our advisory and fiduciary accounts.
4. GKC has adopted Insider Trader Policies that set parameters for the establishment, maintenance and enforcement of policies and procedures to detect and prevent the misuse of material non-public information by GKC Personnel. The Insider Trading Policies are a part of this Code of Ethics and Professional Standards.
5. GKC has adopted Personal Trading Policies that set parameters for the establishment, maintenance and enforcement of policies and procedures to detect and prevent GKC Personnel from taking advantage of their fiduciary relationship with our clients. The Personal



Trading Policies are a part of this Code of Ethics and Professional Standards.

6. GKC Personnel will not accept compensation of any sort for services from outside sources without the specific permission of GKC's President.

7. When any GKC Personnel face a conflict between their personal interest and the interests of GKC clients, he or she will report the conflict to the CCO for instruction regarding how to proceed.

8. The recommendations and actions of GKC are confidential and private matters. Accordingly, it is our policy to prohibit, prior to general public release, the transmission, distribution or communication of any information regarding securities transactions of client accounts except to broker/dealers in the ordinary course of business. In addition, no information obtained during the course of employment regarding particular securities (including internal reports and recommendations) may be transmitted, distributed, or communicated to anyone who is not affiliated with GKC, without the prior written approval of the GKC's President.

9. The policies and guidelines set forth in this Code of Ethics must be strictly adhered to by all GKC Personnel. Severe disciplinary actions, including dismissal, may be imposed for violations of this Code of Ethics and Professional Standards.

10. From time to time, representatives of GKC may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of GKC to buy or sell the same securities before or after recommending the same securities to clients, resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. GKC will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold, and GKC will ensure that clients always get a price no worse than the price received by GKC's representative. Consistent with its fiduciary duty, GKC always

act in the best interest of the client, including in trading at or around the same time as client transactions.

## **Item 12 - Brokerage Practices**

For all of our customers we use major brokerage houses for the custody of securities. Currently all of our customers use Charles Schwab and Co. Inc. Gary Klein Consulting does not receive commission or income from any brokerage house for customer trades, or other customer activities.

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

Securities (and the concomitant portfolios which hold those securities) are reviewed on an ongoing basis. Individual portfolios are reviewed at least once each month.

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

No compensation is paid for client referrals. Our only compensation is based upon assets under control.

## **Item 15 - Custody**

Gary Klein Consulting does not maintain custody of any client securities. Custody is only through major brokerage houses and currently all customers use Charles Schwab and Co. Inc. which provides customers with trading and custodial services as well as monthly statements.

## **Item 16 - Investment Discretion**

Gary Klein Consulting exercises investment discretion for each of our accounts and does not seek or require customer approval for the purchase or sale of securities. Some customers may specify particular securities to be held or purchased.

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

The policy of our company has always been to give customers advice as requested, but to leave proxy votes to their own discretion. Some customers have asked that we exercise these votes on their behalf and we are currently considering providing this service.

## **Item 18 - Financial Information**

Gary Klein Consulting has no financial limitations which would impair its ability to meet contractual and fiduciary commitments to customers.

## **Item 19 - Background Information of Executive Officers**

Prior to 1982 Gary Klein worked as an entrepreneur in small businesses. He then worked in the computer industry in the areas of sales, sales management, and training from 1982 through 2002 during which time he also worked with his father, Milton Klein, on all aspects of Milton Klein's investment advisory business. When Milton Klein retired in 2004, almost all of his customers became customers of Gary Klein Consulting.

Harriet Eisenkraft is the wife of Gary Klein and has worked doing back-office functions since 2004.

Gary Klein Consulting is currently involved in no other businesses besides being an investment advisor.