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KeatsConnelly Services

Firm Brochure Form ADV Part 2A

KeatsConnelly Offices

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Summary of Material Changes

On July 28, 2010, the United States Securities and Exchange Commission (the “SEC”) published “Amendments to Form ADV” which amended the disclosure document that we provide to our clients as required by SEC rules. This Brochure is a document prepared according to the SEC’s amended requirements and rules.

Pursuant to the SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

At the time of this Firm Brochure, our firm does have material changes to disclose.

This Brochure provides information about the qualifications and business practices of Keats, Connelly and Associates, LLC (hereinafter “KeatsConnelly” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us. Our Chief Compliance Officer is Matthew Zienty, who can be reached at (602) 955-5007 or at mattz@keatsconnelly.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. Registration of a Registered Investment Advisor (RIA) or Investment Advisor Representative (IAR) does not imply a certain level of skill or training.

Additional information about Adviser is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique qualifying number, known as a CRD number. The CRD number for KeatsConnelly is 148884.

Table of Contents

Advisory Business	3
Code of Conduct and Ethics	4
KeatsConnelly Services	5
Fees and Compensation	8
Performance-Based Fees and Side-by-Side Management	13
Types of Clients	13
Methods of Analysis, Investment Strategies & Risk of Loss	14
Disciplinary Information.....	16
Other Financial Industry Activities and Affiliations	17
Additional Compensation	18
Participation in Client Transactions and Personal Trading.....	19
Brokerage Practices	20
Brokerage & Custody Expenses	21
Review of Accounts	22
Client Referrals	24
Custody	24
Investment Discretion	24
Voting Client Securities & Legal Proceedings	24
Financial Information.....	25

Advisory Business

Introduction – Who We Are

KeatsConnelly is a “fee-only” financial services firm. “Fee-only” means that we do not accept remuneration in any form, other than the fees we charge directly to our clients. Although KeatsConnelly routinely recommends financial products as part of the planning process, no commission, referral fees, or other forms of compensation are received by KeatsConnelly. KeatsConnelly primarily recommends the use of no-load mutual funds, exchange traded funds (“ETFs”), and outside managers (separately managed accounts) that do not pay KeatsConnelly for commissions, referral fees, or other forms of compensation. KeatsConnelly is neither a law firm nor a public accounting firm. We do not give legal advice. Any opinions we give as part of our review and analyses do not constitute legal advice. You will need to contact an attorney for such advice.

At the time of this Brochure, our firm has \$307 million of regulatory assets under management.

KeatsConnelly Mission Statement – Why We Exist

Our mission is to help individuals from the US and Canada determine and achieve their financial and cross-border lifestyle goals through our role as independent and trusted financial counselors who provide personalized service with uncompromising integrity.

Our Vision Statement – What we Strive For

Our vision is to enrich the lives of our clients and our people and to have a positive impact on our community, profession and workplace. In living our vision, we will be the best wealth management firm in North America.

Code of Conduct and Ethics

KeatsConnelly has adopted a Code of Conduct and Ethics expressing the firm's commitment to ethical conduct. The KeatsConnelly Code of Conduct and Ethics establishes high standards of ethical conduct expected of advisory personnel and compliance with federal and state securities laws. The KeatsConnelly Code of Conduct and Ethics stresses that no person employed by KeatsConnelly shall prefer his/her own interests to those of advisory clients and prohibits the misuse of material non-public information. To supervise compliance with its Code of Conduct and Ethics, KeatsConnelly requires that all employees provide securities holdings reports and quarterly transactions reports of all reportable transactions to the firm's Chief Compliance officer. The KeatsConnelly Code of Conduct and Ethics also provides for sanctions when appropriate.

Clients may obtain a copy of the firm's Code of Conduct and Ethics upon written request by contacting KeatsConnelly.

The Code of Conduct and Ethics includes provisions for all employees:

- To maintain the highest standard of personal and professional integrity, honesty, and fortitude in all public activities so as to inspire and promote public confidence and trust.
- To ensure that undue personal gain is not made from the performance of official duties.
- To respect individual differences of race, sex, national origin, political affiliation, social status, and personal characteristics, realizing that society is enriched and strengthened by its diversity.
- To be thorough and objective in assembling and presenting information and facts.
- To strive continuously to grow in knowledge and skill, be alert and receptive to the ideas and suggestions of colleagues, and contribute to the advancement of our profession.
- To assume responsibility for sharing knowledge with and contributing to the professional growth of our colleagues.
- To treat all of our clients and employees with integrity, respect, and concern for their personal and professional lives, so that they are proud to be associated with KeatsConnelly.

KeatsConnelly Services

KeatsConnelly provides services that support a Canadian and US cross-border lifestyle. The services offered to each client are matched to fulfill the clients' goals and objectives as well as their individual service needs.

Our services are intended to help support an individual or family preparing for a move to the US or Canada or with cross-border financial needs. KeatsConnelly assists in analyzing diverse options for a cross-border lifestyle and works to identify and minimize the financial setbacks typically inherent with such a lifestyle. The services help our clients plot a course through the complexities of living a cross-border lifestyle so that you may enjoy the best options both countries have to offer. Laws are different, taxation needs to be considered, financial and estate issues must be addressed, and immigration options often need to be evaluated. These areas need to be well coordinated to ensure a successful move.

The KeatsConnelly services consist of many different options to meet our clients' needs. We offer services for both US residency and Canadian residency when living a cross-border lifestyle. The services consist of, but are not limited to, preparing for a move from Canada to the US or from the US to Canada, planning services for a Canadian citizen living in the US or a US citizen living in Canada, implementation assistance for strategies that are developed in a cross-border financial plan, ongoing monitoring and maintenance. We also focus on planning services for cross-border business and trust structures. Our clients also enjoy US and Canadian investment management services and US and Canadian income tax preparation so that clients who choose to use these services, along with financial planning, have a coordinated financial strategy that is optimized through the coordination.

As a client of KeatsConnelly, you will work with an experienced team of cross-border financial professionals. We will help guide you through the challenges of living a cross-border lifestyle. You will work directly with a financial professional that will become your family's wealth strategist by being your main point of contact and coordinating with the rest of the KeatsConnelly service team and any other professional services needed to support your lifestyle. Our KeatsConnelly financial professionals are credentialed and experienced cross-border specialists whose top priority is serving your specific wealth management needs.

We offer three levels of service:

Private Client Group Services

Private Client Group services provide clients with access to the full range of KeatsConnelly services for a fixed quarterly charge. *Private Client Group* services are used by families to deal with complexities and responsibilities of wealth. These families are typically involved in multiple businesses and philanthropic ventures which are often visible to the public. Our *Private Client Group* services concept was pioneered to resemble a family office service to address complex financial concerns involving control and succession, family legacy issues, philanthropy, and the overall enhancement and distribution of assets for several generations. The actual

services provided to each client may be customized to fit each client's needs to meet his or her family's goals and objectives.

Some of the benefits of establishing a *Private Client Group* family office service are to (1) ensure privacy and confidentiality, (2) custom tailored financial support to each family's unique requirements, (3) custom tailored investment management strategies, (4) centralized management and recordkeeping, and (5) the integration of complex technical and professional disciplines to enable optimal outcomes.

Wealth Management Group Services

Our *Wealth Management Group* services provide a client with access to a limited range of KeatsConnelly services for a fixed quarterly charge. *Wealth Management Group* services are typically used by families who have cross-border financial service needs and who do not require significant complex strategies. The *Wealth Management Group* services provide assistance in planning for and executing financial strategies which are typically cross-border in nature. The actual services provided to each client may be customized to fit each client's individual needs to meet his or her goals and objectives.

Suites of Services

KeatsConnelly offers a menu of wealth management services which we refer to as "Suites of Services" which are limited-scope engagements to assist our clients with only the services that each client chooses from an available menu. These *Suites of Services* are unbundled to allow the firm's clients the flexibility to step through the process of developing a cross-border financial plan including tax and immigration planning, investment advisory and management services, and tax preparation. The *Suites of Services* are offered in distinct, limited-scope engagements for the services needed at each stage of exploring, developing, implementing, and monitoring a cross-border wealth management strategy, and to serve only those stages that are needed by each client or family.

What are the KeatsConnelly Services?

Services	Private Client Group Services	Wealth Management Group Services	Suites of Services (unbundled)
<i>Financial Planning Services</i>			
Net Worth and Cash Flow Reports	✓	✓	✓
Immigration Planning and Coordination	✓	✓	✓
Assistance with Understanding Taxation Rules	✓	✓	✓
Income Tax Analysis and Tax Reduction Strategies	✓	✓	✓
Cross-Border and Domestic Estate Planning	✓	✓	✓
Planning for Health Care Coverage Needs	✓	✓	✓
Retirement Planning Strategies	✓	✓	✓
Foreign Exchange Strategies	✓	✓	✓
Cost of Living Analyses	✓	✓	✓
Cash Flow Planning	✓	✓	✓
Foreign Real Property Strategies	✓	✓	✓
Education Planning	✓	✓	✓
Risk Management	✓	✓	✓
Implementation Assistance*	✓	✓	✓
Monitoring and Maintenance Services*	✓	✓	✓
Tax and Ownership Strategies for Private Businesses	✓		✓
Executive Compensation and Stock Option Planning	✓		✓
Custom Consultations			✓
Legacy Planning and Family Wealth Education	✓		
Coordinating Trust and Family Entity Administration	✓		
Estate Administration	✓		
Providing Family Office Support	✓		
<i>Investment Management Services</i>			
Investment Policy Statement	✓	✓	✓
Determining Risk Tolerances	✓	✓	✓
Strategy Setting	✓	✓	✓
Portfolio Design	✓	✓	✓
Implementation	✓	✓	✓
Monitoring and Review	✓	✓	✓
Cash Management and Rebalancing	✓	✓	✓
Performance Management and Reporting	✓	✓	✓
Quarterly Reporting	✓	✓	✓
Annual Reviews	✓	✓	✓

Services	Private Client Group Services	Wealth Management Group Services	Suites of Services (unbundled)
Quarterly Reviews	✓		
Coordination with Tax and Planning Strategies	✓	✓	✓
<i>Income Tax Services</i>			
Annual Tax Planning / Projections	✓	✓	
Personal Income Tax Preparation	✓	✓	✓
Business/Trust Income Tax Preparation	✓	✓	✓
Custom Consultations			✓

*The fee structure for Implementation Assistance and Monitoring and Maintenance Services are retainer-based services, even as a part of a Suites of Services contract. This is described in more detail later in this document.

While these are listed as the services that are provided, one of the most essential elements of working with KeatsConnelly is the guidance and support for you and your family provided by group of trusted professionals who are knowledgeable about Canadian and US cross-border wealth management complexities and who can continue to serve you and your family to ensure your family's financial security, to help you live your chosen lifestyle, and legacy.

Fees and Compensation

Private Client Group Services

The KeatsConnelly fees for *Private Client Group Services* are retainer-based fees. The fees are fixed in advance and are charged quarterly in four equal payments per year. The minimum fee for Private Client Group Services is \$75,000 for any new client, and this may be adjusted upwards or downwards if complexities of the client or family situation is significantly different than what was represented when KeatsConnelly prepared a fee quote. Also, if services are required that are outside of the scope of services described in the contract for *Private Client Group Services*, then either the client's fee shall be adjusted upward or downward, or a separate fee shall be charged, for the additional service to be rendered.

New clients agree to pay KeatsConnelly the first quarterly payment upon execution of a client agreement. Regular quarterly billings will be charged in advance of services starting with the second quarter. Clients can pay these charges via a client-authorized automatic brokerage account withdrawal, a post-dated check, or a pre-authorized credit card charge. The quarterly billings will start on the client's anniversary date which will be on the first day of the month following the date the agreement was signed and will continue every three months thereafter.

Factors Determining Private Client Group Services fees:

- The time and effort required, the nature, number and complexity of the issues involved and services chosen by the client to address, and the skill required to perform KeatsConnelly services
- Involvement of other advisors relevant to any legal, technical and/or supporting documentation
- The value we add
- Inflation adjustments in future years
- The nature and longevity of the professional relationship of KeatsConnelly with a client including the use of other advisory services
- Any extra expenses such as travel, preparing, organizing, or collecting client data
- Time constraints or assignments imposed by the client or the client's other advisors

Wealth Management Group Services

The fees for *Wealth Management Group Services* are also retainer-based fees. The fees are fixed in advance and are charged quarterly in four equal payments per year. The minimum fee for Private Client Group Services is \$25,000 for any new client, and this may be adjusted upwards or downwards if complexities of the client or family situation is significantly different than what was represented when KeatsConnelly prepared a fee quote. Also, if services are required that are outside of the scope of services described in the contract for *Wealth Management Group Services*, then either the client's fee shall be adjusted upward or downward, or a separate fee shall be charged, for the additional service to be rendered.

New clients agree to pay KeatsConnelly the first quarterly payment upon execution of a client agreement. Regular quarterly billings will be charged in advance of services starting with the second quarter. Clients can pay these charges via a client-authorized automatic brokerage account withdrawal, a post-dated check, or a pre-authorized credit card charge. The quarterly billings will start on the client's anniversary date which will be on the first day of the month following the date the agreement was signed and will continue every three months thereafter.

Factors Determining Wealth Management Group Services fees:

- The time and effort required, the nature, number and complexity of the issues involved and services chosen by the client to address, and the skill required to perform KeatsConnelly services
- Involvement of other advisors relevant to any legal, technical and/or supporting documentation
- The value we add
- Inflation adjustments in future years

- The nature and longevity of the professional relationship of KeatsConnelly with a client including the use of other advisory services
- Any extra expenses such as travel, preparing, organizing, or collecting client data
- Time constraints or assignments imposed by the client or the client's other advisors

Financial Planning Suites of Services

The fees for most of the *Financial Planning Suites of Services* are fixed cost services charged over a period of quarters, depending on the expected length of time required to perform the work. These fees are fixed in advance and are charged at the beginning of each calendar quarter, with an adjustment for the stub period from the date of the contract to the end of the calendar quarter in which the contract begins. If the services are not completed by the time the last payment is due, and the work has been delayed or extended because of additional complexities or delay by a client that were unexpected when the contract was entered into, then the quarterly fees will continue until such time the work is complete. Clients can pay the fees via a client-authorized automatic brokerage account withdrawal, a post-dated check, or a pre-authorized credit card charge. The period of time it takes to perform a service is related to the complexity of the client's situation. The charges for the Suites of Services that are fixed cost services vary based on:

- The time and effort required, the nature, number and complexity of the issues involved and services chosen by the client to address, and the skill required to perform KeatsConnelly services
- Involvement of other advisors relevant to any legal, technical and/or supporting documentation
- The value we add
- The nature and longevity of the professional relationship of KeatsConnelly with a client including the use of other advisory services
- Any extra expenses such as travel, preparing, organizing, or collecting client data
- Time constraints or assignments imposed by the client or the client's other advisors

The fixed cost services are typically services involved in preparing and completing various suites of services that, when combined, serve as a financial plan for the client. Once the financial plan

is complete and all fees for preparing the financial plan are paid, the fee for using KeatsConnelly for implementation of the plan (the “Implementation Assistance” service suite) is an ongoing retainer-type fee which is fixed in advance and charged quarterly in four equal payments per year until implementation is complete. Once implementation is complete, ongoing maintenance and monitoring (the “Monitoring and Maintenance Service” suite) is also an ongoing retainer type fee that is fixed in advance and charged quarterly in four equal payments per year.

Investment Management Suites of Services

The fees for investment management through a contract with a client for *Investment Management Suites of Services* are based on a percentage of assets under management to KeatsConnelly. The management fees shall be paid quarterly, in arrears, based on the value of the account at the end of each calendar quarter. An adjustment for any stub period from the date of when assets are under management to a quarter end or from the end of a quarter to the date of cessation of work will be prorated and charged to the client. The balance of any fees paid is considered advance payment for services to be rendered over a period not exceeding six months.

Finance charges of 1.5% per month will accrue on outstanding balances payable that are more than thirty (30) days in arrears. KeatsConnelly reserves the right to unilaterally change or waive finance charges depending on the general interest rates of given a client’s circumstances. If a client account becomes more than sixty (60) days past due, KeatsConnelly reserves the right to cease all work on a client’s behalf until the account is paid in full (including finance charges), or other arrangements satisfactory to KeatsConnelly are made. Upon the cessation of work, the client assumes responsibility for any adverse consequences of such, including interest and penalties to tax authorities.

Investment Management Fees (US\$)		
Annual Fee	Range	
.90%	Assets up to:	\$500,000
.75%	\$500,001	\$2,000,000
.60%	\$2,000,001	\$5,000,000
.50%	\$5,000,001	\$10,000,000
Negotiable	Assets over:	\$10,000,000

The minimum annual fee is \$3,000.

The fee is calculated on the assets under management at the end of each calendar quarter. The fee is not charged on the basis of a share of capital gains or capital appreciation of the funds of an advisory client (§ 205(a)(1) of the Investment Advisors Act of 1940, as amended).

KeatsConnelly, as a matter of firm policy, does not charge any performance-based fees for its investment management services.

All fees paid to KeatsConnelly that include investment management services are separate and distinct from the fees and expenses charged by mutual funds, separate account managers, and ETFs to their shareholders. These fees and expenses are described in each fund's, ETF's or manager's prospectus or contract. These fees will generally include a management fee, other fund expenses, and a possible fee for distribution of mutual funds. A client could invest in some, but not all, of the mutual funds or ETFs directly, or with a separate account manager directly, without the services of KeatsConnelly. In that case, the client would not receive the services provided by KeatsConnelly that are designed, among other things, to assist the client in determining which mutual funds, ETFs, and/or separate account managers are appropriate to each client's financial condition and objectives.

Clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any commissions, custody fees, transaction charges or mark-ups/mark-downs imposed by a broker-dealer with which Keats Connelly effects transactions for a client's account(s). As a matter of firm policy and practice, KeatsConnelly will not charge or earn advisory fees in excess of \$1,200 more than six months in advance of the services rendered.

Income Tax Suites of Services

Income tax services are provided through our affiliated company, Cross Border Tax & Accounting, LLC. When income tax services are provided through an *Income Tax Suite of Services*, the charges for the income tax services are generally billed hourly, in arrears, based on hourly billing rates for the professionals and employees providing the work. Additional charges for incidental costs may also be charged. These hourly charges are billed quarterly, on each calendar quarter, for services provided in the preceding quarter.

Consultative (Hourly) Advice

KeatsConnelly generally does not provide hourly consultation services for non-KeatsConnelly clients (clients who have not engaged KeatsConnelly or its affiliated companies for services through a Private Client Group Service, a Wealth Management Group Service, or any of the Suites of Services as described above. However, if an hourly consultation is agreed to be provided, the cost for a consultation is \$350 per hour with a one hour minimum charge.

Negotiability of Fees

In certain limited circumstances, KeatsConnelly fees may be negotiable.

Termination of Advisory Relationship

A client agreement may be terminated upon thirty (30) days written notice at any time, for any reason, by either party giving notice to the other. KeatsConnelly will immediately refund any prepaid or unearned fees within sixty (60) days of the date of termination. The client will pay KeatsConnelly for any amount due for services rendered until the date of termination. Any termination during the first year of an agreement for Wealth Management Group Services or Private Client Group Services will be subject to a minimum retainer fee equaling two quarters to account for the work involved in establishing the client relationship including initial set-up and preparation of a client's financial plan. Notices are to be provided to each party at its last known address. After six months, we will pro-rate the fee based on the date of termination if the fee being billed is based on a quarterly retainer or fee-based type of service.

Performance-Based Fees and Side-by-Side Management

KeatsConnelly, as a matter of firm policy and practice, does not charge any performance-based fees for its investment management services. KeatsConnelly fees are calculated as described above and are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (§205(a)(1) of the Investment Advisors Act of 1940, as amended).

Side-by-side management refers to multiple client relationships where KeatsConnelly manages advisory client relationships and portfolios on a simultaneous basis for individuals, businesses, institutions and also mutual funds and/or hedge fund. In such circumstances, potential conflicts of interest may arise by and between the clients and the mutual and hedge funds, e.g., performance fee arrangements. We do not have these relationships, so we do not have side-by-side management potential or actual conflicts of interests as a result of these types of relationships.

KeatsConnelly has not in the past nor currently does not manage any client relationships for mutual funds or hedge funds or charge any performance fees.

Types of Clients

KeatsConnelly offers and provides investment advisory services, as well as other services, to individuals, typically high net worth individuals, families, corporations, and other business entities seeking the personalized investment advisory services, as well as other services.

Methods of Analysis, Investment Strategies & Risk of Loss

Methods of Analysis

KeatsConnelly selects and reviews funds, managers, companies, and securities for its clients' portfolios using various quantitative and qualitative analyses which are based on several inputs such as, but not limited to, the following: a comparison of fees, returns, and universe coverage of funds; interviews with fund company representatives and portfolio managers; review of published research, fund reviews, and news; review of regulatory disclosures; investment committee discussions; and comparison of investment fund philosophy to the firm's investment beliefs.

As part of our methods of analysis, we may use some or all of the following:

- **Fundamental Analysis:**

Fundamental analysis involves the selection, evaluation, and interpretation of financial data and other pertinent information to assist in evaluating the operating performance and financial condition of a fund, a fund manager, a company, a country, or an industry. For example, the operating performance of a company is a measure of how well a company has used its resources – its assets, both tangible and intangible – to produce a return on its investment. The financial condition of a company is a measure of its ability to satisfy its obligations, such as the payment of interest in a timely manner.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the security.

- **Qualitative Analysis:**

As a part of our fundamental analysis, we subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

- **Quantitative Analysis:**

We may use mathematical models in an attempt to obtain more accurate measurements of a fund, a fund manager, a country, an industry, or a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Asset Allocation

The purpose of the asset allocation is to diversify funds and other investments into asset classes (stocks, bonds, and liquid reserves) according to the client's risk profile and to hedge against uncertainty. Implicit in this approach is that the total portfolio is more important than the underlying securities.

A risk of asset allocation is that the client may not participate in sharp increases in a security, industry or market sector.

Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

This risk can be, and is, minimized by periodic rebalancing the portfolio back to the agreed upon asset allocation.

Risks for all Forms of Analysis

The markets are subject to the risks of the unforeseen, including political events, terrorist attacks, fraud, bubbles and panics—more generally, the uncertainty produced by the fact that the future is unknown.

In addition, markets are unforgiving and can be perverse and irrational over the short or longer period.

Absolute loss can also occur when a client panics and sells out of fear when the market experiences a significant downward movement, only waiting to reinvest when the market recovers. When experiencing market volatility, a client might not have the emotional strength or discipline to ride through the inherent volatility of the market.

Our securities analysis methods for the securities we recommend, purchase and sell, are assisted by but do not rely entirely upon the assumption that the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. Factored into our decision-making process is the risk of fraud or that the reporting data may be incorrect, and thus there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Investment Strategies

We also use the following strategies in managing client portfolios:

- **Long-Term Purchases:**

We purchase securities with the idea of holding them in a client's portfolio for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this

because we want exposure to a particular asset class over time, regardless of the current projection for this asset class or security.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantages of short-term volatility that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

- **Short-Term Purchases:**

We rarely, but may, purchase securities with the idea of selling them within a relatively short time (“short time” is defined as less than one year).

A risk in a short-term purchase strategy is that, should the anticipated price increase does not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. Some investments may impose a short-term redemption fee if not held for the required minimum of time. Additionally, short-term holding periods (less than one year and a day) do not receive the more favorable long-term capital gains tax rate.

- **Margin Transactions:**

We will not recommend or utilize margin as part of our investment strategies, except at the client’s unsolicited request.

- **Option Writing:**

As a matter of policy and practice, we will not use options or option strategies as an investment strategy for our clients. KeatsConnelly may use options to protect concentrated stock positions for short periods of time. This use of options is more like an insurance policy than as a way of generating returns.

The risk of writing options on concentrated stock positions is that the stock price will remain steady or increase, making the option worthless.

For All Strategies

Investments in securities are not guaranteed, and clients may lose money on their investments.

We make significant efforts and inquiries to help us understand our client’s tolerance for risk and any changes in their financial objectives and circumstances. We also request that clients notify us of any such changes promptly.

Disciplinary Information

Our firm, its principals and associated persons have no disciplinary, regulatory or legal events that require disclosure.

Other Financial Industry Activities and Affiliations

Keats, Connelly and Associates, LLC (“KeatsConnelly”) is a subsidiary of Keats, Connelly and Associates, Inc., which is in turn owned by Robert F. Keats and Dale A. Walters. KeatsConnelly was formed and registered in January 2009 as a new advisory firm and to transition Keats, Connelly and Associates, Inc.'s advisory business to KeatsConnelly. The transition was completed in 2010, and Keats, Connelly and Associates, Inc. was de-registered as a registered investment advisory firm with the SEC. Keats, Connelly and Associates, Inc. continues to exist as the parent company of KeatsConnelly as the majority and as managing member. Because Keats, Connelly and Associates, Inc. is the majority owner of KeatsConnelly, most of the profits earned will accrue to the principals of Keats, Connelly and Associates, Inc.

Cross Border Tax & Accounting, LLC

Cross Border Tax & Accounting, LLC ("CBTA") is wholly owned by KeatsConnelly. In 2011, CBTA was de-registered as a registered investment advisory firm with the SEC and now only provides tax planning and tax preparation services for U.S. and Canadian residents or citizens.

KeatsConnelly may refer prospective clients to CBTA. Likewise, CBTA may refer prospective clients to KeatsConnelly. No prospective client is obligated to retain either KeatsConnelly or CBTA and no referral fees are paid by either firm to the other for any client referrals.

Because KeatsConnelly owns CBTA, profits earned by CBTA will accrue to the benefit of KeatsConnelly and thus create a conflict of interest. However, clients of KeatsConnelly will be able to make separate determinations as to whether to use CBTA's tax planning and preparation services and may choose to use another service provider of their choice.

KeatsConnelly ULC (Registered Portfolio Manager)

KeatsConnelly is also the parent company and owner of KeatsConnelly ULC. KeatsConnelly ULC is a Registered Portfolio Manager to serve Canadian resident cross-border investment management clients from its office headquartered in Calgary, Alberta. The firm is registered with the Alberta Securities Commission (ASC), Ontario Securities Commission (OSC), British Columbia Securities Commission (BCSC), and the Saskatchewan Securities Commission (SSC).

Because KeatsConnelly owns KeatsConnelly ULC, the profits earned by KeatsConnelly ULC will accrue to the benefit of KeatsConnelly and thus create a conflict of interest. However, clients of KeatsConnelly ULC will be able to make separate determinations as to whether to use any services with KeatsConnelly.

National Advisor Holdings, Inc.

Principals of Keats, Connelly and Associates, Inc. (Robert Keats and Dale Walters) are shareholders of National Advisor Holdings, Inc. ("NAH"), a Delaware corporation organized in August of 1999. Such persons hold less than 1.0%, in the aggregate, of the outstanding stock of NAH. NAH has chartered an institution through the Office of Thrift Supervision known as National Advisers Trust Company ("NATC"). NATC provides trust services to clients of registered investment advisory firms, such as KeatsConnelly, across the United States. Robert F. Keats is a member of the NATC Board of Directors and Audit Committee.

Because principals of Robert Keats and Dale Walters have an interest in NAH, and therefore indirectly have an interest in NATC, a small amount of the fees earned by NATC will accrue to the benefit of the principals and thus create a conflict of interest. However, clients of KeatsConnelly will be able to make their own determination as to whether to use trust services to be provided by NATC and may be able to choose to use another fiduciary and still retain KeatsConnelly to provide the investment advice to the client in the manner currently used.

KeatsConnelly may and does recommend NATC to certain clients for custody, trustee and brokerage when KeatsConnelly determines NATC's services may be appropriate for those clients.

Additional Compensation

KeatsConnelly is a "fee only" financial services firm. We do not accept remuneration, in any form, other than the disclosed fees we charge.

Although KeatsConnelly routinely recommends financial products as part of the planning process, no commissions, referral fees or other forms of compensation are received by KeatsConnelly from providers of the financial products. We primarily recommend the use of no-load mutual funds and exchange traded funds ("ETFs"). We also may recommend separately managed accounts with investment managers who have specialized investment strategies that fit our clients' risk tolerance and investment needs.

The officers and principals of KeatsConnelly, and as owners of its affiliated companies, devote substantially all their time and efforts to KeatsConnelly and the professional services provided by KeatsConnelly to our clients.

These individuals do receive separate and distinct compensation in their capacities as officers, members and owners of the KeatsConnelly affiliated firms. The receipt of this additional compensation and their responsibilities to the KeatsConnelly affiliated firms does present a potential conflict of interest to the extent the affiliated firms' services may be recommended to KeatsConnelly clients. However, clients are under no obligation to engage the services of KeatsConnelly, or any of the affiliated firms, and are free to select any professional investment firm of their choice.

Clients should be aware that the receipt of any additional compensation by KeatsConnelly and its management persons creates a conflict of interest that may impair the objectivity of KeatsConnelly and these individuals when making advisory recommendations.

KeatsConnelly endeavors at all times to put the interests of our clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for KeatsConnelly and management persons to earn compensation from advisory clients in addition to KeatsConnelly advisory fees;
- We collect, maintain and document accurate and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our management conducts regular reviews of each client portfolio to verify that all recommendations made to a client are appropriate for the client's needs and circumstances;
- We require that employees seek prior approval of any outside employment activity so that KeatsConnelly may ensure that any conflicts of interests in such activities are disclosed and properly addressed;
- We periodically monitor any outside employment activities to verify that any conflicts of interest continue to be properly addressed; and
- We educate our employees about the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Participation in Client Transactions and Personal Trading

KeatsConnelly or individuals associated with or employed by KeatsConnelly ("affiliates") may buy or sell securities identical to or different than those recommended to clients. KeatsConnelly or any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

KeatsConnelly has also established the following procedures to ensure its fiduciary responsibilities:

- A member, officer or employee of KeatsConnelly shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment or the employment of any clients unless the information is also available to the investing public on reasonable inquiry. No person of KeatsConnelly shall prefer his or her own interest to that of any advisory client.
- KeatsConnelly maintains records of securities holdings and transactions for itself, and anyone associated with the KeatsConnelly advisory practice. The Chief Compliance Officer reviews these holdings and transactions on a regular basis.

- KeatsConnelly emphasizes the unrestricted right of the client to select and choose any broker or dealer, custodian, accounting firm or other professionals a client wishes.
- KeatsConnelly requires that all affiliated persons or employees act in accordance with all applicable Federal and State regulations governing registered investment advisory firms.
- Any associated persons or employees not in observance of the above may be subject to termination.

Brokerage Practices

KeatsConnelly typically has the discretionary authority to determine the broker-dealers to be used and the commission rates to be paid for advisory client transactions.

Selection of Broker-Dealers

The factors involved in recommending and selecting brokerage relationships for effecting client brokerage transactions and custody services include, but are not limited to: relative trading costs, quality of executions, responsiveness, services and amenities available to brokerage clients, availability and reliability of client data transfer and reporting from the broker to KeatsConnelly, quality of services to existing KeatsConnelly clients, and quality of services to KeatsConnelly professional and administrative staff.

KeatsConnelly generally utilizes the following firms and for clients in need of brokerage and custodial services recommends Charles Schwab & Company, Fidelity, RBC Advisor Services or National Advisors Trust Company. As part of these programs, KeatsConnelly, and its clients, receive benefits that it would not receive if it did not offer investment advice.

Direction of Brokerage

In addition, some clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker and they will instruct KeatsConnelly to execute all transactions through that broker. Note, that not all brokers will allow us to execute transactions through them. In the event that a client directs KeatsConnelly to use a particular broker or dealer, it should be understood that under those circumstances, KeatsConnelly will not have authority to negotiate commissions, obtain volume discounts, monitor holdings in the KeatsConnelly portfolio accounting system, and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges may exist between the commissions charged to other clients.

In addition, brokers or dealers that KeatsConnelly recommends or selects to execute transactions may from time to time refer clients to the firm.

KeatsConnelly will not make formal or informal commitments to any broker or dealer to compensate that broker or dealer through brokerage transactions for client referrals; however, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and the interest KeatsConnelly has in receiving future referrals.

Brokerage & Custody Expenses

For accounts where KeatsConnelly clients are maintained in custody at Schwab, Fidelity or NATC, Schwab, Fidelity and NATC will not charge the client separately for custody but will receive compensation from KeatsConnelly clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab, Fidelity or NATC.

Schwab, Fidelity and NATC will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab, Fidelity or NATC. Schwab, Fidelity and NATC's fees for trades executed at other broker-dealers are in addition to the other broker-dealers' fees.

KeatsConnelly acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab, Fidelity or NATC may be executed through a different broker-dealer than trades for other clients of KeatsConnelly.

Thus, trades for accounts custodied at Schwab, Fidelity or NATC may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

For accounts where KeatsConnelly clients maintained in custody at National Advisors Trust Company ("NATC"), NATC will charge the client separately for custody (currently \$5 per month, but waived for accounts having \$100,000 in market value in standard assets) and will receive compensation from KeatsConnelly clients in the form of commissions or other transaction-related compensation on securities trades executed through NATC. NATC does also charge for trustee services and may have additional incidental charges associated with trust or custody services. NATC will also receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers used by NATC. NATC's fees for trades executed at broker-dealers are in addition to the other broker-dealers' fees. KeatsConnelly acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at NATC may be executed through a different broker-dealer than trades for other clients of KeatsConnelly. Thus, trades for accounts

custodied at NATC may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Research and Soft Dollar Practices

KeatsConnelly, as a matter of firm policy and practice, does not and has not directed any client trades for any research, research-related products or services, or other direct or indirect compensation, from brokers under any formal or informal soft dollar arrangements.

Aggregation of Orders

KeatsConnelly may manage advisory accounts on a non-discretionary basis, which require prior client approval before placing trades.

For those clients, transactions may not be able to be aggregated with other client trades and may also be placed after other clients' or associated person's trades because of delays in obtaining client approvals.

In view of this, non-discretionary client trades will be placed later and may not receive best execution and may receive higher or lower execution prices for trades than other clients.

Allocation of Investment Opportunities

As a matter of policy, KeatsConnelly seeks to allocate investment opportunities and transactions on a fair and equitable basis for all clients over time and to not favor certain clients over others.

In the unlikely event that limited investment opportunities or transactions would need to be allocated among advisory clients, our firm would allocate the investments or transactions fairly, equitably, and typically on a pro-rata basis. As a matter of investment policy and practice, KeatsConnelly does not seek or participate in initial public offerings.

Review of Accounts

Reviews of Client Portfolios

Clients receiving Private Client Group Services, Wealth Management Group Services, or Investment Management Services described in the Firm Brochure, have their portfolio holdings reviewed on an ongoing and regular basis with formal reviews conducted at least annually. Rebalancing of asset class target percentages also may occur each fiscal quarter. Accounts are also reviewed from an income tax standpoint at least annually. In addition to quarterly reviews, changes in client circumstances or substantial changes in the external investment environment will occasion additional reviews at the option of the client.

Financial planners and other client relationship managers are primarily responsible for advising on and monitoring the client's overall financial situation.

The KeatsConnelly Investment Committee is responsible for formulating investment guidelines for client portfolios and selecting investment vehicles for client accounts, while assisting in monitoring the external investment environment and monitoring client portfolios

In addition to serving the clients, financial planners and other client relationship managers may also perform additional significant administrative, professional and research duties for KeatsConnelly.

Different individuals work concurrently on client relationships, in most cases where the client is either a Private Client Group Services or a Wealth Management Group Services client and who also utilizes the investment management services of KeatsConnelly.

The KeatsConnelly formal in-house review procedure for portfolio reviews combines firm investment guidelines with client goals and circumstances, as well as annual reviews for Investment Policy Statements. A Senior Planner or Senior level professional reviews the work of Staff Planners and other client relationship managers.

Client Reporting

KeatsConnelly provides client written reports as to the status of each client's investment account on a quarterly basis. Such reports include a description of all investments held in the client's account and the market value of such investments as of the date of the report, summaries of deposits, withdrawals, realized and unrealized capital gains, investment income and dividends, and management fees paid. The report also provides time-weighted rates of return according to the Bank Administration Institute ("BAI") method for the portfolio.

Generally, KeatsConnelly meets with clients at least annually and reviews a client's account, performance and Investment Policy Statement, and any changes in the financial goals of the client. If necessary, KeatsConnelly will revise the financial strategy of a client and obtain the approval of the client before implementation of such changes.

Monthly statements of accounts including holdings, values and other information are prepared and distributed by the broker-dealer, fund manager, investment sponsor, or custodian.

Other periodic reports related to a client's investment management services are prepared quarterly, semi-annually or annually and are described above.

Client Referrals

KeatsConnelly has firm practice and policy not to compensate any independent or third party individuals or entities for introducing any clients to KeatsConnelly for advisory services.

KeatsConnelly may compensate KeatsConnelly officers or employees through increased compensation for introducing new clients to the firm. Any such compensation paid to a KeatsConnelly individual does not increase the advisory fees for KeatsConnelly services.

Custody

KeatsConnelly is deemed to have “constructive custody” under relevant regulatory guidelines as a result of our firm’s authority from certain clients for KeatsConnelly to directly debit client advisory fees from their custodian accounts consistent with industry practices and regulatory guidelines.

Clients will receive quarterly statements from KeatsConnelly and should carefully review each statement to ensure that all account transactions, holdings and values are correct and current.

We urge clients to compare our firm’s statements with the statements received directly from your independent brokerage or bank qualified custodian.

Investment Discretion

For discretionary clients, KeatsConnelly requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

Voting Client Securities & Legal Proceedings

Proxy Voting

KeatsConnelly maintains a written Proxy Policy & Procedures, which reflects the firm's duty to act as a fiduciary to vote proxies in the best interests of our clients. For ERISA plan clients, proxies are voted solely in the best interests of the plan participants and beneficiaries.

Certain clients have expressly retained proxy voting authority and in such instances, KeatsConnelly has no proxy voting responsibility and may not take any action regarding those clients' proxies.

In the event of any actual or potential conflicts of interests in the voting of any client proxy(ies), KeatsConnelly will make appropriate disclosures to clients and either request that the client vote the proxy(ies), abstain from voting or vote the client proxies, depending on the circumstances.

KeatsConnelly maintains relevant and appropriate proxy records as part of the firm's Proxy Policy & Procedures. Our Proxy Policy & Procedures and information about the voting of a client's proxies, where KeatsConnelly has proxy voting responsibility, are available to a client upon written request.

Legal Proceedings

Our firm may also assist clients with appropriate research or appropriate information to assist client with any filings for legal proceedings, e.g., class actions, reorganizations, bankruptcies, etc., relating to any portfolio securities.

Financial Information

Neither KeatsConnelly nor its principals have any financial events or proceedings to disclose.

Notice Offering of Disclosure Document – Form ADV Part 2B

The KeatsConnelly ADV Part 2B Brochure supplement is available by request in either print or electronic format by contacting:

Matthew Zienty, Chief Compliance Officer at
mattz@keatsconnelly.com or by calling 800-678-5007

The ADV Part 2B disclosure document outlines key personnel, their education and business background, and any reported disciplinary history.