

Disclosure Brochure

Kite and Key

Asset Management LLC

March 19, 2013

This brochure provides information about the qualifications and business practices of Kite and Key Asset Management, LLC (hereinafter “Kite and Key” or the “firm”). If you have any questions about the contents of this brochure, please contact Brian H. Person at (484) 432-3761. 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 the firm is available on the SEC’s website at www.adviserinfo.sec.gov.

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Item 2. Material Changes

In this Item, Kite and Key is required to discuss any material changes, which have been made to the brochure since the last annual amendment. This represents the initial filing and as such, Kite and Key does not have any required disclosures to this Item.

Item 3. Table of Contents

Item 1.	Cover Page.....	0
Item 2.	Material Changes.....	1
Item 3.	Table of Contents.....	2
Item 4.	Advisory Business.....	3
Item 5.	Fees and Compensation.....	6
Item 6.	Performance-Based Fees and Side-by-Side Management.....	9
Item 7.	Types of Clients.....	10
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9.	Disciplinary Information.....	15
Item 10.	Other Financial Industry Activities and Affiliations.....	16
Item 11.	Code of Ethics.....	17
Item 12.	Brokerage Practices.....	18
Item 13.	Review of Accounts.....	21
Item 14.	Client Referrals and Other Compensation.....	22
Item 15.	Custody.....	23
Item 16.	Investment Discretion.....	24
Item 17.	Voting Client Securities.....	25
Item 18.	Financial Information.....	26

Item 4. Advisory Business

Kite and Key was founded in March of 2013 and as of the publishing of this Brochure, has filed to do business as an SEC registered investment adviser. The firm's current principal owner, Brian H. Person, formed Kite and Key to provide investment advisory and investment management services to individual and institutional clients. The firm specializes in providing multi-asset, risk-exposure diversified strategies with built-in risk controls that are designed to perform irrespective of the economic environment.

Prior to engaging Kite and Key to provide any of the foregoing investment advisory services, clients will generally enter into one or more written agreements with Kite and Key setting forth the terms and conditions under which Kite and Key renders its services (collectively the "Agreement").

The firm is a newly formed entity and as such does not currently have clients and/or assets under management. Once registered with the SEC, the firm intends to solicit discretionary and non-discretionary investment business from both individuals, and institutions.

This Disclosure Brochure describes the business of Kite and Key. Certain sections will also describe the activities of Supervised Persons. Supervised Persons are any of Kite and Key's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Kite and Key's behalf and is subject to Kite and Key's supervision or control.

Investment Management

Kite and Key will manage all or a portion of its clients' assets on a discretionary or non-discretionary basis. Kite and Key will primarily recommend or allocate clients' investment management assets among exchange-traded funds ("ETFs"), mutual funds, individual debt and equity securities, derivatives, and/or alternative investment vehicles in accordance with the clients' individual investment objectives. Kite and Key may recommend that certain clients invest in private placement securities, which may include, without limitation, debt, equity, and/or pooled investment vehicles when consistent with the clients' investment objectives. Kite and Key may also provide advice about any legacy positions or investments otherwise held in clients' portfolios.

Kite and Key also may render investment management services to clients relative to other products that may not be held by the client's primary custodian. In so doing, Kite and Key either directs or recommends the

allocation of client assets among the various investment options that are available with the product, or provides an opinion thereon. Client assets are maintained at the specific custodian designated by the product. Kite and Key generally tailors its advisory services to the individual needs of clients within the spectrum of Kite and Key's prevailing investing and risk management philosophies. Kite and Key consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Kite and Key seeks to ensure that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify Kite and Key if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Kite and Key's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be in only U.S. securities) if, in Kite and Key's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

Use of Independent Managers

As mentioned above, Kite and Key recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("Independent Managers"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the Independent Managers are set forth in a separate written agreement between Kite and Key or the client and the designated Independent Managers. Kite and Key renders services to the client relative to the discretionary and/or non-discretionary selection or recommendation of Independent Managers. Kite and Key also monitors and reviews the account performance and the client's investment objectives. Kite and Key may receive an annual advisory fee, which is based upon a percentage of the market value of the assets being managed by the designated Independent Managers.

When recommending or selecting an Independent Manager for a client, Kite and Key reviews information about the Independent Manager such as its disclosure brochure and/or material supplied by the Independent Manager or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available. Factors that Kite and Key considers in recommending an Independent Manager include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Managers, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Kite and Key's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Kite and Key, the designated Independent Managers, and corresponding broker-dealer and

custodian.

In addition to Kite and Key's written disclosure brochure, the client also receives the written disclosure brochure of the designated Independent Managers. Certain Independent Managers may impose more restrictive account requirements and varying billing practices than Kite and Key. In such instances, Kite and Key may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Managers.

Consulting Services

Kite and Key may provide clients with a broad range of consulting services, addressing various investment and risk management matters. These services are provided pursuant to specialized engagements individually negotiated with Kite and Key's clients based upon their specific needs and objectives. The client is under no obligation to act upon any of the recommendations made by Kite and Key under a consulting engagement or to engage the services of any such recommended professional, including Kite and Key itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Kite and Key's recommendations.

Kite and Key may provide consulting services, which may include the following, without limitation:

- Asset Allocation
- Portfolio Construction
- Risk Budgeting
- Risk Management and Controls
- Investment Policies
- Manager Evaluation
- Retirement Plan Strategies and Plan Design

Item 5. Fees and Compensation

Kite and Key offers its services on a fee basis, which include monthly and fixed fees, as well as fees based upon assets under management.

Investment Management Fees

For investment management services, the firm charges either an annual fee based upon the amount of assets being managed by Kite and Key or, in the alternative, a fixed annual fee, as follows:

- **Fees Based on Assets Under Management.** The annual fee generally varies between 0.20% and 1.50%, depending upon the amount of assets under management and the type of the management services to be rendered. This fee is prorated and charged quarterly (in advance/arrears depending on the agreement), based upon the amount of assets being managed by Kite and Key on the last day of the previous quarter.
- **Fixed Fees.** The annual fee generally varies depending upon the amount of assets under management and the type of management services to be rendered. This fee is prorated and charged quarterly in advance.

Kite and Key's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Kite and Key does not, however, receive any portion of these commissions, fees, and costs.

Kite and Key, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.).

Consulting Fees

In the event a client engages the firm to provide standalone or ongoing consulting services, Kite and Key may charge a fixed fee. This fee is negotiable, but generally depends upon the level and scope of the services and the professional engaged to render them. For ongoing consulting projects, the firm may charge an ongoing

monthly fee, as set forth in the Agreement between the client and Kite and Key. If the client engages Kite and Key for additional investment advisory services, Kite and Key may offset all or a portion of its fees for those services based upon the amount paid for the consulting services.

Fees Charged by Financial Institutions

As further discussed in response to Item 12 (below), Kite and Key generally recommends that clients utilize the brokerage and/or clearing services of Charles Schwab ("Schwab"), Interactive Brokers, LLC ("IB"), Merlin Securities, LLC ("Merlin"), or Mid Atlantic Capital Group ("Mid Atlantic") for investment management accounts. In addition to those broker-dealers discussed throughout, Kite and Key may also recommend for retirement plan solutions the brokerage, clearing, and independent record-keeping services of Ascensus, Inc. ("Ascensus"), Professional Capital Services ("PCS") Folio Institutional ("Folio") amongst other such institutions that Kite and Key deems reputable.

Kite and Key may only implement its investment management recommendations after the client has arranged for and furnished Kite and Key with all necessary information and authorization regarding the accounts held at their respective financial institutions. Financial institutions include, but are not limited to, those broker-dealers discussed above, any other broker-dealer recommended by Kite and Key, broker-dealer directed by the client, trust companies, banks, third party/independent record-keepers etc. (collectively referred to herein as the "Financial Institutions").

Clients may incur certain charges imposed by the Financial Institutions and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Kite and Key's fee.

Fee Debit

Kite and Key's Agreement and a separate agreement with any Financial Institutions may authorize Kite and Key to debit the client's account for the amount of Kite and Key's fee and to directly remit that management fee to Kite and Key. Any Financial Institutions recommended by Kite and Key have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Kite and Key. Alternatively, clients may elect to have Kite and Key send an invoice for payment.

Fees for Management During Partial Periods of Service

For the initial period of investment management services, the fees are calculated on a pro rata basis. The Agreement between Kite and Key and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Kite and Key's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Kite and Key's right to terminate an account. Additions may be in cash or securities provided that Kite and Key reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Kite and Key, subject to the usual and customary securities settlement procedures. However, in some cases, Kite and Key designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Kite and Key may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees; fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If investment management assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

Item 6. Performance-Based Fees and Side-by-Side Management

Kite and Key does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

Item 7. Types of Clients

Kite and Key provides its services to individuals, investment companies, other registered investment advisers, defined benefit and profit sharing plans, defined contribution plans, trusts, estates, charitable organizations, corporations and other business entities.

No Minimums

The firm does not impose a minimum portfolio value or minimum annual fee for new or existing investment management engagements.

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

Methods of Analysis

Kite and Key relies on both quantitative and qualitative analysis techniques. The underlying methods utilized can most aptly be described as components of Post-Modern Portfolio Theory (“PMPT”) since the Firm’s approach utilizes the fundamentals of traditional portfolio theory (“MPT”) but also incorporates innovative concepts like the separation of alpha and beta and risk-source budgeting.

Modern portfolio theory (“MPT”) is a mathematical theory of investing that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by choosing the optimal proportions of various assets. Traditionally, (MPT) is utilized in a two step portfolio construction process whereby practitioners: 1) formulaically determine an optimal asset allocation mix based on expected returns, risk, and correlations, and then 2) select active managers within each asset class (to hopefully deliver alpha).

The Firm’s (“PMPT”) approach departs from (“MPT”) in that it first separates returns from alpha and beta. The beta portfolio is then managed in a Balanced-Risk format whereby unique sources of risk that are naturally diversifying are combined and managed in a such a way that diversification is enhanced and performance can be achieved irrespective of economic climate.

Investment Strategies

Kite and Key employs market scenario/environmentally balanced strategies, each with systematic risk management and drawdown controls. The Hallmarks of these strategies are: enhanced diversification, mitigated downside risk, more stable returns, favorable liquidity, and environmental balance (defined as performance in multiple environments, irrespective of economic conditions).

It is the firm’s view that many conventional institutional and individual strategies alike, in attempts to achieve attractive returns, dangerously over concentrate risk in a single boom/bust asset class (primarily equities), or sacrifice liquidity now for the promise of excess returns later. Both approaches are inherently flawed, and have been found wanting during recent market cycles. Kite and Key believes that the choice between over concentration of risk and sacrificed liquidity in the pursuit of attractive returns is a false one. Kite and Key strives to provide each client with a sustainable framework for achieving stable, attractive returns; drawdown controls (i.e. systematic approach to mitigate severe outcomes), favorable liquidity and reasonable fees.

Kite and Key also employs “open architecture” portfolio construction, whereby the firm seeks to leverage the available universe of providers to select what it believes to be the best available solutions for client portfolios. As a result the Firm believes that it utilizes a client’s given “fee budget” in a more efficient manner, expending fee resources more robustly where it can have a greater impact in areas like asset allocation and risk management and only sparingly and in a focused manner on active management.

Risks of Loss

Market Risks

The profitability of a significant portion of Kite and Key’s recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds, derivatives and other types of investments. There can be no assurance that Kite and Key will be able to predict those price movements accurately.

Many of the metrics on which Kite and Key relies are based on historical data points. A primary risk in using quantitative methods of analysis based on past market data is that spotting historical trends or patterns may not necessarily help to predict trends or patterns in the future. Even if a trend or pattern will eventually reoccur, there is no guarantee that Kite and Key will be able to accurately predict or take advantage of such a reoccurrence.

Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund’s underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund’s stated daily per share net asset value (“NAV”), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund’s holdings. The stated NAV or eventual prices at which the mutual fund’s shares transact may therefore differ significantly from the fund’s actual NAV during periods of market volatility.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market.

Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Use of Private Collective Investment Vehicles

Kite and Key may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be typically called “hedge funds”). The managers of these vehicles often have broad discretion in selecting the investments. There may be few limitations on the types of securities or other financial instruments that may be traded, and no necessary requirement to diversify. The vehicles or managers may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle and investors. In addition, because the vehicles may not be registered as investment companies, there may be an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

Use of Independent Managers

Kite and Key may recommend the use of Independent Managers for certain clients. Kite and Key will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the Independent Managers ability to successfully implement their investment strategy. In addition, Kite and Key does not have the ability to supervise the Independent Managers on a day-to-day basis other than as previously described in response to Item 4 (above).

Derivatives

Kite and Key may use derivatives (e.g., options, futures, warrants, swaps, etc.) to enhance returns or hedge against market declines. Kite and Key's use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. These risks include, without limitation: (i) the risk of default by a counterparty to a derivative contract; (ii) risk of improper valuation; and (iii) the risk that changes in the value of the derivative may not correlate perfectly with the underlying asset, rate, index or other such benchmark. Derivative prices are highly volatile and may fluctuate substantially during a short period of time. Such prices are influenced by numerous economic and market related factors, including, but not limited to: changing supply and demand relationships; government programs and policies; national and international political and economic events, changes in interest rates, inflation and deflation and changes in supply and demand relationships. Trading derivative instruments

Use of Margin and Leverage

To the extent that a client authorizes the use of margin or leverage, and margin or leverage is thereafter employed by Kite and Key in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Kite and Key will not be increased.

While the use of margin borrowing and/or leveraging an account can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

General Risk of Loss

Investing in securities, contracts and their derivatives, as well as the accounts, funds or vehicles that hold them, involves the risk of total or significant loss. Clients should be prepared to bear all such potential losses.

Item 9. Disciplinary Information

Kite and Key is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Kite and Key does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Kite and Key is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Kite and Key does not have any required disclosures to this Item.

Item 11. Code of Ethics

Kite and Key and persons associated with Kite and Key (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Kite and Key’s policies and procedures.

Kite and Key has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“Code of Ethics”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by Kite and Key or any of its associated persons. The Code of Ethics also requires that certain of Kite and Key’s personnel (called “Access Persons”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in Kite and Key’s Code of Ethics, none of Kite and Key’s Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of Kite and Key’s clients.

When Kite and Key is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when Kite and Key is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Kite and Key to request a copy of its Code of Ethics.

Item 12. Brokerage Practices

As discussed above, in Item 5, Kite and Key generally recommends that clients utilize the brokerage and/or clearing services of Schwab, IB, Merlin, Mid Atlantic and/or Ascensus, PCS, or Folio for retirement plans.

Factors which Kite and Key considers in recommending Schwab, IB, Merlin, Mid Atlantic, Ascensus, PCS, Folio or any other broker-dealer or record-keeper to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab, IB, Merlin, Mid Atlantic, Ascensus, PCS, or Folio may enable Kite and Key to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab, IB, Merlin, Mid Atlantic and/or Ascensus, PCS, or Folio may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Kite and Key's clients comply with Kite and Key's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Kite and Key determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Kite and Key seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other Financial Institutions with whom Kite and Key and the Financial Institutions have entered into agreements for prime brokerage clearing services. Kite and Key periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

The client may direct Kite and Key in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and Kite and Key will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Kite and Key (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Kite and Key may decline a client's request to direct brokerage if, in Kite and Key's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless Kite and Key decides to purchase or sell the same securities for several clients at approximately the same time. Kite and Key may (but is not obligated to) combine or "batch" such orders to obtain best execution. to negotiate more favorable

commission rates, or to allocate equitably among Kite and Key's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Kite and Key's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Kite and Key determines to aggregate client orders for the purchase or sale of securities, including securities in which Kite and Key's Supervised Persons may invest, Kite and Key generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Kite and Key does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Kite and Key determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Kite and Key may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Kite and Key in its investment decision-making process. Such research generally will be used to service all of Kite and Key's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Kite and Key does not have to produce or pay for the products or services.

Software and Support Provided by Financial Institutions

Kite and Key may receive from Schwab, IB, Merlin, Mid Atlantic and/or Ascensus, PCS, or Folio, without cost to Kite and Key, computer software and related systems support, which allow Kite and Key to better monitor client accounts maintained therein. Kite and Key may receive the software and related support without cost because Kite and Key renders investment management services to clients that maintain assets at, or executes transactions through, Schwab, IB, Merlin, Mid Atlantic and/or Ascensus, PCS or Folio. The software and related

systems support may benefit Kite and Key, but not its clients directly. In fulfilling its duties to its clients, Kite and Key endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Kite and Key's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Kite and Key's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, the firm may receive the following benefits from Schwab, IB, Merlin, Mid Atlantic and/or Ascensus, PCS, or Folio:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services the broker-dealer's registered investment advisers;
- Access to block trading which provide the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.

Item 13. Review of Accounts

Account Reviews

For those clients to whom Kite and Key provides investment management services, Kite and Key monitors those portfolios as part of an ongoing process while regular account reviews are conducted not less than annually. For those clients to whom Kite and Key provides consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of Kite and Key’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Kite and Key and to keep Kite and Key informed of any changes thereto. Kite and Key contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Account Statements and General Reports

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Kite and Key provides investment advisory services may also receive a monthly, quarterly and annual report from Kite and Key (depending on the particular engagement) that may include such relevant account and/or market- related information, such as an inventory of account holdings and account performance. Clients should compare the account statements they receive from their custodian with those they receive from Kite and Key.

Consulting Reports

Those clients to whom Kite and Key provides consulting services will receive reports from Kite and Key summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Kite and Key.

Item 14. Client Referrals and Other Compensation

Economic Benefits

Kite and Key is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. Kite and Key may receive economic benefits from non- clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

Client Referrals

Kite and Key is required to disclose any direct or indirect compensation that it provides for client referrals.

If a client is introduced to Kite and Key by either an unaffiliated or an affiliated solicitor, Kite and Key may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from Kite and Key's investment management fee, and does not result in any additional charge to the client. If the client is introduced to Kite and Key by an unaffiliated solicitor, the solicitor provides the client with a copy of Kite and Key's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of Kite and Key discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of Kite and Key's written disclosure brochure at the time of the solicitation.

Item 15. Custody

Fee Debit

Kite and Key's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Kite and Key through such *Financial Institution* to debit the client's account for the amount of Kite and Key's fee and to directly remit that management fee to Kite and Key in accordance with applicable custody rules.

The *Financial Institutions* recommended by Kite and Key have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Kite and Key. In addition, as discussed in Item 13, Kite and Key also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Kite and Key.

Item 16. Investment Discretion

Kite and Key may be given the authority to exercise discretion on behalf of clients. Kite and Key is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Kite and Key is given this authority through a power-of-attorney included in the agreement between Kite and Key and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Kite and Key takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The *Financial Institutions* to be utilized; and
- The *Independent Managers* to be hired or fired.

Item 17. Voting Client Securities

Kite and Key does not accept the authority to vote clients' securities (i.e., proxies) on their behalves. Clients receive proxies directly from the *Financial Institutions* where their assets are custodied and may contact the Firm at the number on the cover of this brochure with questions about proxies and/or other such solicitations.

Item 18. Financial Information

Kite and Key is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.

Kite and Key

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