

KMS Financial Services, Inc.
Form ADV Part 2A - Appendix 1
Wrap Fee Program Brochure

Sponsored by: KMS Financial Services, Inc.

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This Wrap Fee Program brochure provides information about the qualifications and business practices of KMS Financial Services, Inc. (“KMS”). This information has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state regulatory authority.

KMS is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about KMS is available at www.kms.com and the SEC’s website at www.adviserinfo.sec.gov. If you have questions about the contents of this brochure, please contact us at (206) 441-2885.

Item 2 - Material Changes

Since December 2014, KMS has made material and non-material changes to this Brochure. All changes are listed here for ease of reference and review. Item 9B3 (Client Referrals and Other Compensation) describes that Ladenburg Thalmann & Co. Inc (“LTCO”) acts as dealer of certain securities transactions which is a conflict of interest and how KMS addresses this conflict. Also adding language regarding KMS Advisors recommending Premier Trust to Clients and the revenue sharing arrangement for such recommendation which is a conflict of interest.

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Item 4 – Service, Fees and Compensation

KMS, founded in 1971, is a Seattle-based, independent investment advisory firm that is registered with the SEC. KMS is also a securities broker-dealer registered with the SEC, the Financial Industry Regulatory Authority (“FINRA”) and all 50 states plus the District of Columbia.

KMS operates through supervised financial professionals, who are investment advisory representatives and/or securities registered representatives. Registration does not imply any particular level of skill or training, although many KMS Representatives maintain related certifications and designations. Ladenburg Thalmann Financial Services Inc. (“LTFS”) owns 100% of KMS. LTFS is listed on the New York Stock Exchange under the symbol LTS. Dr. Phillip Frost and related entities, Gamma Trust and Nevada Trust are beneficial owners of over 25% of LTFS.

KMS offers a range of investment advisory services through multiple platforms and custody arrangements. Those services include financial planning, investment advice and asset management for fees based on a percentage of assets under management as well as advisory services of a number of unaffiliated third-party investment advisors. KMS offers these products and services to the public through its investment advisory representatives (“Advisors” or “KMS Advisors”). For a description of all these services, ask for a KMS’ Form ADV Part 2A Firm Brochure.

Each KMS Advisor should provide his or her advisory clients with details of Advisor’s background in a 2B Brochure Supplement, which should be included herein. **If you have not received such 2B Brochure Supplement, please contact your Advisor or KMS.**

As of December 31, 2013, KMS had approximately \$3.077 billion of discretionary assets under management and approximately \$1.487 billion of non-discretionary assets under management for a total of approximately \$4.564 billion assets under management.

If a KMS Advisor offers investment advice for a fee, that Advisor may tailor the advisory services he or she offers to the individual needs of specific clients. Clients may request that certain securities or types of securities be avoided. If it is difficult to determine all of the underlying securities of a particular advisory product or service, the Advisor will make reasonable efforts to avoid the specified securities or type of securities.

Wrap Fee Program Service: This brochure describes KMS’ Wrap Fee Program (“Program”), a service offered by KMS through KMS Advisors. The Program is a flexible platform allowing KMS Advisors to provide a variety of Clients (individuals, businesses, etc.) with portfolio management services and account services on an ongoing fee basis (%-of-assets) rather than for transaction-based compensation. Individual Clients’ needs and objectives are ascertained by the KMS Advisor and recorded on a questionnaire section of the KMS Asset Management Advisory Agreement – Wrap Fee Program (“Agreement”). Based on this information, the Advisor will recommend a portfolio he or she believes matches Client’s financial situation, investment objective and risk tolerance. Over time, based on market conditions and other factors, changes may be made to the portfolio. **There is no guarantee that the portfolio will meet a Client’s investment objective over any given time frame.**

Depending on the nature of the advisory relationship, a Client may decide to grant investment discretion to his or her KMS Advisor, as declared in the relevant Agreement. Investment discretion granted to a KMS Advisor is limited to the selection and amount of the securities to be bought or sold. If Client selects non-discretionary authority, the Advisor will receive verbal authority from Client before executing trades in the account. Trades are confirmed promptly by KMS’ clearing agent Pershing. Every calendar quarter Pershing will send Clients a

full account statement and, under separate cover, performance reports. KMS urges Clients to promptly review all such account information.

Fees and Compensation: The Program Fee schedule listed below reflects the maximum Program Fee calculated as a percentage of Client's assets invested in the Program. Part of the Program Fee paid to KMS will be paid by KMS to the Advisor. The Program Fee may be negotiable between the Advisor and Client and will be expressly set forth in the Agreement. The amount of revenue paid to a KMS Advisor in the Program may be more, but could be less than he or she might receive from a different advisory service. Since the maximum Program Fee may generate more revenue to the Advisor, this may cause the Advisor to have a financial incentive to recommend it over another advisory service.

The Schedule of *maximum* Program Fees as a Percentage of Assets under Management:

On the first \$100,000	2.25%
On the next \$150,000	2.00%
On the next \$250,000	1.75%
On the next \$500,000	1.50%
On the next \$1,000,000	1.25%
On amounts over \$2,000,000	1.00%

Mutual Fund Operating Expenses/Advisory Fees: A portion of the Program Fee compensates KMS and Advisor for investment advice. If a Client's Program portfolio contains mutual funds, as an investor in such mutual fund, the Client will incur advisory fees along with those advisory fees borne by the mutual fund. Fund expenses ratios vary from fund to fund.

Some mutual funds pay 12b-1 fees and some do not. For KMS advisory accounts held at other broker-dealers, KMS does not earn any 12b-1 fees from any funds that pay such fees. However, KMS and Advisors will earn 12b-1 fees for advisory accounts held at Pershing which constitutes a conflict of interest since it creates a potential incentive for KMS and Advisor to select Pershing as the custodian for its advisory accounts. KMS is the broker-dealer and Advisors are usually the Registered Representative on the account. Many mutual funds offer a variety of different share classes, each with distinct characteristics and availability. Some mutual fund share classes pay 12b-1 fees ("Trails") to the broker-dealer of record and other share classes of the same fund do not. Generally, for the same mutual fund with different share classes, the fund that does not pay Trails offers lower expenses which means a more advantageous return to the shareholder. KMS Advisors will recommend in some, but not all cases, mutual funds that pay to the broker-dealer on the account a 12b-1 fee ("Trails"). Trails, generally 0.25% of account value per year, can be higher or lower depending upon the specific mutual fund company, share class, or trading platform. To the extent Clients own mutual funds that pay Trails, Clients will bear the costs of such Trails in the net asset value of the mutual funds. In such cases, KMS and Advisors receive mutual fund Trails (if any) that accrue. Receipt by KMS and Advisors of Trail revenue constitutes a conflict of interest. It can give KMS and Advisor an incentive to recommend investments that may not be in the Client's best interest. KMS monitors and addresses the conflicts of interest in a variety of ways: through Client disclosure, initial limitations on the standard advisory fee schedule or negotiating lower fees, crediting of Trails to Client accounts, and providing additional discounts.

KMS participates in Pershing's FUNDVEST® no-transaction-fee mutual fund platform, offering Clients certain no-load (and load-waived) mutual funds under a waiver of the standard transaction charge subject to certain restrictions on short term trading. In lieu of transaction-based compensation and in consideration of its cost of providing brokerage services, KMS is eligible to receive revenue based on assets in the FUNDVEST® platform. KMS' receipt of this revenue constitutes a conflict of interest, which KMS addresses by: 1) *not* sharing the revenue with the Advisor who recommends or directs trading for Account; 2) vesting the decision of whether to use FUNDVEST® with the Advisor and Client; and 3) monitoring trading activity and related costs in Client Accounts. Further, use of FUNDVEST® mutual funds in a wrap-fee program may not be optimum given the broad transaction charge waiver covered by the wrap fee itself. Clients may direct the Advisor and KMS *not* to use FUNDVEST® in a wrap account with the understanding that that may limit

investment choice for the Account and/or require the Advisor to devote added time to research alternative fund selections, which may, in turn, affect the negotiated fee between Advisor and Client.

When providing Portfolio Monitoring and Consulting for ERISA plan accounts, KMS credits such amounts back to the account, or considers the Trails received when calculating the advisory fee due.

Comparative Costs: The Program costs may be more or less than the cost of purchasing similar services separately. For example, direct investment in a no-load mutual fund would be less expensive than participation in the Program, because Client would not bear the Program Fee. However, because the KMS Advisor provides professional advice and service in recommending and monitoring such mutual funds, buying the packaged services through the Program may be less expensive than buying advice separately from an Advisor not offering the Program. If a Client engages in relatively active trading, the costs of the Program may be less than if the account were subject to commissions on each transaction.

Service Fees and Transaction-Related Charges: KMS acts as a broker-dealer for the Program. As such, it determines and receives service fees (IRA maintenance fees, wire transfer fees, etc.) and transaction-related charges (confirmation fees). Receipt by KMS of this revenue constitutes a conflict of interest. KMS monitors this conflict by not incentivizing Advisors who recommend or direct trades because KMS does not share such revenue with Advisors. Additionally, KMS reviews trading activity, comparing it to account investment objectives, trading strategy and overall suitability. KMS discloses these charges annually in the account statements.

Clients will not incur any brokerage charges for transactions executed in their Program account. However, Clients will incur confirmation fees on all transactions. These charges vary depending on the type of delivery of the confirmation (electronic or via mail). These charges are subject to change and are listed on written confirmations provided to Clients promptly following each transaction. Clients can obtain a copy of the current service fee schedules by contacting their KMS Advisor. It is possible that an account may indirectly pay a spread to an unaffiliated market maker when buying or selling certain types of securities. Neither KMS nor the Advisor benefits from such spreads.

All mutual funds purchased in the Program will be funds available for purchase at each fund's net asset value and with no sales charge, so that no sales commissions will be incurred in connection with investment in the initial portfolio or subsequent portfolio purchases.

Other Compensation Issues: There are no commissions charged in KMS' Program; however, the Program assesses a 25 basis point (0.25% per year) administrative retention (platform) fee to the gross advisory fee generated from the accounts. That charge does not increase your advisory fee; it decreases the amount that is shared with your KMS Advisor. KMS receives a portion of the platform fee.

Under an automatic "cash sweep" program, cash in your Pershing account is invested in money market funds ("Cash Funds"), some of which pay Trails to KMS for related services, representing a cost borne by the Cash Funds' investors. Even though the payment of this Cash Fund Trail revenue relates to services KMS provides, receipt by KMS of this revenue represents a conflict of interest. To mitigate this conflict of interest, KMS will not pay any of the Cash Fund Trail revenue to the Advisor or Registered Representative on the account.

For Program accounts that use margin (borrowing), KMS receives a portion of the margin interest charged for a Client's margin balance. KMS does not share revenue from margin interest with the Advisor. KMS' receipt of this margin interest is a conflict of interest. KMS mitigates this conflict of interest by reviewing each client's application for margin to make sure it is consistent with their stated needs and objectives and financial situation. Additionally, when first applying for a margin account, each client must acknowledge the risks and costs related to the use of margin.

Item 5 – Account Requirements and Types of Clients

KMS does not require a minimum account size. However, a KMS Advisor may stipulate a minimum investment amount. This would be disclosed and discussed with the Client prior to the investment purchase. KMS Advisors provide advisory services and investment advice to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities, and government entities.

ERISA Plan clients are provided with disclosure documents, which provide information about KMS' qualifications, business practices and potential conflicts of interest that may be important for any ERISA Plan to consider. If you are a named fiduciary for an ERISA Plan and you have not received such disclosure documents, please contact your Advisor or KMS.

Item 6 – Portfolio Manager Selection and Evaluation

KMS allows its Advisors to act as Portfolio Managers. As Portfolio Managers, Advisors monitor Client Program accounts and make recommendations for (or executing trades in) investments consistent with Clients' investment objectives. Some non-KMS Wrap Fee Programs may offer independent third party (outside) portfolio managers. Neither KMS nor its Advisors select, review or evaluate outside portfolio managers. Given this structure, KMS does not conduct peer comparison performance review or analysis of its portfolio managers (Advisors). This constitutes a conflict of interest. KMS addresses this conflict by monitoring the portfolio managers' performance relative to the stated account investment objectives, relative performance benchmarks, etc. **There is no guarantee that the recommendations or trades will meet a Client's investment objective over any given timeframe.**

Generally, Advisors conduct research and analysis through the use of third-party providers such as Morningstar, Inc., Standard & Poor's, Thomson Reuters, and various other reporting and research organizations. KMS Advisors may also use financial newspapers, magazines, journals, company press releases, annual reports, prospectuses, and filings with the SEC.

KMS' clearing agent, Pershing LLC, generates quarterly performance reports with comparisons to selected benchmarks.

Methods of Analysis & Investment Strategies: KMS Advisors may use various methods to determine an appropriate investment strategy for Client accounts. During a Client's initial and subsequent interactions, the Advisor will discuss the methods and strategies he or she uses or can use given various investment objectives. These methods and strategies are formulated by the Advisors and not by KMS at the firm (home office) level. The analysis to be performed may include the following:

Fundamental Analysis: involves analyzing individual companies and their industry groups, reviewing earnings, financial statements, and the quality of a company's management. These factors are used to determine, along with the price of the stock, the relative value, strength and position of the company. See the general types of investment risk below.

Asset Allocation: Asset allocation investment strategies attempt to optimize the risk and reward profile of a portfolio (based on prior performance over various time frames) by investing among several asset classes. In addition to the general types of investment risks discussed below, this strategy is based on past performance, which is not indicative of future results.

Timing Services: This strategy attempts to time movements of various markets or investments. The intent with these strategies is to capture most if not all of a market upside while avoiding most if not all of a market downside. These objectives may not be achieved; in fact, over any given time period, performance may be less advantageous than staying fully invested or staying out of the markets completely. Many mutual funds and variable annuities prohibit excessive buying and selling within their account during a specified time period, which can affect the execution and performance of a strategy.

Technical Analysis: involves the study of price patterns and trends in the prices of securities (or index of securities) to attempt to predict future price trends. Factors such as trading volume, demand, and security price fluctuations may be considered. Past trends and patterns may not actually be indicative of future results.

Cyclical Analysis: this is a type of technical analysis that involves evaluating recurring price patterns and trends.

General Types of Investment Risk: Investing in securities involves risk of loss that you should be prepared to bear. All investment programs have certain risks that are borne by the investor. Investors face the following risks:

Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

Market Risk: The price of a security (stock, bond, mutual fund, etc.) may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic or social conditions may trigger market events.

Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year because the purchasing power is eroded.

Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This risk is also sometimes referred to as "exchange rate risk."

Reinvestment Risk: This is the risk that future distributions (or liquidation proceeds) from investments may have to be invested at a potentially lower rate of return. This risk primarily relates to fixed income investments (bonds), which might need to be reinvested at lower interest rate than the initial investment.

Business Risk: These risks are associated with a particular industry or particular company within an industry. For example, automobile companies are generally all subject to the same business risks that confront their industry.

Concentrated Investment Risk: Certain investment strategies may be concentrated in a specific sector or industry or individual security. If you invest in a portfolio or strategy that is made up of a concentrated position, sector or industry, your portfolio will be more likely to sharply increase or decrease in value with changes in the markets. Concentrated strategies are typically more volatile because the risk associated with each security represents a large percentage of your overall portfolio.

The fact that a KMS Advisor acts as portfolio manager creates a conflict of interest as described above in Item 4 under Other Compensation Issues. Since each Program account is client-specific, it may or may not bear any relationship with other advisory accounts.

KMS' Wrap Fee Program accounts are not offered under performance-based fee arrangements; nor does KMS employ side-by-side management.

Most KMS Advisors elect not to vote proxies on behalf of their Clients. Clients that have elected to vote their own proxies will receive these directly from the account custodian or a transfer agent. If an Advisor does elect to vote proxies on behalf of Clients, such Clients must authorize KMS and the Advisor to do so through the applicable account application, contract or agreement. The KMS Advisor will perform the necessary research regarding each issue, evaluate any costs involved, document the findings, and vote in the clients best interests. If there are any conflicts of interest, these conflicts will be disclosed to the Client and Client consent will be

received prior to the proxy vote being submitted. If the Client would like to direct the proxy vote on a particular issue the Client should communicate their instructions to the KMS Advisor timely, in such that the Advisor can act upon the instructions. Clients may obtain a copy of the KMS Proxy Voting Policies and also may obtain information as to how proxies were voted on their behalf upon request.

Item 7 – Client Information Provided to Portfolio Managers

Client information is shared with KMS Advisors who act as Portfolio Managers under Program accounts.

Item 8 – Client Contact with Portfolio Managers

Clients have ample access to KMS Advisors, who act as Portfolio Managers. The frequency and nature of such contact depends on Client and Advisor preferences.

Item 9 – Additional Information

Item 9A1 – Disciplinary Information

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of KMS or the integrity of KMS' management personnel. No events have occurred at KMS that are applicable to this Item.

Item 9A2 – Other Financial Industry Activities and Affiliations

KMS is also a securities broker-dealer and as such sells securities products and services. Many KMS Advisors are also licensed with KMS as securities Registered Representatives, which allows them to provide brokerage services to Clients by executing securities transactions. KMS Advisors may also be licensed insurance agents appointed with various insurance companies. In their capacities as Registered Representatives and/or licensed insurance agents, KMS Advisors may offer securities and insurance products and will receive compensation as a result of such transactions or services. This presents a conflict of interest because they have an interest in earning commissions that may be adverse to your interests. KMS monitors this conflict of interest through its broker-dealer supervisory and compliance review system.

KMS is a wholly owned subsidiary of Ladenburg Thalmann Financial Services Inc. ("LTFS"). Other companies that are owned by LTFS and thus affiliated with KMS are:

Ladenburg Thalmann Fund Management, LLC (LTFM)	50% owned by LTAM
Ladenburg Thalmann & Co. Inc. (LTCO)	100% owned by LTFS
Ladenburg Capital Agency Inc.	100% owned by LTFS
Triad Advisors, Inc.	100% owned by LTFS
Triad Hybrid Solutions, LLC	100% owned by LTFS
Investacorp, Inc.	100% owned by LTFS
Investacorp Advisory Services	100% owned by LTFS
Premier Trust, Inc.	100% owned by LTFS
Securities America Financial Corporation (SAFC)	100% owned by LTFS
Securities America, Inc.	100% owned by SAFC
Securities America Advisors, Inc.	100% owned by SAFC
Arbor Point Advisors, LLC	80% owned by SAFC
HCHC Acquisition, Inc. (HCHC)	100% owned by LTFS
Highland Capital Brokerage, Inc.	100% owned by HCHC

KMS Advisors may also operate companies or offer services independent of KMS. These unaffiliated companies or services may include other investment advisory firms, accounting or tax practices, insurance services, pension consulting services, and legal services, among others. These independent products or services

can create conflicts of interest. KMS routinely reviews these “outside businesses” and Clients should discuss these potential conflicts of interests with their Advisor.

Neither KMS nor any of its management personnel is registered as a futures commission merchant, commodity pool operator, commodity trading advisor, or associated person of such entities.

Item 9B1 – Code of Ethics, Participation or Interest in Client Transactions & Personal Trading **Code of Ethics & Personal Trading:**

Like any SEC-registered investment adviser, KMS maintains an Investment Advisory Code of Ethics based on KMS’ fundamental duty to place the interest of our Clients first at all times. KMS Advisors acknowledge in writing that they will follow KMS’ Code of Ethics. For a copy of the Code of Ethics, please contact KMS or your Advisor.

In summary, KMS’ Code of Ethics requires Advisors to:

- (1) follow ethical standards of conduct, which includes providing investment advice that is consistent with your stated investment objectives, financial needs and circumstances;
- (2) safeguard your confidential information;
- (3) not engage in fraudulent, deceptive or manipulative conduct;
- (4) not recommend a securities transaction without disclosing significant conflicts of interests;
- (5) comply with certain trading policies on Personal Securities Transactions, which, in general: (a) prohibit an Advisor from trading a security before a Client; and (b) prohibit an Advisor from opening or having a personal securities trading account without prior written KMS approval;
- (6) not act on or distribute material, nonpublic information; and
- (7) not participate in an initial public offering or private placement without KMS’ prior written approval.

The fact that KMS or an Advisor may actually own the same security as one or more of his Clients constitutes a conflict of interest. KMS monitors trading activity to ensure that Clients are not disadvantaged relative to KMS or Advisors when trading such securities.

Participation or Interest in Client Transactions: Also, KMS, as principal, may buy securities for itself from or sell securities it owns to some Wrap Fee Program Clients. The compensation for these principal trades is inconsequential relative to the trade size. KMS and/or its Advisor may, from time to time, buy or sell securities that its Clients may own.

Item 9B2 – Review of Accounts

Depending on the nature of the advisory relationship, Advisors review accounts at least quarterly, semi-annually, or annually to determine whether the positions, transactions, and strategies are consistent with the Client’s stated investment objective(s). Advisors may review accounts with each Client in person or by phone on an ongoing basis on a predetermined schedule based on each Client’s preferences. Clients may request a review of accounts with the Advisor at any time. Additionally, market events may trigger an Advisor to conduct an account review and/or communicate with Clients. Periodically KMS Compliance Officers review a sample of accounts from each Advisor for consistency with stated Client objectives, risk tolerance, time horizon, etc.

Clients are provided with monthly or quarterly statements (in written or electronic format), depending on the activity in the account, directly from the qualified custodian. Statements will include information on client holdings, balances, and account activity. Additionally, Clients will be provided with performance reports on a regular basis (quarterly, semi-annually, or annually), delivered in either written or electronic format. KMS urges Clients to read all statements and reports promptly.

Item 9B3 – Client Referrals and Other Compensation

Client Referrals: KMS has referral arrangements with financial institutions, such as banks or credit unions, under which they provide certain KMS Advisors with referrals to potential Clients in exchange for a portion of

the investment advisory fees and/or commissions KMS may earn from that potential Client. All investment recommendations and advice are provided by the KMS Advisor who will secure from each Client a written acknowledgement that the Client understands the respective roles of KMS and the financial institution.

Other Compensation for Non-advisory Business: In addition, Advisor may also recommend that a Client buy (or sell) a security or insurance product outside the context of the advisory account(s). If a Client decides to buy or sell a security or insurance product, KMS and Advisor may be paid a commission (including mark-up or mark-down) on those transactions. In these circumstances KMS and Advisor would have a financial interest in the transaction which constitutes a conflict of interest. Generally the Advisor will disclose the amount of compensation at the time a recommendation is made by delivering the relevant prospectus or the equivalent. Clients are under no obligation to purchase securities or insurance products through KMS or the Advisor.

LTCO acts as a dealer with respect to certain securities, and as such, may execute transactions for KMS clients as principal. As a dealer, LTCO may receive a “mark-up,” “mark-down,” and / or spread in the net price at which principal transactions are executed. This compensation is in addition to other compensation that client pays to KMS and its affiliates under the Program. Thus, KMS has a conflict of interest in deciding to execute trades through LTCO on a principal basis. KMS addresses this conflict in the following ways. After receiving disclosures about a specific principal transaction with LTCO, Clients have the opportunity to reject the transaction before it is completed, to the extent required by applicable law. In addition, KMS has policies and procedures in place to assure that Clients receive best execution with respect to principal trades, regardless of whether the trade is executed by LTCO or an unaffiliated dealer.

KMS Advisors may recommend Premier Trust to provide trust and administrative services. Premier Trust provides full disclosure with respect to its trust and administrative services and related costs. KMS will receive 10% of the trust and administration fees clients pay to Premier Trust for trust administration services. Receipt of this revenue by KMS, who will share it with KMS Advisors, constitutes a conflict of interest. Clients are not obligated to use Premier Trust for trust administration services.

Advisors may also engage in other businesses outside of KMS and recommend that a Client purchase such a product or service outside of the context of the advisory account(s) (“Recommendations”). Such activities are disclosed to Clients via the attached 2B Brochure Supplement. To the extent those Recommendations create compensation for an Advisor and involve using funds from the advisory account(s), the Advisor would have a financial interest in the transaction that may constitute a conflict of interest. KMS does not share in this compensation. KMS encourages Clients to inquire with their Advisor about this possible conflict before accepting any Recommendations.

Other Compensation in General: KMS hosts **several conferences** for its Advisors, discussing timely topics about products, services, investment strategies, KMS procedures, and practice management. Various sponsors attending the conference pay KMS a fee, which helps defray a portion of KMS’ cost of hosting the conference. This type of cost sharing is a typical practice in the industry and the conference is a net expense to KMS even after the sponsor support.

Third party advisory firms, sponsors and custodians may offer KMS or KMS Advisors **financial assistance** in the form of marketing reimbursements, free or discounted technology platforms and/or free or discounted due diligence trips. Marketing reimbursement allows a third party advisor to help a KMS Advisor grow their asset base. Marketing support reimbursements are for documentable expense and do not exceed the cost of the item. Third party advisors provide support for due diligence and educational trips to educate and train KMS Advisors (and KMS home office staff) about that firm’s services and tools. These reimbursements do not exceed the cost of attending the trip or meeting. Further, any technology (or technology support) provided is either a tool required for the Advisor to (efficiently) deliver the service under the advisory contract or it is merely a discount to the “retail” price of the particular technology which assists the Advisor in servicing their Clients. The level of these forms of support is both typical in the industry and modest relative to the total value of services rendered.

Item 9B4 – Financial Information

KMS is required to provide you with certain financial information or disclosures about its financial condition. KMS has no financial commitment that impairs our ability to meet our contractual and fiduciary commitments to you, and KMS has not been the subject of a bankruptcy proceeding.